

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

ANNUAL FINANCIAL REPORT

2005

CITY OF GARY

LAKE COUNTY, INDIANA



FILED
12/29/2006

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Husain G. Mahmoud	01-01-05 to 12-31-06
Mayor	Scott L. King Dozier T. Allen Rudolph Clay, Sr.	01-01-04 to 03-24-06 03-25-06 to 04-07-06 04-08-06 to 12-31-07
President of the Board of Public Works and Safety	Geraldine B. Tousant	01-01-05 to 12-31-06
President of the Common Council	Charles Hughes Roy Pratt	01-01-05 to 12-31-05 01-01-06 to 12-31-06
President of the Board of Sanitary Commissioners	Silas Wilkerson, III	01-01-05 to 12-31-06



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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 GARY, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gary (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 and investment 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 and investment balances of the governmental activities, the business-type activities, 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 October 11, 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, Schedules of Contributions From the Employer and Other Contributing Entities 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 or Budgetary Comparison Schedules 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 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 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

October 11, 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 GARY, LAKE COUNTY, INDIANA

We have audited the financial statements of the City of Gary (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated October 11, 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.

However, we noted certain immaterial instances of noncompliance that we have discussed with the management of the City on October 11, 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.

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

October 11, 2006

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

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	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	\$ 70,594,545	\$ 1,910,679	\$ 587,936	\$ 317,617	\$ (67,778,313)	\$ -	\$ (67,778,313)
Public safety	41,612,325	948,395	2,420,039	658,193	(37,585,698)	-	(37,585,698)
Highways and streets	5,012,964	-	3,249,162	1,241,273	(522,529)	-	(522,529)
Sanitation	563,234	-	316,469	-	(246,765)	-	(246,765)
Health and welfare	4,167,411	456,236	2,246,407	-	(1,464,768)	-	(1,464,768)
Culture and recreation	6,707,813	827,412	-	4,251,262	(1,629,139)	-	(1,629,139)
Urban redevelopment and housing	20,668,577	10,740	4,951,531	-	(15,706,306)	-	(15,706,306)
Principal and interest on long-term debt	5,623,676	-	-	-	(5,623,676)	-	(5,623,676)
Total governmental activities	154,950,545	4,153,462	13,771,544	6,468,345	(130,557,194)	-	(130,557,194)
Business-type activities:							
Sanitary district	27,763,621	20,991,536	-	802,677	-	(5,969,408)	(5,969,408)
Storm water utility	1,103,362	7,160	-	-	-	(1,096,202)	(1,096,202)
Total business-type activities	28,866,983	20,998,696	-	802,677	-	(7,065,610)	(7,065,610)
Total primary government	\$ 183,817,528	\$ 25,152,158	\$ 13,771,544	\$ 7,271,022	(130,557,194)	(7,065,610)	(137,622,804)
General receipts:							
Property taxes					92,838,689	17,571,292	110,409,981
Intergovernmental receipts:							
Excise taxes					909,988	192,947	1,102,935
Commercial vehicle excise taxes					786,105	92,886	878,991
Financial institutions taxes					261,371	109,660	371,031
Alcoholic beverage taxes					252,911	-	252,911
Cigarette taxes					86,623	-	86,623
Gaming taxes					17,622,171	-	17,622,171
Payment in lieu of taxes					4,623	817	5,440
Grants and contributions not restricted to specific programs					8,677,466	1,404,137	10,081,603
Unrestricted investment earnings					1,519,089	306,634	1,825,723
Other					5,671,866	8,315	5,680,181
Total general receipts					128,630,902	19,686,688	148,317,590
Change in net assets					(1,926,292)	12,621,078	10,694,786
Net assets - beginning					6,545,981	23,937,764	30,483,745
Net assets - ending					\$ 4,619,689	\$ 36,558,842	\$ 41,178,531
Assets							
Cash and investments					\$ (2,168,742)	\$ 23,386,078	\$ 21,217,336
Restricted assets:							
Cash and cash investments					6,788,431	13,172,764	19,961,195
Total assets					\$ 4,619,689	\$ 36,558,842	\$ 41,178,531
Net Assets							
Restricted for:							
Debt service					\$ 379,342	\$ 6,811,948	\$ 7,191,290
Capital improvements					698,628	6,151,490	6,850,118
Other purposes					5,710,461	209,326	5,919,787
Unrestricted					(2,168,742)	23,386,078	21,217,336
Total net assets					\$ 4,619,689	\$ 36,558,842	\$ 41,178,531

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

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

	General	Gaming Revenues	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 82,339,199	\$ -	\$ 10,499,490	\$ 92,838,689
Licenses and permits	629,504	-	360	629,864
Intergovernmental	2,253,103	25,440,764	14,819,749	42,513,616
Charges for services	749,526	-	1,483,911	2,233,437
Fines and forfeits	231,640	-	71,090	302,730
Other	2,666,204	622,856	10,798,141	14,087,201
Total receipts	88,869,176	26,063,620	37,672,741	152,605,537
Disbursements:				
General government	38,144,156	904,328	2,405,675	41,454,159
Public safety	38,235,093	73,182	3,301,662	41,609,937
Highways and streets	-	5,358	4,597,159	4,602,517
Sanitation	-	1,400	561,834	563,234
Health and welfare	1,046,668	765,675	2,355,068	4,167,411
Culture and recreation	-	308,000	6,271,097	6,579,097
Urban redevelopment and housing	2,172,774	1,022,457	5,380,451	8,575,682
Debt service:				
Principal	-	-	4,898,752	4,898,752
Interest	-	-	724,924	724,924
Capital outlay:				
General government	-	-	4,431,595	4,431,595
Public safety	-	-	2,388	2,388
Highways and streets	-	-	410,447	410,447
Culture and recreation	-	-	128,716	128,716
Urban redevelopment and housing	-	-	12,092,895	12,092,895
Total disbursements	79,598,691	3,080,400	47,562,663	130,241,754
Excess (deficiency) of receipts over disbursements	9,270,485	22,983,220	(9,889,922)	22,363,783
Other financing sources (uses):				
Tax anticipation warrants received	52,000,000	-	2,644,000	54,644,000
Tax anticipation warrants paid	(70,469,139)	-	(6,338,416)	(76,807,555)
Interfund loans received	32,150,474	10,565,000	11,647,886	54,363,360
Interfund loans paid	(32,232,886)	(12,695,746)	(12,575,728)	(57,504,360)
Transfers in	12,198,470	11,429,400	24,482,809	48,110,679
Transfers out	(4,513,313)	(31,279,456)	(11,429,400)	(47,222,169)
Total other financing sources (uses)	(10,866,394)	(21,980,802)	8,431,151	(24,416,045)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,595,909)	1,002,418	(1,458,771)	(2,052,262)
Cash and investment fund balance - beginning	(877,857)	(394,243)	8,293,085	7,020,985
Cash and investment fund balance - ending	\$ (2,473,766)	\$ 608,175	\$ 6,834,314	4,968,723
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis 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 Activities and Net Assets - Cash and Investment Basis.				
				(349,034)
Net assets of governmental activities				\$ 4,619,689
Cash and Investment Assets - December 31				
Cash and investments	\$ (2,473,766)	\$ 608,175	\$ 45,883	\$ (1,819,708)
Restricted assets:				
Cash and investments	-	-	6,788,431	6,788,431
Total cash and investment assets - December 31	\$ (2,473,766)	\$ 608,175	\$ 6,834,314	\$ 4,968,723
Cash and Investment Fund Balance - December 31				
Restricted for:				
Debt service	\$ -	\$ -	\$ 379,342	\$ 379,342
Capital outlay	-	-	698,628	698,628
Other purposes	-	-	5,710,461	5,710,461
Unrestricted	(2,473,766)	608,175	45,883	(1,819,708)
Total cash and investment fund balance - December 31	\$ (2,473,766)	\$ 608,175	\$ 6,834,314	\$ 4,968,723

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

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

	Sanitary District	Storm Water Utility	Total	Internal Service Funds
Operating receipts:				
Flat rate receipts	\$ 7,986,897	\$ -	\$ 7,986,897	\$ -
Measured revenue:				
Residential	5,656,137	-	5,656,137	-
Commercial	6,010,029	-	6,010,029	-
Governmental	708,696	-	708,696	-
Employer contributions	-	-	-	8,341,204
Employee contributions	-	-	-	715,613
Other	629,777	7,160	636,937	418,716
Total operating receipts	20,991,536	7,160	20,998,696	9,475,533
Operating disbursements:				
Operations and maintenance	6,451,576	675,181	7,126,757	-
Contractual services	7,459,680	-	7,459,680	-
Transportation disbursements	956,179	-	956,179	-
Miscellaneous disbursements	14,102	-	14,102	-
Equipment and capital improvements	6,242,129	404,790	6,646,919	-
Customer accounts	663,720	-	663,720	-
Payment in lieu of taxes	180,000	-	180,000	-
Administration and general	1,598,130	23,391	1,621,521	908,759
Insurance claims and premiums	-	-	-	7,552,294
Total operating disbursements	23,565,516	1,103,362	24,668,878	8,461,053
Excess (deficiency) of receipts over disbursements	(2,573,980)	(1,096,202)	(3,670,182)	1,014,480
Nonoperating receipts (disbursements):				
Property taxes	16,198,189	1,373,103	17,571,292	-
Intergovernmental:				
Excise taxes	159,876	33,071	192,947	-
CVET	92,886	-	92,886	-
Financial institution taxes	109,660	-	109,660	-
Payment in lieu of taxes	736	81	817	-
Grants and contributions	1,404,137	-	1,404,137	-
Interest and investment receipts	296,578	10,056	306,634	-
Miscellaneous receipts	345	7,970	8,315	-
Debt service of principal	(2,850,000)	-	(2,850,000)	-
Interest and investment disbursement	(1,348,105)	-	(1,348,105)	-
Total nonoperating receipts (disbursements)	14,064,302	1,424,281	15,488,583	-
Excess of receipts over disbursements and nonoperating receipts (disbursements)	11,490,322	328,079	11,818,401	1,014,480
Capital contributions	802,677	-	802,677	-
Transfers in	8,410,553	260,240	8,670,793	-
Transfers out	(8,410,553)	(260,240)	(8,670,793)	(888,510)
Excess of receipts, contributions and transfers in over disbursements and transfers out	12,292,999	328,079	12,621,078	125,970
Cash and investment fund balance - beginning	22,800,274	1,137,490	23,937,764	(475,004)
Cash and investment fund balance - ending	<u>\$ 35,093,273</u>	<u>\$ 1,465,569</u>	<u>\$ 36,558,842</u>	<u>\$ (349,034)</u>
Cash and Investment Assets - December 31				
Cash and investments	\$ 21,920,509	\$ 1,465,569	\$ 23,386,078	\$ (349,034)
Restricted assets:				
Cash and investments	13,172,764	-	13,172,764	-
Total cash and investment assets - December 31	<u>\$ 35,093,273</u>	<u>\$ 1,465,569</u>	<u>\$ 36,558,842</u>	<u>\$ (349,034)</u>
Cash and Investment Fund Balance - December 31				
Restricted for:				
Debt service	\$ 6,811,948	\$ -	\$ 6,811,948	\$ -
Capital improvements	6,151,490	-	6,151,490	-
Other purposes	209,326	-	209,326	-
Unrestricted	21,920,509	1,465,569	23,386,078	(349,034)
Total cash and investment fund balance - December 31	<u>\$ 35,093,273</u>	<u>\$ 1,465,569</u>	<u>\$ 36,558,842</u>	<u>\$ (349,034)</u>

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

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

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employer	\$ 9,041,222	\$ -
Plan members	<u>179,821</u>	<u>-</u>
Total contributions	<u>9,221,043</u>	<u>-</u>
Investment earnings:		
Interest	<u>922</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>160,263,743</u>
Total additions	<u>9,221,965</u>	<u>160,263,743</u>
Deductions:		
Benefits	11,298,603	-
Administrative and general	69,048	-
Agency fund deductions	<u>-</u>	<u>160,396,722</u>
Total deductions	<u>11,367,651</u>	<u>160,396,722</u>
Deficiency of total additions over total deductions	(2,145,686)	(132,979)
Other financing sources (uses):		
Interfund loans received	7,731,000	-
Interfund loans paid	<u>(4,590,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,141,000</u>	<u>-</u>
Excess of additions and other financing sources over deductions and other financing uses	995,314	(132,979)
Cash and investment fund balance - beginning	<u>(128,007)</u>	<u>3,912,138</u>
Cash and investment fund balance - ending	<u>\$ 867,307</u>	<u>\$ 3,779,159</u>

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

CITY OF GARY
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, wastewater, storm water, and urban redevelopment and housing.

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

Primary Government:	City of Gary
Blended Component Unit:	Gary Building Corporation Gary Redevelopment 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 units are presented below:

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

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Joint Venture

The City is a participant with the City of Hammond and the City of East Chicago in a joint venture to operate the Gary/Hammond/East Chicago Empowerment Zone which was created to create new jobs empowering low-income persons and families to become economically self-sufficient. The City is obligated by contract to be the lead entity to administer all federal grant funds provided for use in the Empowerment Zone. The Empowerment Zone uses its resources to undertake special projects for the City. The Empowerment Zone's continued existence depends on the City's ability to be awarded continued federal funding. The Empowerment Zone's financial activity is included as agency funds of the City of Gary.

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 Gary Housing Authority, Gary Public Transportation Corporation, Gary/Chicago Regional Airport Authority, and the Gary Economic Development Corporation.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment 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 assets, liabilities, fund equity, 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.

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 taxes.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major proprietary funds:

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

The storm water utility fund accounts for the operation of the storm water collection system.

Additionally, the City reports the following fund types:

The internal service funds account for group health insurance, unemployment and workmen's compensation programs provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for the federal government, state government, and other local governments.

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 and investment 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 and investment 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.

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 between the component unit and various other functions of the government. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair 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, or (2) law through constitutional provisions or enabling legislation.
- 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.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities

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 and Investment 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:

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 and Investment 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 – Cash and Investment Basis.

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.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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
General Fund	\$ 2,095,108
Special Revenue Funds:	
Motor Vehicle Highway	758,047
Genesis Center Operating	149,896
Capital Project Fund:	
Cumulative Capital Development	140,499
Pension Trust Funds:	
1937 Firefighters' Pension	224,211
1925 Police Pension	848,630
Total	\$ 4,216,391

These disbursements were funded by available cash balances in other funds. The excess of expenditures over appropriations resulted from the failure to obtain additional appropriation authority from the Common Council and, for some funds, the Indiana Department of Local Government Finance.

C. Cash and Investment Balance Deficits

At December 31, 2005, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and State statute:

Fund	2005
General Fund	\$ 2,473,766
Special Revenue Funds:	
Protective Services Grant 1	849,417
Motor Vehicle Highway	327,745
Solid Waste Recycling Project	148,220

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	2005
Capital Project Funds:	
FEMA Grant - Fire Department	\$ 233,355
Broadway Avenue Beautification	76,123
Internal Service funds:	
Self-Insurance	279,976
WCI/UCI Benefit	69,058
Agency Fund:	
Payroll	14,914

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2005, the City had the following investments:

Investment Type	Market Value
U.S. treasuries and securities	\$ 829,675
Government sponsored enterprise	553,292
Taxable municipal bonds	750,000
 Total	 \$ 2,132,967

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

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 City 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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments. At December 31, 2005, the City held investments in taxable municipal bonds in the amount of \$750,000. Of these investments \$750,000 were held by the Counterparty.

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.

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
U.S. treasuries and securities	\$ 35,532	\$ 261,169	\$ 532,974
Government sponsored enterprise	85,749	234,191	233,352
Taxable municipal bonds	-	-	750,000
Totals	<u>\$ 121,281</u>	<u>\$ 495,360</u>	<u>\$ 1,516,326</u>

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

<u>Standard and Poor's Rating</u>	<u>City's Investments</u>	
	<u>Government Sponsored Enterprise</u>	<u>Taxable Municipal Bonds</u>
AAA	\$ 553,292	\$ -
Unrated	<u>-</u>	<u>750,000</u>
Totals	<u>\$ 553,292</u>	<u>\$ 750,000</u>

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	Other governmental	\$ 4,513,313
Gaming revenues	General fund	11,309,960
Gaming revenues	Other governmental	19,969,496
Other governmental	Gaming revenues	11,429,400
Internal service	General fund	<u>888,510</u>
Total		<u>\$ 48,110,679</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. Additionally, due to the problems encountered with reassessment as discussed in Note IV. C., the City did not receive all property tax distributions and additional operating transfers were necessary.

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.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Opinion Unit</u>	<u>Balance as Reported December 31, 2004</u>	<u>Fund Reclassification</u>	<u>Balance as Restated January 1, 2005</u>
Major Enterprise Funds:			
Sanitary District	\$ 23,937,764	\$ (1,137,490)	\$ 22,800,274
Storm Water Utility	-	1,137,490	1,137,490

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 torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. The risk of job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits) are covered by commercial insurance from independent third parties for the Sanitary District only. 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.

Group Health Insurance

The City, excluding the Sanitary District, has chosen to establish a risk financing fund for risks associated with employee health claims. 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 \$125,000 and an aggregate of \$1,000,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all insured funds and are available to pay claims, claim reserves, and administrative costs of the program. A premium is charged to each fund that accounts for employee payroll, based upon the percentage of each fund's current year payroll as it relates to total payroll. These premiums are reported as quasi-external interfund transactions. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

Worker's Compensation and Unemployment Insurance

The City, excluding the Sanitary District, has chosen to establish a risk financing fund for risks associated with employee workmen's compensation and unemployment. The risk financing fund is accounted for in the Unemployment/Workmen's Compensation Fund, an internal service fund, where assets are set aside for claim settlements. Amounts are paid into the fund by all insured funds and are available to pay claims, claim reserves, and administrative costs of the program. A premium is charged to each fund that accounts for employee payroll, based upon the percentage of each fund's current year payroll as it relates to total payroll. These premiums are reported as quasi-external interfund transactions. Provisions are also made for unexpected and unusual claims.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Vehicle and Liability Insurance

The City pays for all vehicle and liability claims from the General Fund and the Gaming Revenues Fund.

B. Holding Corporation

The City has entered into a capital lease with the Gary 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. As discussed in Note I. A., the lessor has been determined to be a blended component unit of the City.

The Sears building facility under the lease is included in the capital assets of the government. Lease payments during the year totaled \$736,500. Since the lease agreement is a funding mechanism for the revenue bonds, and since the Gary Building Corporation is a blended component unit of the City, only the debt of the revenue bonds is reported, so as to not duplicate the debt.

C. Subsequent Events

Property Taxes

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

The 2005 pay 2006 rates and levies were not established by February 15, 2005, as required by state statute due to the delay in the completion of the reassessment of Lake County. The tax bills were mailed to Lake County residents in August 2006. They are due in two installments on August 29, 2006, and November 13, 2006.

Refunding Bonds

On December 17, 2004, the Redevelopment Authority issued the Taxable Lease Rental Revenue Refunding Bonds, Series 2004 A, \$5,851,606.29 and Series 2004B, \$11,517,923.89. These bonds are to refinance the 2001A, 2001B, and 2002A Redevelopment Commission Bonds. The Redevelopment Authority is a blended component unit of the City. The City (Redevelopment Commission) entered into a lease agreement with the Authority to fund the repayment of the bonds. However, unlike most refunding issues, the bank (Bank One) purchased the new bonds and the proceeds were not actually released at the time of issuance. In 2004, the only proceeds released were for bond issuance costs of \$504,530. In March 2005, proceeds were released to refund the 2001A and 2001B bonds. In February 2006, proceeds were released to refund the balance of the 2002A bonds. Principal and interest payments continued on the 2002A bonds until 2006.

Potential Loss on Loan Receivable

As of December 31, 2004, the Empowerment Zone filed suit against the personal guarantors of six Empowerment Zone revolving loans receivable that have become delinquent. The Empowerment Zone could experience a potential loss of \$585,890.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Tax Anticipation Warrants

In January and June 2006, the City issued tax anticipation warrants totaling \$26,509,833 and \$26,276,403, respectively. \$46,463,346 was for the General Fund, \$1,222,784 for the Park and Recreation Fund, \$1,333,010 for the Genesis Center Fund, \$1,955,460 for the 1925 Police Pension Fund, and \$1,811,636 for the 1937 Firefighters' Pension Fund. These amounts are due by December 29, 2006, at an interest rate of 4.88%.

Settled Litigations

In 2006, the City settled two lawsuits initiated against the City for \$330,000 and \$460,000. The City's officials intend to issue a Judgment Bond for approximately \$1.5 million in October 2006 to pay these and other unpaid legal settlements.

Bonds

On August 7, 2006, the Gary Common Council authorized the issuance and sale of subordinate multi-purpose revenue bonds of the City of Gary in a principal amount not to exceed \$25,000,000 to procure funds to be applied to the costs of certain public improvements. The funds are to be used to construct infrastructure and demolish structures in all councilmen districts, demolish large structures throughout the City, construct a new General Services Department building, purchase General Services Department equipment, purchase fire equipment, provide park improvements, and provide improvements to city hall and other city buildings.

D. Conduit Debt Obligation

From time to time, the City has issued Special Facility 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 Schedule of Long-Term Debt.

As of December 31, 2005, there were seven series of Special Facility Revenue Bonds outstanding. The aggregate principal amount payable for the seven series issued after July 1, 1995, could not be determined; however, their original issue amounts totaled \$50,585,000.

E. Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City on or after attaining age 55 with at least 30 years of service. Currently, 126 retirees meet these eligibility requirements. The City and retirees provide 75% and 25%, respectively, 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 \$282,652 were recognized for postemployment benefits.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Rate Structure – Enterprise Funds

Sanitary District

The current rate structure was approved by the Gary Sanitary District on August 8, 2000.

Storm Water Utility

The current rate structure was approved by the City Council on August 8, 2000.

G. 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 GARY
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 GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 945,603	\$ 9,424,900	\$ 8,463,500
Interest on net pension obligation	93,027	1,758,000	1,589,100
Adjustment to annual required contribution	<u>(106,012)</u>	<u>(2,932,900)</u>	<u>(2,651,200)</u>
Annual pension cost	932,618	8,250,000	7,401,400
Contributions made	<u>637,024</u>	<u>4,998,760</u>	<u>3,009,863</u>
Increase in net pension obligation	295,594	3,251,240	4,391,537
Net pension obligation, beginning of year	<u>1,283,132</u>	<u>26,043,829</u>	<u>23,542,685</u>
Net pension obligation, end of year	<u>\$ 1,578,726</u>	<u>\$ 29,295,069</u>	<u>\$ 27,934,222</u>
Contribution rates:			
City	4.25%	555%	523%
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	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected Actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

Actuarial Assumptions

Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

* 2.75% converted members; 4% nonconverted members

CITY OF GARY
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	\$ 1,086,713	38%	\$ 997,884
	06-30-04	863,136	67%	1,283,132
	06-30-05	932,618	74%	1,578,726
1925 Police Officers' Pension Plan	12-31-01	7,934,700	64%	22,666,968
	12-31-02	7,778,500	57%	26,043,829
	12-31-03	7,743,100	65%	29,295,069
1937 Firefighters' Pension Plan	12-31-01	7,539,000	68%	20,479,549
	12-31-02	7,386,900	59%	23,542,665
	12-31-03	6,743,100	45%	27,934,222

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
Retirees and beneficiaries currently receiving benefits	256	244
Current active employees	26	33

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 GARY
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 \$4,835,920, \$4,789,641, and \$4,777,886, respectively, equal to the required contributions for each year.

H. Municipal Solid Waste Landfill Closure and Post-Closure Costs

State and federal laws and regulations require the City to place a final cover on its municipal landfill when it stops accepting solid waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expenditure in each period based on landfill capacity used as of each balance sheet date. The City has recognized all the estimated costs of closure and post-closure care since the landfill capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2004. The City closed the landfill on May 1, 1997. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make contributions to a trust to finance closure and post-closure care, to obtain a line of credit, obtain a bond in an amount sufficient to finance the estimated closure and post-closure care costs, obtain insurance, or fulfill the financial requirements set forth in 329 IAC 2-12. The City has chosen to make contributions to a trust. At December 31, 2005, investments of \$1,382,966 (\$1,382,966 market value) are held for these purposes. These are reported as restricted assets on the financial statements. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by future tax revenue.

I. Environmental Protection Agency Consent Decree

The United States District Court issued a Consent Decree initiated by the Environmental Protection Agency in 2002, whereby the Gary Sanitary District was required to accumulate funds for the Grand Calumet Sedimentation Fund. A limit will be placed on the costs the District will have to incur for the study and remediation of river sediments. This limit was set at \$2,500,000. In addition a special administrator will be required to certify on January 31 of each year, whether or not the Sanitary District is complying with the terms of the Decree. The Modified Consent Decree Semi-Annual Progress Report, dated February 27, 2006, certified that the District has deposited all required funds into its Grant Calumet River Remediation Fund. The balance of this fund at January 31, 2006, is \$3,045,705.90. The District is awaiting further instructions from EPA as to how to proceed in the use of those funds.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

J. Privatized Operations

On April 10, 1998, the District entered into an agreement with White River Environmental Partnership (WREP) for the operation, maintenance, and management of the District's wastewater treatment and collection system, with an effective date of July 1, 1998. As part of the agreement, WREP agreed to pay the District \$10,000,000 as an up front payment of savings to the District resulting from this 10 year contract. In accordance with the agreement, the District pays WREP a base amount per year of \$9,500,000, which is adjusted annually for changes in the Consumer Price Index. Contractual services for 2005 were \$11,087,490. If the District cancels the contract prior to its expiration, the District would be liable for an early termination fee in an amount ranging from a high of \$9,000,000 to a low of \$1,000,000 if cancelled in the final year of the contract. The District does not anticipate terminating the contract prior to its expiration in 2007. In 2004, WREP changed its name to United Water SUEZ.

In addition, in accordance with this agreement, the District, through a donation from WREP, has contributed \$150,000 to allow for a small business loan program. The WREP has contributed an additional \$150,000 as a loan guarantee. The loan program will be administered by the City of Gary Economic Development Corporation. Currently, no loans have been made.

CITY OF GARY
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 AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 22,872,649	\$ 21,241,797	\$ 1,630,852	108%	\$ 21,125,957	8%
07-01-04	22,737,466	22,448,183	289,283	101%	19,938,661	1%
07-01-05	23,236,137	22,460,810	775,327	103%	17,876,919	4%

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	\$ 2,637,842	\$ 78,840,700	\$(76,202,858)	3%	\$ 1,887,200	(4,038%)
01-01-00	4,376,372	80,789,800	(76,413,428)	5%	1,828,200	(4,180%)
01-01-01	3,680,204	82,245,900	(78,565,696)	4%	1,706,000	(4,605%)
01-01-02	5,614,371	79,847,000	(74,232,629)	7%	1,662,500	(4,465%)
01-01-03	4,023,585	77,916,200	(73,892,615)	5%	2,091,400	(3,533%)
01-01-04	4,388,057	79,307,600	(74,919,543)	6%	1,605,800	(4,666%)

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	\$ 2,112,993	\$ 76,777,000	\$(74,664,007)	3%	\$ 1,824,400	(4,093%)
01-01-00	3,796,243	76,898,800	(73,102,557)	5%	1,695,200	(4,312%)
01-01-01	2,994,863	77,733,900	(74,739,037)	4%	1,740,800	(4,293%)
01-01-02	5,614,371	75,448,900	(69,834,529)	7%	1,590,200	(4,392%)
01-01-03	3,273,035	68,127,700	(64,854,665)	5%	1,904,700	(3,405%)
01-01-04	1,662,060	70,580,700	(68,918,640)	2%	1,493,800	(4,614%)

CITY OF GARY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-98	\$ 8,826,000	0%	29%
	12-31-99	7,883,700	24%	29%
	12-31-00	8,276,900	12%	27%
	12-31-01	8,659,400	0%	59%
	12-31-02	8,699,000	12%	39%
	12-31-03	9,424,900	28%	25%
1937 Firefighters' Pension Plan	12-31-98	\$ 8,416,000	0%	30%
	12-31-00	7,662,700	26%	31%
	12-31-01	7,861,800	13%	29%
	12-31-02	8,198,100	0%	62%
	12-31-03	8,218,500	12%	40%
	12-31-04	8,463,500	8%	27%

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 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	\$ 7,520,872	\$ -	\$ 2,978,618	\$ 10,499,490
Licenses and permits	360	-	-	360
Intergovernmental	14,490,385	-	329,364	14,819,749
Charges for services	1,483,911	-	-	1,483,911
Fines and forfeits	71,090	-	-	71,090
Other	3,943,637	6,532	6,847,972	10,798,141
	<u>27,510,255</u>	<u>6,532</u>	<u>10,155,954</u>	<u>37,672,741</u>
Total receipts				
Disbursements:				
General government	2,405,675	-	-	2,405,675
Public safety	3,301,662	-	-	3,301,662
Highways and streets	4,597,159	-	-	4,597,159
Sanitation	561,834	-	-	561,834
Health and welfare	2,355,068	-	-	2,355,068
Culture and recreation	6,271,097	-	-	6,271,097
Urban redevelopment and housing	5,380,451	-	-	5,380,451
Debt service:				
Principal	-	4,898,752	-	4,898,752
Interest	-	724,924	-	724,924
Capital outlay:				
General government	-	-	4,431,595	4,431,595
Public safety	-	-	2,388	2,388
Highways and streets	-	-	410,447	410,447
Culture and recreation	-	-	128,716	128,716
Urban redevelopment and housing	-	-	12,092,895	12,092,895
	<u>24,872,946</u>	<u>5,623,676</u>	<u>17,066,041</u>	<u>47,562,663</u>
Total disbursements				
Excess (deficiency) of receipts over disbursements	<u>2,637,309</u>	<u>(5,617,144)</u>	<u>(6,910,087)</u>	<u>(9,889,922)</u>
Other financing sources (uses):				
Tax anticipation warrants received	2,644,000	-	-	2,644,000
Tax anticipation warrants paid	(6,338,416)	-	-	(6,338,416)
Interfund loans received	6,483,478	-	5,164,408	11,647,886
Interfund loans paid	(8,165,728)	-	(4,410,000)	(12,575,728)
Transfers in	1,129,525	8,420,007	14,933,277	24,482,809
Transfers out	-	(3,640,547)	(7,788,853)	(11,429,400)
	<u>(4,247,141)</u>	<u>4,779,460</u>	<u>7,898,832</u>	<u>8,431,151</u>
Total other financing sources (uses)				
Excess of receipts and other financing sources over disbursements and other financing uses	<u>(1,609,832)</u>	<u>(837,684)</u>	<u>988,745</u>	<u>(1,458,771)</u>
Cash and investment fund balance - beginning	<u>7,675,654</u>	<u>1,217,026</u>	<u>(599,595)</u>	<u>8,293,085</u>
Cash and investment fund balance - ending	<u>\$ 6,065,822</u>	<u>\$ 379,342</u>	<u>\$ 389,150</u>	<u>\$ 6,834,314</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 355,361	\$ -	\$ (309,478)	\$ 45,883
Restricted assets:				
Cash and investments	5,710,461	379,342	698,628	6,788,431
Total cash and investment assets - December 31	<u>\$ 6,065,822</u>	<u>\$ 379,342</u>	<u>\$ 389,150</u>	<u>\$ 6,834,314</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ -	\$ 379,342	\$ -	\$ 379,342
Capital projects	-	-	698,628	698,628
Other purposes	5,710,461	-	-	5,710,461
Unrestricted	355,361	-	(309,478)	45,883
Total cash and investment fund balance - December 31	<u>\$ 6,065,822</u>	<u>\$ 379,342</u>	<u>\$ 389,150</u>	<u>\$ 6,834,314</u>

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

	Welfare To Work	Protective Services Grant 1	Protective Services Grant 2	Civil Defense Relocation	Equal Opportunity Commission Human Relations	Tourism Project	Miss USA Pageant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	1,492,398	-	-	59,350	10,800	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	78,161	520,577	174,472	-	880	4,291	-
Total receipts	78,161	2,012,975	174,472	-	60,230	15,091	-
Disbursements:							
General government	-	-	-	-	64,408	-	-
Public safety	-	1,672,987	134,206	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	81,628	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	81,628	1,672,987	134,206	-	64,408	-	-
Excess (deficiency) of receipts over disbursements	(3,467)	339,988	40,266	-	(4,178)	15,091	-
Other financing sources (uses):							
Tax anticipation warrants received	-	-	-	-	-	-	-
Tax anticipation warrants paid	-	-	-	-	-	-	-
Interfund loans received	-	-	-	-	-	-	-
Interfund loans paid	-	-	(200,000)	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(200,000)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,467)	339,988	(159,734)	-	(4,178)	15,091	-
Cash and investment fund balance - beginning	3,467	(1,189,405)	462,539	34,290	24,418	23,910	20
Cash and investment fund balance - ending	\$ -	\$ (849,417)	\$ 302,805	\$ 34,290	\$ 20,240	\$ 39,001	\$ 20
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ (849,417)	\$ -	\$ 34,290	\$ -	\$ -	\$ 20
Restricted assets:							
Cash and investments	-	-	302,805	-	20,240	39,001	-
Total cash and investment assets - December 31	\$ -	\$ (849,417)	\$ 302,805	\$ 34,290	\$ 20,240	\$ 39,001	\$ 20
Cash and Investment Fund Balance - December 31							
Restricted for:							
Other purposes	\$ -	\$ -	\$ 302,805	\$ -	\$ 20,240	\$ 39,001	\$ -
Unrestricted	-	(849,417)	-	34,290	-	-	20
Total cash and investment fund balance - December 31	\$ -	\$ (849,417)	\$ 302,805	\$ 34,290	\$ 20,240	\$ 39,001	\$ 20

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

	Local Law Enforcement Block Grant	Youth Service Bureau	HOME Program	Emergency Shelter Grant	Brownfield	Healthy Families	Marquette Park
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	159,332	247,014	450,905	198,471	223,915	-	-
Charges for services	-	-	-	-	-	-	387,561
Fines and forfeits	-	-	-	-	-	-	-
Other	42	1,475	62,468	-	-	5,917	1,065
Total receipts	159,374	248,489	513,373	198,471	223,915	5,917	388,626
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	19,367	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	227,868	-	175,471	207,751	3,126	-
Culture and recreation	-	-	-	-	-	-	329,461
Urban redevelopment and housing	-	-	527,419	-	-	-	-
Total disbursements	19,367	227,868	527,419	175,471	207,751	3,126	329,461
Excess (deficiency) of receipts over disbursements	140,007	20,621	(14,046)	23,000	16,164	2,791	59,165
Other financing sources (uses):							
Tax anticipation warrants received	-	-	-	-	-	-	-
Tax anticipation warrants paid	-	-	-	-	-	-	-
Interfund loans received	-	-	-	-	-	-	-
Interfund loans paid	(7,000)	(260,000)	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Total other financing sources (uses)	(7,000)	(260,000)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	133,007	(239,379)	(14,046)	23,000	16,164	2,791	59,165
Cash and investment fund balance - beginning	(71,566)	248,009	20,809	(22,112)	55,082	12,575	195,607
Cash and investment fund balance - ending	\$ 61,441	\$ 8,630	\$ 6,763	\$ 888	\$ 71,246	\$ 15,366	\$ 254,772
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ 8,630	\$ -	\$ -	\$ -	\$ -	\$ 254,772
Restricted assets:							
Cash and investments	61,441	-	6,763	888	71,246	15,366	-
Total cash and investment assets - December 31	\$ 61,441	\$ 8,630	\$ 6,763	\$ 888	\$ 71,246	\$ 15,366	\$ 254,772
Cash and Investment Fund Balance - December 31							
Restricted for:							
Other purposes	\$ 61,441	\$ -	\$ 6,763	\$ 888	\$ 71,246	\$ 15,366	\$ -
Unrestricted	-	8,630	-	-	-	-	254,772
Total cash and investment fund balance - December 31	\$ 61,441	\$ 8,630	\$ 6,763	\$ 888	\$ 71,246	\$ 15,366	\$ 254,772

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

	Homeland Security	Gleason Golf Course	Emergency Shelter	Comprehensive Community Program	Ambulance Nonreverting	Property Disposal	Law Enforcement Training
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	85,000	-	594,318	-	-	-	-
Charges for services	-	191,703	-	-	290,899	-	468
Fines and forfeits	-	-	-	-	-	-	70,707
Other	-	11,184	63,401	49,263	115	-	184
Total receipts	85,000	202,887	657,719	49,263	291,014	-	71,359
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	218,437	-	-	52,556	280,077	-	91,920
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	606,768	-	-	-	-
Culture and recreation	-	169,032	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	218,437	169,032	606,768	52,556	280,077	-	91,920
Excess (deficiency) of receipts over disbursements	(133,437)	33,855	50,951	(3,293)	10,937	-	(20,561)
Other financing sources (uses):							
Tax anticipation warrants received	-	-	-	-	-	-	-
Tax anticipation warrants paid	-	-	-	-	-	-	-
Interfund loans received	60,000	-	-	-	-	-	200,000
Interfund loans paid	-	-	-	-	(359,940)	-	(400,000)
Transfers in	-	-	-	-	-	-	-
Total other financing sources (uses)	60,000	-	-	-	(359,940)	-	(200,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(73,437)	33,855	50,951	(3,293)	(349,003)	-	(220,561)
Cash and investment fund balance - beginning	73,717	130,612	(7,369)	5,741	397,086	982	241,497
Cash and investment fund balance - ending	<u>\$ 280</u>	<u>\$ 164,467</u>	<u>\$ 43,582</u>	<u>\$ 2,448</u>	<u>\$ 48,083</u>	<u>\$ 982</u>	<u>\$ 20,936</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ 164,467	\$ -	\$ 2,448	\$ 48,083	\$ 982	\$ 20,936
Restricted assets:							
Cash and investments	280	-	43,582	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 280</u>	<u>\$ 164,467</u>	<u>\$ 43,582</u>	<u>\$ 2,448</u>	<u>\$ 48,083</u>	<u>\$ 982</u>	<u>\$ 20,936</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
Other purposes	\$ 280	\$ -	\$ 43,582	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	164,467	-	2,448	48,083	982	20,936
Total cash and investment fund balance - December 31	<u>\$ 280</u>	<u>\$ 164,467</u>	<u>\$ 43,582</u>	<u>\$ 2,448</u>	<u>\$ 48,083</u>	<u>\$ 982</u>	<u>\$ 20,936</u>

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

	Unsafe Building	Homeownership	Local Road and Street	Motor Vehicle Highway	Landfill Closure	Recycling Project	Solid Waste Recycling Project
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	1,241,273	3,249,162	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	2,822	340	55	128	103,132	-	316,469
Total receipts	2,822	340	1,241,328	3,249,290	103,132	-	316,469
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	1,112,092	3,485,067	-	-	-
Sanitation	-	-	-	-	146,802	-	415,032
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	761	-	-	-	-	-
Total disbursements	-	761	1,112,092	3,485,067	146,802	-	415,032
Excess (deficiency) of receipts over disbursements	2,822	(421)	129,236	(235,777)	(43,670)	-	(98,563)
Other financing sources (uses):							
Tax anticipation warrants received	-	-	-	-	-	-	-
Tax anticipation warrants paid	-	-	-	-	-	-	-
Interfund loans received	-	-	457,000	1,191,000	-	-	-
Interfund loans paid	-	-	(600,000)	(1,336,000)	-	-	-
Transfers in	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(143,000)	(145,000)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,822	(421)	(13,764)	(380,777)	(43,670)	-	(98,563)
Cash and investment fund balance - beginning	66,202	451	14,287	53,032	1,728,429	487	(49,657)
Cash and investment fund balance - ending	\$ 69,024	\$ 30	\$ 523	\$ (327,745)	\$ 1,684,759	\$ 487	\$ (148,220)
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 69,024	\$ -	\$ -	\$ (327,745)	\$ -	\$ 487	\$ (148,220)
Restricted assets:							
Cash and investments	-	30	523	-	1,684,759	-	-
Total cash and investment assets - December 31	\$ 69,024	\$ 30	\$ 523	\$ (327,745)	\$ 1,684,759	\$ 487	\$ (148,220)
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Other purposes	\$ -	\$ 30	\$ 523	\$ -	\$ 1,684,759	\$ -	\$ -
Unrestricted	69,024	-	-	(327,745)	-	487	(148,220)
Total cash and investment fund balance - December 31	\$ 69,024	\$ 30	\$ 523	\$ (327,745)	\$ 1,684,759	\$ 487	\$ (148,220)

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

	Environmental Management	PGCI Project Grant	Health and Human Services	Alcohol and Drug Treatment	Supplemental Adult Probation Services	Gary Health Department Rental	Assist Interlocal Fund
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	39,964	-	730,610	-	-	-	-
Charges for services	-	-	197,141	-	122,831	4,250	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	51,053	-	-	-	-
Total receipts	39,964	-	978,804	-	122,831	4,250	-
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	104,947	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	17,437	-	906,963	-	-	2,166	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	17,437	-	906,963	-	104,947	2,166	-
Excess (deficiency) of receipts over disbursements	22,527	-	71,841	-	17,884	2,084	-
Other financing sources (uses):							
Tax anticipation warrants received	-	-	-	-	-	-	-
Tax anticipation warrants paid	-	-	-	-	-	-	-
Interfund loans received	-	-	4,000	-	-	-	-
Interfund loans paid	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	4,000	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,527	-	75,841	-	17,884	2,084	-
Cash and investment fund balance - beginning	(14,000)	19,419	(75,205)	256,674	52,555	2,411	174
Cash and investment fund balance - ending	8,527	19,419	636	256,674	70,439	4,495	174
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ 256,674	\$ -	\$ 4,495	\$ 174
Restricted assets:							
Cash and investments	8,527	19,419	636	-	70,439	-	-
Total cash and investment assets - December 31	8,527	19,419	636	256,674	70,439	4,495	174
Cash and Investment Fund Balance - December 31							
Restricted for:							
Other purposes	\$ 8,527	\$ 19,419	\$ 636	\$ -	\$ 70,439	\$ -	\$ -
Unrestricted	-	-	-	256,674	-	4,495	174
Total cash and investment fund balance - December 31	8,527	19,419	636	256,674	70,439	4,495	174

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

	HIV Substance Abuse Prevention	Workforce Development Services	COPS In School	Park and Recreation	Park Nonreverting	Park Pavilion	National Park Service
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ 4,376,392	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	117,368	-	300,000	73,359	-	-	-
Charges for services	-	-	-	31,805	129,034	1,751	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	50	763	8,096	39,133	-	-
Total receipts	117,368	50	300,763	4,489,652	168,167	1,751	-
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	236,030	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	104,171	-	-	-	-	-	-
Culture and recreation	-	-	-	2,341,292	269,743	213	10,404
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	104,171	-	236,030	2,341,292	269,743	213	10,404
Excess (deficiency) of receipts over disbursements	13,197	50	64,733	2,148,360	(101,576)	1,538	(10,404)
Other financing sources (uses):							
Tax anticipation warrants received	-	-	-	1,376,000	-	-	-
Tax anticipation warrants paid	-	-	-	(3,661,997)	-	-	-
Interfund loans received	-	-	-	1,900,000	120,000	-	10,000
Interfund loans paid	-	-	-	(1,800,000)	(120,000)	-	-
Transfers in	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(2,185,997)	-	-	10,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,197	50	64,733	(37,637)	(101,576)	1,538	(404)
Cash and investment fund balance - beginning	(12,141)	-	130,485	79,512	110,973	8,715	802
Cash and investment fund balance - ending	\$ 1,056	\$ 50	\$ 195,218	\$ 41,875	\$ 9,397	\$ 10,253	\$ 398
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ 41,875	\$ 9,397	\$ 10,253	\$ -
Restricted assets:							
Cash and investments	1,056	50	195,218	-	-	-	398
Total cash and investment assets - December 31	\$ 1,056	\$ 50	\$ 195,218	\$ 41,875	\$ 9,397	\$ 10,253	\$ 398
Cash and Investment Fund Balance - December 31							
Restricted for:							
Other purposes	\$ 1,056	\$ 50	\$ 195,218	\$ -	\$ -	\$ -	\$ 398
Unrestricted	-	-	-	41,875	9,397	10,253	-
Total cash and investment fund balance - December 31	\$ 1,056	\$ 50	\$ 195,218	\$ 41,875	\$ 9,397	\$ 10,253	\$ 398

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

	Vehicle Auction	Tree Planting Grant	Bioterrorism	COPS Technology	Community Development Block Grant	Redevelopment Operating	Summer Jobs Training Program
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 420,727	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	58,193	600,000	4,372,282	7,625	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	87,150	-	-	-	47,812	25,354	-
Total receipts	87,150	-	58,193	600,000	4,420,094	453,706	-
Disbursements:							
General government	-	-	-	-	-	-	424,177
Public safety	91,539	-	60,539	259,000	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	4,242,352	401,318	-
Total disbursements	91,539	-	60,539	259,000	4,242,352	401,318	424,177
Excess (deficiency) of receipts over disbursements	(4,389)	-	(2,346)	341,000	177,742	52,388	(424,177)
Other financing sources (uses):							
Tax anticipation warrants received	-	-	-	-	-	-	-
Tax anticipation warrants paid	-	-	-	-	-	-	-
Interfund loans received	-	-	-	-	-	200,000	-
Interfund loans paid	-	-	-	-	-	(350,000)	-
Transfers in	-	-	-	-	-	-	500,000
Total other financing sources (uses)	-	-	-	-	-	(150,000)	500,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,389)	-	(2,346)	341,000	177,742	(97,612)	75,823
Cash and investment fund balance - beginning	149,503	575	9,726	-	(50,326)	148,124	-
Cash and investment fund balance - ending	<u>\$ 145,114</u>	<u>\$ 575</u>	<u>\$ 7,380</u>	<u>\$ 341,000</u>	<u>\$ 127,416</u>	<u>\$ 50,512</u>	<u>\$ 75,823</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ 145,114	\$ -	\$ -	\$ -	\$ -	\$ 50,512	\$ 75,823
Restricted assets:							
Cash and investments	-	575	7,380	341,000	127,416	-	-
Total cash and investment assets - December 31	<u>\$ 145,114</u>	<u>\$ 575</u>	<u>\$ 7,380</u>	<u>\$ 341,000</u>	<u>\$ 127,416</u>	<u>\$ 50,512</u>	<u>\$ 75,823</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
Other purposes	\$ -	\$ 575	\$ 7,380	\$ 341,000	\$ 127,416	\$ -	\$ -
Unrestricted	145,114	-	-	-	-	50,512	75,823
Total cash and investment fund balance - December 31	<u>\$ 145,114</u>	<u>\$ 575</u>	<u>\$ 7,380</u>	<u>\$ 341,000</u>	<u>\$ 127,416</u>	<u>\$ 50,512</u>	<u>\$ 75,823</u>

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

	Fair Housing Project	Genesis Civic Center	Media	Redevelopment Property	Clerk Perpetuation	Genesis Center Operating	Leased Properties - Gary Building Corporation
Receipts:							
Taxes	\$ -	\$ 2,723,753	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	65,876	55,463	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	5,002	164,678	375,485	-	20,385	832,909	437,067
Total receipts	70,878	2,943,894	375,485	-	20,385	832,909	437,067
Disbursements:							
General government	-	-	247,701	-	-	-	1,131,651
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	2,277,856	-	-	-	873,096	-
Urban redevelopment and housing	121,780	-	-	-	-	-	-
Total disbursements	121,780	2,277,856	247,701	-	-	873,096	1,131,651
Excess (deficiency) of receipts over disbursements	(50,902)	666,038	127,784	-	20,385	(40,187)	(694,584)
Other financing sources (uses):							
Tax anticipation warrants received	-	1,268,000	-	-	-	-	-
Tax anticipation warrants paid	-	(2,676,419)	-	-	-	-	-
Interfund loans received	-	2,296,478	-	-	-	-	-
Interfund loans paid	-	(1,955,000)	(678,788)	-	-	-	-
Transfers in	-	-	-	-	-	-	429,525
Total other financing sources (uses)	-	(1,066,941)	(678,788)	-	-	-	429,525
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(50,902)	(400,903)	(551,004)	-	20,385	(40,187)	(265,059)
Cash and investment fund balance - beginning	266,118	417,123	563,647	33,338	78,232	266,709	1,298,841
Cash and investment fund balance - ending	\$ 215,216	\$ 16,220	\$ 12,643	\$ 33,338	\$ 98,617	\$ 226,522	\$ 1,033,782
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ 16,220	\$ 12,643	\$ 33,338	\$ -	\$ 226,522	\$ -
Restricted assets:							
Cash and investments	215,216	-	-	-	98,617	-	1,033,782
Total cash and investment assets - December 31	\$ 215,216	\$ 16,220	\$ 12,643	\$ 33,338	\$ 98,617	\$ 226,522	\$ 1,033,782
Cash and Investment Fund Balance - December 31							
Restricted for:							
Other purposes	\$ 215,216	\$ -	\$ -	\$ -	\$ 98,617	\$ -	\$ 1,033,782
Unrestricted	-	16,220	12,643	33,338	-	226,522	-
Total cash and investment fund balance - December 31	\$ 215,216	\$ 16,220	\$ 12,643	\$ 33,338	\$ 98,617	\$ 226,522	\$ 1,033,782

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

	State Air Grant	Hazardous Material	Lead Base Training	Dusable Apartments	Economic Development Bond Commission	Crime Victim Assistance	IEDC - Empowerment Zone
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	26,033	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	105
Other	7,872	40,666	1,050	-	10,579	-	37,774
Total receipts	33,905	40,666	1,050	-	10,579	-	37,879
Disbursements:							
General government	-	-	-	-	-	-	7,019
Public safety	-	20,000	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	66,821	-	-
Total disbursements	-	20,000	-	-	66,821	-	7,019
Excess (deficiency) of receipts over disbursements	33,905	20,666	1,050	-	(56,242)	-	30,860
Other financing sources (uses):							
Tax anticipation warrants received	-	-	-	-	-	-	-
Tax anticipation warrants paid	-	-	-	-	-	-	-
Interfund loans received	-	-	-	-	-	-	-
Interfund loans paid	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	33,905	20,666	1,050	-	(56,242)	-	30,860
Cash and investment fund balance - beginning	-	-	-	5,240	71,001	5,600	-
Cash and investment fund balance - ending	\$ 33,905	\$ 20,666	\$ 1,050	\$ 5,240	\$ 14,759	\$ 5,600	\$ 30,860
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ 20,666	\$ 1,050	\$ 5,240	\$ 14,759	\$ -	\$ -
Restricted assets:							
Cash and investments	33,905	-	-	-	-	5,600	30,860
Total cash and investment assets - December 31	\$ 33,905	\$ 20,666	\$ 1,050	\$ 5,240	\$ 14,759	\$ 5,600	\$ 30,860
Cash and Investment Fund Balance - December 31							
Restricted for:							
Other purposes	\$ 33,905	\$ -	\$ -	\$ -	\$ -	\$ 5,600	\$ 30,860
Unrestricted	-	20,666	1,050	5,240	14,759	-	-
Total cash and investment fund balance - December 31	\$ 33,905	\$ 20,666	\$ 1,050	\$ 5,240	\$ 14,759	\$ 5,600	\$ 30,860

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

	New Birth Grant	Neighborhood Revitalization	Boy Scouts	Remote Encoding Center	EDI Bar Code Center	Mayor Donations
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	11,674	20,000	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	23	-	50,373
Total receipts	11,674	20,000	-	23	-	50,373
Disbursements:						
General government	-	-	-	1,030	-	67,732
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	11,674	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	20,000	-	-	-	-
Total disbursements	11,674	20,000	-	1,030	-	67,732
Excess (deficiency) of receipts over disbursements	-	-	-	(1,007)	-	(17,359)
Other financing sources (uses):						
Tax anticipation warrants received	-	-	-	-	-	-
Tax anticipation warrants paid	-	-	-	-	-	-
Interfund loans received	-	-	-	-	-	-
Interfund loans paid	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(1,007)	-	(17,359)
Cash and investment fund balance - beginning	-	-	500	8,344	8,296	58,414
Cash and investment fund balance - ending	\$ -	\$ -	\$ 500	\$ 7,337	\$ 8,296	\$ 41,055
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ 500	\$ 7,337	\$ 8,296	\$ 41,055
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - December 31	\$ -	\$ -	\$ 500	\$ 7,337	\$ 8,296	\$ 41,055
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	500	7,337	8,296	41,055
Total cash and investment fund balance - December 31	\$ -	\$ -	\$ 500	\$ 7,337	\$ 8,296	\$ 41,055

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

	Lakefront Development	Social Services	Special Events	City Council Donations	Confiscated Property	Special Project Donations
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	11,451	47,410	6,660	85,821	-
Total receipts	-	11,451	47,410	6,660	85,821	-
Disbursements:						
General government	-	-	18,966	70,539	-	-
Public safety	-	-	-	-	60,057	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	10,045	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	-	10,045	18,966	70,539	60,057	-
Excess (deficiency) of receipts over disbursements	-	1,406	28,444	(63,879)	25,764	-
Other financing sources (uses):						
Tax anticipation warrants received	-	-	-	-	-	-
Tax anticipation warrants paid	-	-	-	-	-	-
Interfund loans received	31,000	14,000	-	-	-	-
Interfund loans paid	-	-	-	-	(99,000)	-
Transfers in	-	-	-	-	-	-
Total other financing sources (uses)	31,000	14,000	-	-	(99,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	31,000	15,406	28,444	(63,879)	(73,236)	-
Cash and investment fund balance - beginning	(30,211)	(15,402)	-	101,683	116,053	4,420
Cash and investment fund balance - ending	\$ 789	\$ 4	\$ 28,444	\$ 37,804	\$ 42,817	\$ 4,420
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 789	\$ 4	\$ 28,444	\$ 37,804	\$ -	\$ 4,420
Restricted assets:						
Cash and investments	-	-	-	-	42,817	-
Total cash and investment assets - December 31	\$ 789	\$ 4	\$ 28,444	\$ 37,804	\$ 42,817	\$ 4,420
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ 42,817	\$ -
Unrestricted	789	4	28,444	37,804	-	4,420
Total cash and investment fund balance - December 31	\$ 789	\$ 4	\$ 28,444	\$ 37,804	\$ 42,817	\$ 4,420

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

	Economic Development Trust	Community Development Loan Program	Police Donations	CG/R&R Ministries	Metro Center	Total
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,520,872
Licenses and permits	360	-	-	-	-	360
Intergovernmental	-	-	-	-	-	14,490,385
Charges for services	-	-	-	-	126,468	1,483,911
Fines and forfeits	278	-	-	-	-	71,090
Other	148,645	1,301	2,634	-	-	3,943,637
Total receipts	149,283	1,301	2,634	-	126,468	27,510,255
Disbursements:						
General government	241,292	-	-	-	131,160	2,405,675
Public safety	-	-	-	-	-	3,301,662
Highways and streets	-	-	-	-	-	4,597,159
Sanitation	-	-	-	-	-	561,834
Health and welfare	-	-	-	-	-	2,355,068
Culture and recreation	-	-	-	-	-	6,271,097
Urban redevelopment and housing	-	-	-	-	-	5,380,451
Total disbursements	241,292	-	-	-	131,160	24,872,946
Excess (deficiency) of receipts over disbursements	(92,009)	1,301	2,634	-	(4,692)	2,637,309
Other financing sources (uses):						
Tax anticipation warrants received	-	-	-	-	-	2,644,000
Tax anticipation warrants paid	-	-	-	-	-	(6,338,416)
Interfund loans received	-	-	-	-	-	6,483,478
Interfund loans paid	-	-	-	-	-	(8,165,728)
Transfers in	200,000	-	-	-	-	1,129,525
Total other financing sources (uses)	200,000	-	-	-	-	(4,247,141)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	107,991	1,301	2,634	-	(4,692)	(1,609,832)
Cash and investment fund balance - beginning	819,866	301,468	822	19,325	5,111	7,675,654
Cash and investment fund balance - ending	\$ 927,857	\$ 302,769	\$ 3,456	\$ 19,325	\$ 419	\$ 6,065,822
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ 3,456	\$ 19,325	\$ 419	\$ 355,361
Restricted assets:						
Cash and investments	927,857	302,769	-	-	-	5,710,461
Total cash and investment assets - December 31	\$ 927,857	\$ 302,769	\$ 3,456	\$ 19,325	\$ 419	\$ 6,065,822
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Other purposes	\$ 927,857	\$ 302,769	\$ -	\$ -	\$ -	\$ 5,710,461
Unrestricted	-	-	3,456	19,325	419	355,361
Total cash and investment fund balance - December 31	\$ 927,857	\$ 302,769	\$ 3,456	\$ 19,325	\$ 419	\$ 6,065,822

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

	1994 Judgment Bonds	Redevelopment Bond	Fifth Third Lease	Total
Receipts:				
Other	\$ -	\$ 6,532	\$ -	\$ 6,532
Disbursements:				
Debt service:				
Principal	-	3,172,020	1,726,732	4,898,752
Interest	-	660,405	64,519	724,924
Total disbursements	-	3,832,425	1,791,251	5,623,676
Deficiency of receipts over disbursements	-	(3,825,893)	(1,791,251)	(5,617,144)
Other financing sources (uses):				
Transfers in	-	6,628,905	1,791,102	8,420,007
Transfers out	-	(3,640,547)	-	(3,640,547)
Total other financing sources (uses)	-	2,988,358	1,791,102	4,779,460
Deficiency of receipts and other financing sources over disbursements and other financing uses	-	(837,535)	(149)	(837,684)
Cash and investment fund balance - beginning	234	1,216,643	149	1,217,026
Cash and investment fund balance - ending	<u>\$ 234</u>	<u>\$ 379,108</u>	<u>\$ -</u>	<u>\$ 379,342</u>
<u>Cash and Investment Assets - December 31</u>				
Restricted assets:				
Cash and investments	<u>\$ 234</u>	<u>\$ 379,108</u>	<u>\$ -</u>	<u>\$ 379,342</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	<u>\$ 234</u>	<u>\$ 379,108</u>	<u>\$ -</u>	<u>\$ 379,342</u>

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

	Buffington Harbor Renovation	FEMA Grant - Fire Department	TIF District	Cumulative Capital Improvement	Cumulative Capital Development	Urban Mass Transit
Receipts:						
Taxes	\$ -	\$ -	\$ 2,481,083	\$ -	\$ 497,535	\$ -
Intergovernmental	-	-	7,138	317,617	4,609	-
Other	-	-	-	-	-	-
Total receipts	-	-	2,488,221	317,617	502,144	-
Disbursements:						
Capital outlay:						
General government	-	-	2,750,331	477,036	345,447	-
Public safety	-	2,388	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	-	2,388	2,750,331	477,036	345,447	-
Excess (deficiency) of receipts over disbursements	-	(2,388)	(262,110)	(159,419)	156,697	-
Other financing sources (uses):						
Interfund loans received	-	-	3,854,408	800,000	-	-
Interfund loans paid	-	-	(3,600,000)	(510,000)	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	254,408	290,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,388)	(7,702)	130,581	156,697	-
Cash and investment fund balance - beginning	30,387	(230,967)	9,559	1,052	296	2,256
Cash and investment fund balance - ending	<u>\$ 30,387</u>	<u>\$ (233,355)</u>	<u>\$ 1,857</u>	<u>\$ 131,633</u>	<u>\$ 156,993</u>	<u>\$ 2,256</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ (233,355)	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	30,387	-	1,857	131,633	156,993	2,256
Total cash and investment assets - December 31	<u>\$ 30,387</u>	<u>\$ (233,355)</u>	<u>\$ 1,857</u>	<u>\$ 131,633</u>	<u>\$ 156,993</u>	<u>\$ 2,256</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Capital Projects	\$ 30,387	\$ -	\$ 1,857	\$ 131,633	\$ 156,993	\$ 2,256
Unrestricted	-	(233,355)	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 30,387</u>	<u>\$ (233,355)</u>	<u>\$ 1,857</u>	<u>\$ 131,633</u>	<u>\$ 156,993</u>	<u>\$ 2,256</u>

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

	Baseball Maintenance	Casino Redevelopment Bond	Broadway Avenue Beautification	15th and Fulton Project	Lake Street Public Works	Burr Street Project
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Other	75,000	874,831	-	-	-	163,772
Total receipts	75,000	874,831	-	-	-	163,772
Disbursements:						
Capital outlay:						
General government	-	858,781	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	162,813
Culture and recreation	75,000	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	75,000	858,781	-	-	-	162,813
Excess (deficiency) of receipts over disbursements	-	16,050	-	-	-	959
Other financing sources (uses):						
Interfund loans received	-	-	-	-	-	275,000
Interfund loans paid	-	-	-	-	-	(150,000)
Transfers in	-	2,637,106	-	-	-	-
Transfers out	-	(2,180,589)	-	-	-	-
Total other financing sources (uses)	-	456,517	-	-	-	125,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	472,567	-	-	-	125,959
Cash and investment fund balance - beginning	-	(472,567)	(76,123)	3,459	39,156	22,455
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (76,123)</u>	<u>\$ 3,459</u>	<u>\$ 39,156</u>	<u>\$ 148,414</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ -	\$ (76,123)	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	3,459	39,156	148,414
Total cash and investment assets - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (76,123)</u>	<u>\$ 3,459</u>	<u>\$ 39,156</u>	<u>\$ 148,414</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Capital Projects	\$ -	\$ -	\$ -	\$ 3,459	\$ 39,156	\$ 148,414
Unrestricted	-	-	(76,123)	-	-	-
Total cash and investment fund balance - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (76,123)</u>	<u>\$ 3,459</u>	<u>\$ 39,156</u>	<u>\$ 148,414</u>

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

	Grant / Buchanan Street Project	Park Construction	Redevelopment Construction	Mainwater Project	Casino Capital	Total
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,978,618
Intergovernmental	-	-	-	-	-	329,364
Other	189,586	39,476	-	175,138	5,330,169	6,847,972
Total receipts	<u>189,586</u>	<u>39,476</u>	<u>-</u>	<u>175,138</u>	<u>5,330,169</u>	<u>10,155,954</u>
Disbursements:						
Capital outlay:						
General government	-	-	-	-	-	4,431,595
Public safety	-	-	-	-	-	2,388
Highways and streets	247,634	-	-	-	-	410,447
Culture and recreation	-	53,716	-	-	-	128,716
Urban redevelopment and housing	-	-	-	-	12,092,895	12,092,895
Total disbursements	<u>247,634</u>	<u>53,716</u>	<u>-</u>	<u>-</u>	<u>12,092,895</u>	<u>17,066,041</u>
Excess (deficiency) of receipts over disbursements	<u>(58,048)</u>	<u>(14,240)</u>	<u>-</u>	<u>175,138</u>	<u>(6,762,726)</u>	<u>(6,910,087)</u>
Other financing sources (uses):						
Interfund loans received	235,000	-	-	-	-	5,164,408
Interfund loans paid	(150,000)	-	-	-	-	(4,410,000)
Transfers in	-	-	-	-	12,296,171	14,933,277
Transfers out	-	-	-	-	(5,608,264)	(7,788,853)
Total other financing sources (uses)	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,687,907</u>	<u>7,898,832</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	26,952	(14,240)	-	175,138	(74,819)	988,745
Cash and investment fund balance - beginning	<u>30,263</u>	<u>30,232</u>	<u>38,689</u>	<u>(102,561)</u>	<u>74,819</u>	<u>(599,595)</u>
Cash and investment fund balance - ending	<u>\$ 57,215</u>	<u>\$ 15,992</u>	<u>\$ 38,689</u>	<u>\$ 72,577</u>	<u>\$ -</u>	<u>\$ 389,150</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (309,478)
Restricted assets:						
Cash and investments	57,215	15,992	38,689	72,577	-	698,628
Total cash and investment assets - December 31	<u>\$ 57,215</u>	<u>\$ 15,992</u>	<u>\$ 38,689</u>	<u>\$ 72,577</u>	<u>\$ -</u>	<u>\$ 389,150</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Capital Projects	\$ 57,215	\$ 15,992	\$ 38,689	\$ 72,577	\$ -	\$ 698,628
Unrestricted	-	-	-	-	-	(309,478)
Total cash and investment fund balance - December 31	<u>\$ 57,215</u>	<u>\$ 15,992</u>	<u>\$ 38,689</u>	<u>\$ 72,577</u>	<u>\$ -</u>	<u>\$ 389,150</u>

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

	<u>Self-Insurance</u>	<u>WCI / UCI Benefit</u>	<u>Total</u>
Operating receipts:			
Employer contributions	\$ 7,536,532	\$ 804,672	\$ 8,341,204
Employee contributions	715,613	-	715,613
Other	<u>415,730</u>	<u>2,986</u>	<u>418,716</u>
Total operating receipts	<u>8,667,875</u>	<u>807,658</u>	<u>9,475,533</u>
Operating disbursements:			
Administrative and general	905,604	3,155	908,759
Insurance claims and premiums	<u>6,575,257</u>	<u>977,037</u>	<u>7,552,294</u>
Total operating disbursements	<u>7,480,861</u>	<u>980,192</u>	<u>8,461,053</u>
Excess (deficiency) of receipts over disbursements	<u>1,187,014</u>	<u>(172,534)</u>	<u>1,014,480</u>
Transfers out	<u>(888,510)</u>	<u>-</u>	<u>(888,510)</u>
Excess (deficiency) of receipts over disbursements and transfers out	298,504	(172,534)	125,970
Cash and investment fund balance - beginning	<u>(578,480)</u>	<u>103,476</u>	<u>(475,004)</u>
Cash and investment fund balance - ending	<u>\$ (279,976)</u>	<u>\$ (69,058)</u>	<u>\$ (349,034)</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and Investments	<u>\$ (279,976)</u>	<u>\$ (69,058)</u>	<u>\$ (349,034)</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Unrestricted	<u>\$ (279,976)</u>	<u>\$ (69,058)</u>	<u>\$ (349,034)</u>

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

	1937 Firefighters' Pension	1925 Police Pension	Total
Additions:			
Contributions:			
Employer	\$ 4,342,844	\$ 4,698,378	\$ 9,041,222
Plan members	<u>89,911</u>	<u>89,910</u>	<u>179,821</u>
Total contributions	<u>4,432,755</u>	<u>4,788,288</u>	<u>9,221,043</u>
Investment earnings:			
Interest	<u>461</u>	<u>461</u>	<u>922</u>
Total additions	<u>4,433,216</u>	<u>4,788,749</u>	<u>9,221,965</u>
Deductions:			
Benefits	5,404,407	5,894,196	11,298,603
Administrative and general	<u>38,360</u>	<u>30,688</u>	<u>69,048</u>
Total deductions	<u>5,442,767</u>	<u>5,924,884</u>	<u>11,367,651</u>
Deficiency of total additions over total deductions	(1,009,551)	(1,136,135)	(2,145,686)
Other financing sources (uses):			
Interfund loans received	3,995,500	3,735,500	7,731,000
Interfund loans paid	<u>(2,425,000)</u>	<u>(2,165,000)</u>	<u>(4,590,000)</u>
Total other financing sources (uses)	<u>1,570,500</u>	<u>1,570,500</u>	<u>3,141,000</u>
Excess of additions and other financing sources over deductions and other financing uses	560,949	434,365	995,314
Cash and investment fund balance - beginning	<u>(58,685)</u>	<u>(69,322)</u>	<u>(128,007)</u>
Cash and investment fund balance - ending	<u>\$ 502,264</u>	<u>\$ 365,043</u>	<u>\$ 867,307</u>

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

	County Health	Empowerment Zone	NIMBOC Empowerment Zone	Empowerment Zone Revolving	Microloan	Empowerment Zone SBA Microloan
Additions:						
Agency fund additions	\$ 4,846	\$ 1,485,193	\$ 149,739	\$ 269,086	\$ 222,083	\$ 102,869
Deductions:						
Agency fund deductions	6,620	1,362,003	132,850	270,000	283,773	105,881
Excess (deficiency) of total additions over total deductions	(1,774)	123,190	16,889	(914)	(61,690)	(3,012)
Cash and investment fund balance - beginning	3,399	(122,301)	52,777	344,812	225,527	3,035
Cash and investment fund balance - ending	<u>\$ 1,625</u>	<u>\$ 889</u>	<u>\$ 69,666</u>	<u>\$ 343,898</u>	<u>\$ 163,837</u>	<u>\$ 23</u>

CITY OF GARY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Empowerment Zone SBA <u>Loss Reserve</u>	Indiana <u>Bond Bank</u>	Gary <u>Hoops Trust</u>	Miscellaneous <u>Refunds</u>	Redevelopment Depository <u>Trust</u>
Additions:					
Agency fund additions	<u>\$ 24,543</u>	<u>\$ 131,720,765</u>	<u>\$ 101,278</u>	<u>\$ 2,274</u>	<u>\$ 3,320</u>
Deductions:					
Agency fund deductions	<u>80,052</u>	<u>131,720,765</u>	<u>-</u>	<u>-</u>	<u>12,797</u>
Excess (deficiency) of total additions over total deductions	(55,509)	-	101,278	2,274	(9,477)
Cash and investment fund balance - beginning	<u>83,550</u>	<u>-</u>	<u>-</u>	<u>5,104</u>	<u>108,654</u>
Cash and investment fund balance - ending	<u>\$ 28,041</u>	<u>\$ -</u>	<u>\$ 101,278</u>	<u>\$ 7,378</u>	<u>\$ 99,177</u>

CITY OF GARY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	<u>Withholdings</u>	<u>Payroll</u>	<u>City Clerk - Civil Division</u>	<u>City Clerk - Criminal Division</u>	<u>Total</u>
Additions:					
Agency fund additions	<u>\$ 24,607,419</u>	<u>\$ 30,822</u>	<u>\$ 229,319</u>	<u>\$ 1,310,187</u>	<u>\$ 160,263,743</u>
Deductions:					
Agency fund deductions	<u>24,848,696</u>	<u>52,990</u>	<u>236,648</u>	<u>1,283,647</u>	<u>160,396,722</u>
Excess (deficiency) of total additions over total deductions	(241,277)	(22,168)	(7,329)	26,540	(132,979)
Cash and investment fund balance - beginning	<u>1,924,566</u>	<u>7,254</u>	<u>54,119</u>	<u>1,221,642</u>	<u>3,912,138</u>
Cash and investment fund balance - ending	<u>\$ 1,683,289</u>	<u>\$ (14,914)</u>	<u>\$ 46,790</u>	<u>\$ 1,248,182</u>	<u>\$ 3,779,159</u>

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 11,512,451
Infrastructure	127,524,766
Buildings	144,429,863
Improvements other than buildings	11,537,796
Machinery and equipment	38,180,404
Construction in progress	<u>9,776,647</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 342,961,927</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Sanitary District:	
Capital assets, not being depreciated:	
Land	\$ 453,204
Construction in progress	2,199,205
Buildings and Improvements	100,198,947
Transmission and Lines	184,097,287
Machinery and equipment	<u>48,103,944</u>
 Total Sanitary District capital assets	 <u>335,052,587</u>

Stormwater Utility:	
Capital assets, not being depreciated:	
Land	114,354
Construction in progress	712,214
Buildings and Improvements	1,367,825
Transmission and Lines	1,555,311
Machinery and equipment	<u>258,620</u>
 Total Stormwater Utility capital assets	 <u>4,008,324</u>

Total business-type activities capital assets	<u>\$ 339,060,911</u>
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CITY OF GARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2005

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Police Cars	\$ 895,620	\$ 882,567
Dispatch Center	300,484	70,085
Public Safety Equipment	4,050,000	1,285,588
Notes and loans payable	7,978,986	1,683,047
Bonds payable:		
Revenue bonds:		
2004 A Redevelopment Authority Refunding Bonds	4,912,695	937,117
2004 B Redevelopment Authority Refunding Bonds *	11,517,924	2,196,883
Gary Building Corporation - Sears Building Renovation	<u>3,720,000</u>	<u>500,000</u>
Total governmental activities long-term debt	<u><u>\$ 33,375,709</u></u>	<u><u>\$ 7,555,287</u></u>
Business-type Activities:		
Sanitary District:		
Notes and loans payable	\$ 18,822,233	\$ 1,857,000
Bonds payable:		
General obligation bonds:		
2003 Sanitary District Improvement Refunding Bonds	<u>9,655,000</u>	<u>1,070,000</u>
Total Sanitary District	<u><u>28,477,233</u></u>	<u><u>2,927,000</u></u>
Total business-type activities long-term debt:	<u><u>\$ 28,477,233</u></u>	<u><u>\$ 2,927,000</u></u>

* = 2002 A Redevelopment Bonds were refunded with the 2004 B Redevelopment Authority Bonds. Even though the funds were not released until 2006, the 2002 A Redevelopment Bonds were automatically incorporated into the 2004 B Redevelopment Authority Refunding Bonds debt service schedule when the bonds were issued.

CITY OF GARY
OTHER REPORTS

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

Office of the Mayor
City Clerk
City Judge

CITY OF GARY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS – GENERAL LEDGER

During 2005, the City converted to a cash basis accounting system. The revenues and expenditures recorded in the General Ledger are misstated and do not agree to the receipts and disbursements reported on the Annual Report. Revenues and expenditures in the General Ledger were understated by \$102,836,846 and \$109,778,301, respectively. The City provided a listing of transactions that continued to be posted to various accrual accounts after the conversion instead of revenues and expenditures.

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 in-correct decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balances of several funds were overdrawn at December 31, 2005. The funds with overdrawn cash at December 31, 2005, are as follows:

Fund	Amount
General Fund	\$ 2,473,766
Special Revenue Funds:	
Protective Services Grant 1 (202)	849,417
Motor Vehicle Highway (232)	327,745
Solid Waste Recycling Project (235)	148,220
Capital Projects Funds:	
FEMA Grant - Fire Department (275)	233,355
Broadway Avenue Beautification (409)	76,123
Internal Service Funds:	
Self-Insurance (791)	279,976
WCI/UCI Benefit (792)	69,058
Agency Fund:	
Payroll (102)	14,914

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)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

LOANS BETWEEN FUNDS

Various temporary loans between funds were made in 2005, which were not repaid by the end of the year. The following discloses temporary loans still outstanding as of year end:

Loan From Fund	Loan To Fund	Amount
Local Law Enforcement Block Grant (207)	Local Road and Street (231)	\$ 7,000
Youth Service Bureau (209)	General Fund (101)	200,000
Youth Service Bureau (209)	Homeland Security (218)	60,000
Protective Services Grant 2 (220)	General Fund (101)	200,000
Ambulance Nonreverting (224)	General Fund (101)	359,940
Law Enforcement Training (227)	TIF District (276)	200,000
Local Road and Street (231)	General Fund (101)	300,000
Motor Vehicle Highway (232)	General Fund (101)	443,000
Park and Recreation (250)	General Fund (101)	600,000
Park and Recreation (250)	TIF District (276)	100,000
Park and Recreation (250)	Cumulative Capital Development (402)	112,000
Redevelopment Operating (265)	TIF District (276)	150,000
Media (270)	General Fund (101)	493,788
Media (270)	TIF District (276)	185,000
TIF District (276)	General Fund (101)	2,120,592
Gaming Revenues (277)	General Fund (101)	10,303,749
Cumulative Capital Improvement (401)	Cumulative Capital Development (402)	180,000
Burr Street Project (429)	Cumulative Capital Improvement (401)	145,000
Grant / Buchanan Street Project (430)	Cumulative Capital Improvement (401)	145,000
Confiscated Property (710)	TIF District (276)	40,000
Confiscated Property (710)	Lakefront Development (704)	31,000
Confiscated Property (710)	Social Services (705)	14,000
Confiscated Property (710)	National Park Service (253)	10,000
Confiscated Property (710)	Health and Human Services (240)	4,000
Enterprise Fund (Sanitary District)	General Fund (101)	<u>5,000,000</u>
 Total		 <u>\$ 21,404,069</u>

As was noted in the prior 4 audit reports, most of the loans between funds were not authorized by the Common Council. Of the 74 loans made during 2005, only 2 were approved by the Common Council. Also, the Council did not declare if an emergency existed and did not properly approve an extension on any of these loans. Of the \$21,404,069 outstanding balance noted above, \$3,400,231 represents loans that were made in 2004 and not repaid in 2005. Additionally, \$3,070,000 of the loans made during 2005 were from the Police and Fire Pension Funds, which is prohibited by statute.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount . . ."

CITY OF GARY
 AUDIT RESULTS AND COMMENTS
 (Continued)

Indiana Code 36-1-8-4 also states in part:

"(3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs and (4) The amount transferred must be returned to the other fund at the end of the prescribed period."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and department of local government finance."

With regard to the Fire Pension Fund, Indiana Code 36-8-7-2.5 (b)(2) states: "No part of the corpus or income of the 1937 fund may be used or diverted to any purpose other than the exclusive benefit of the members and their beneficiaries."

With regard to the Police Pension Fund, Indiana Code 36-8-6-1.5 (b)(2) states: "No part of the corpus or income of the 1925 fund may be used or diverted to any purpose other than the exclusive benefit of the members and their beneficiaries."

DISBURSEMENTS IN EXCESS OF APPROPRIATIONS

Several departments of the General Fund and other governmental funds exceeded approved budgets by the following amounts:

Fund	Excess Amount Expended
General Fund Department:	
Law	\$ 82,984
Maintenance	1,652
Building	5,055
Planning	9,363
Status of Women	3,560
Health	86,923
Health Inspection	18,079

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	Excess Amount Expended
General Fund Department (continued):	
General Services	267,824
In-House Demolition	4,995
Police	628,633
Supportive Services	60
Fire	856,565
Ambulance Service	128,941
Planning and Economic Development	474
Motor Vehicle Highway	758,047
Genesis Center Operating	149,896
Cumulative Capital Development	140,499
1937 Firefighters' Pension	224,211
1925 Police Pension	848,630

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."

APPROPRIATION TRANSFERS BETWEEN DEPARTMENTS

The City Controller transferred appropriations between various departments within the General Fund during 2005. These interdepartmental transfers were not approved by the Indiana Department of Local Government Finance.

When proposing transfers from one department or office to another, in addition to an ordinance of the town council or common council authorizing such transfer, advertising to the taxpayers and prior approval of the Department of Local Government Finance is required. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

PAYROLL DEFICIENCIES

The following issues were noted regarding payroll deficiencies:

1. The City of Gary Personnel Manual states that sick days are to be earned and accrued on a monthly basis and not earned as a lump sum at the beginning of the year. During the audit year, individuals took more sick time than they had accumulated which resulted in a negative balance during the year.
2. City of Gary Clerk's office employees received compensatory on call time off based upon a policy that the Clerk established for her office. This policy has not been adopted by the City Council.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

3. Employees of the City were allowed to carry over vacation time in an amount greater than one year's vacation time. The City of Gary Personnel Manual, Page 66, Paragraph 16, states in part: "Employees may only carry over a maximum of one year vacation time."
4. The City of Gary personnel manual has not been adopted by the City Council.
5. The salaries for the employees of the Empowerment Zone Grant were not approved by the city council.

Indiana Code 5-10-6-1(b) states: "Employees of the political subdivisions of the state may be granted a vacation with pay, sick leave, paid holidays, and other similar benefits by ordinance of the legislative body of a county, city, town, township, or controlling board of a municipally owned utility, board of directors or regents of a cemetery, or board of trustees of any library district."

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)

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)

CLAIM DEFICIENCIES

The following issues were noted regarding claim deficiencies:

1. We reviewed claims representing donations made to various entities. The unit could not provide us with an ordinance for promotional items; therefore, we could not determine if these claims were allowable.
2. There were two claims requested during our testing that could not be located. One of these claims totaled \$2,650 and supported a payment to the Internal Revenue Service on March 21, 2005. The purpose of the claim was noted in the vendor payment detail as "penalties".
3. We reviewed several credit card claims. Many of these claims were paid by the controller's office without adequate documentation being attached to the claims.
4. Twenty-five percent of claims reviewed could not be found in the city claim docket.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

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 Townships, Chapter 13)

NONCOMPLAINE WITH CONTRACTUAL AGREEMENTS
FOR DONATIONS TO NONGOVERNMENTAL ENTITIES

The City entered into a contract with Gary Running Rebels (a not for profit organization) to establish a junior cadet program that will ensure the development of police officers and fire safety personnel. The contract states that detailed monthly financial reports are to be submitted to the City by the tenth of each month; however, detailed reports have not been submitted since the inception of the program in 1999.

Since 1999, the City has given Gary Running Rebels \$5,272,237, including \$765,674 in 2005. The payments made to Gary Running Rebels were not disclosed on Part 11, Financial Assistance to Nongovernmental Entities, on the Annual Report.

Our review of the claims submitted by Gary Running Rebels indicated that City funds were used to fund payments on a bank loan of \$344,070, a floor installation training program for \$58,486, and a charter bus trip to Marshall, Texas, for \$9,186. These expenditures appear to be unrelated to the purpose of the contract.

Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

PURCHASING PREFERENCES

City Ordinance Number 6972 (and also Gary Sanitary District Resolution 2113) states in Section 6(e) that in evaluating the price of any vendor's or contractor's bid or proposal for goods or services, the bids or proposals shall be evaluated as though the prices proposed or bid by a Gary Business were ten percent (10%) lower than actually proposed or bid. The said preference may not exceed ten percent (10%) of the total amount of the lowest, most responsible and most responsive bid by a Gary Business. The Gary Board of Public Works shall adjust the lowest, most responsible, most responsive bid by a Gary Business, and if after said adjustment a Gary Business is the lowest, most responsible and most responsive bid, the Gary Board of Public Works may award said contract to the said Gary Business, at the price originally bid. Section 6(f) states that other departments, divisions, components and agencies of the City of Gary letting contracts shall follow the procedures outlined in Section 6(e) above.

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

Allowable Preferences

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

CAPITALIZATION POLICY

Ordinance 7485, which address capital assets, was passed by the Common Council on August 5, 2003; however, the ordinance does not address some detail regarding infrastructure such as resurfacing, pavement rehabilitation, or asphalt paving. Section 4 of the ordinance should include some definitions the difference between infrastructure improvements that are to be included in additions to capital assets and those that are to be considered cost of repairs. A potential infrastructure improvement that is above the \$75,000 capitalization threshold may not be a capital asset depending upon the definition. Infrastructure assets are grouped into networks or subsystems, rather than reporting the assets as individual items. This should also be addressed in the capitalization policy.

The City is depreciating infrastructure using a 75 year life but the policy states in section 6: "All infrastructure shall be capitalized over a period of between 15 to 50 years given the nature of the project."

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)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standards setting bodies and also with various accounting guides, manuals and other publications. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UNDOCUMENTED MEAL REIMBURSEMENT - GARY SANITARY DISTRICT

Travel claims reviewed at the Sanitary District indicated that meals were reimbursed based on a hotel statement only. Also, only the card member's signed copy of the charge slip was submitted and not the itemized invoice for credit card purchases. Detailed documentation was not provided listing food, beverage, the number of people served, etc.

The Sanitary District travel policy states: "Reimbursable expenses shall include the following, if incurred overnight outside the State of Indiana and/or outside the state where an employee resides: Meals - Actual cost of meals, including nonalcoholic refreshments consumed in connection with meals supported by a receipt, up to a maximum of \$60 per day."

Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.

When traveling outside the corporation limits on official business, officers and employees may be reimbursed for meals, lodging and other necessary traveling expenses. The claim for reimbursement should be completely itemized and should be supported by receipts from hotels, restaurants, and taxi cabs used by the employee while traveling on official business of the city or town. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

TOWNSHIP BILLING RECORDS - GARY SANITARY DISTRICT

The Sanitary District has established a separate account for posting amounts due from Calumet Township for customers receiving poor relief assistance. Amounts due from the Township are posted from billings stubs and vouchers from the Township as provided by the customers. Then, the Township is billed monthly, and the payments received from the Township are posted to this account. In 2005, the amounts that the Township was billed differed from the billed amounts posted to the customer history report by \$564.41. In the prior audits, there was a problem with some amounts of billings being double and triple posted. Controls have not been corrected to insure the accuracy of this account.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

ACCOUNTS RECEIVABLE PAST DUE - GARY SANITARY DISTRICT

At December 31, 2005, the Aged Account Receivable report balance was \$4,751,743.70. Of this amount, \$2,391,625.01 was past due by one to more than three years. Officials have not approved the writing off of bad debts for several years.

The District's Resolution 04-46 states: "The writing off of all bad debts must be pre-approved by the Board of Commissioners. The Finance Manager will present a list of bad debts proposed to be written off to the Board of Commissioners for its consideration in April, August and December of each year."

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May."

"(l) A board may write off a fee or penalty under subsection (a) that is for less than forty dollars (\$40)."

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)

PAYROLL DEFICIENCIES - GARY SANITARY DISTRICT

The "W-4, Employee's Withholding Allowance Certificate" on file was not current for 73% of employees/officials tested. In addition, 26% of employees/officials tested were paid a lower gross wage than approved in the salary budget dated December 28, 2004. Annual differences ranged from \$120.00 to \$591.84 for 2005.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEES - PARK DEPARTMENT

An all day pool usage fee is charged for children and adults. The fee was not approved by the park board.

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)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

ACCOUNTABLE ITEMS - PARK DEPARTMENT

The Park Department collects fees for admittance to the pool. Receipts are not written, tickets are not used, nor is a cash register used to account for the admittance fees. A sign in sheet is the supporting documentation. Upon review of the sign in sheets, we found names being crossed off or not counted when determining the totals for the end of day collections.

Tickets, goods for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS - PARK DEPARTMENT

Receipts issued by the Park Department for security fees are not prescribed forms, and have not been approved by the State Board of Accounts. They are commercially purchased forms. Park Officials indicated that no money was collected for these security receipts. These receipts were issued to document security services provided during pavilion rentals.

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)

USE OF CASH REGISTER - PARK DEPARTMENT

Cash register z-out tapes for the Hudson Campbell Fitness Center indicate the time period covered by the tape. We abstracted the time periods covered by all cash register tapes for the month of August, 2005. Cash register tapes presented for audit did not cover all hours the fitness center was open.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS OVER GOLF PASSES - PARK DEPARTMENT

Controls over the golf passes were insufficient as follows:

1. No inventory of the golf passes on hand was taken at year end.
2. Golf passes for senior citizen residents were not used sequentially. (For example: 100 through 123 were issued, immediately followed by 140 and 144)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

3. There was an individual resident extended pass number series (19 and 20) used that could not be explained by the Park Officials. This was different than the normal series (76 through 79).
4. Voided 2005 golf passes were not presented for audit.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Tickets, goods for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit.

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payors. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPUTER SYSTEM – GENESIS CONVENTION CENTER

The reports generated by the Genesis Convention Center's DAC Easy computer system have not been approved by the State Board of Accounts. This accounting system generates a general ledger of activity, a balance sheet and a trial balance report each month. The cash balance reported on these three reports should be in agreement. At December 31, 2005, the cash balance reported on the balance sheet and the trial balance report differed from the general ledger of activity by \$353.44.

The computer system will allow for the same receipt number to be posted twice, which occurred several times during the audit period. For example, on July 15, 2005, receipt 14788 was posted to the cash receipts report twice, once for \$5,900 and again as \$126.

The computerized accounting system must provide input edits and controls to assure that information entered into the system is accurate, that all appropriate information is entered into the system, that information is entered into the system only once, and that all information entered into the system is authorized by management.

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. . . . Output reports must have appropriate subtotals to allow reconciliation of reports within the system and reconciliation to external documentation. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TIMELINESS OF DEPOSITS - GENESIS CONVENTION CENTER

Receipts were found to be deposited up to twelve days after being received. This was also an audit comment in the prior audit report.

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

FINANCIAL STATEMENTS - GENESIS CONVENTION CENTER

As stated in the prior report, the following deficiencies were noted:

1. Retained Earnings was reported as an asset with a credit balance and designated as a "journal difference" instead of being shown in the equity section. The prior year income/loss is shown in the equity section of the balance sheet as current earnings and prior audit adjustments are shown as Profit/Loss.
2. Numerous liabilities were reported with debit balances, such as state withholding taxes payable and state sales tax payable, even though a liability existed at year end. (Liabilities would normally have a credit balance.)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PETTY CASH FUND - GENESIS CONVENTION CENTER

Petty cash funds are often advanced to employees for purchases instead of reimbursing them for actual expenses. During our verification of the petty cash fund on August 22, 2006, we determined that \$400 had been advanced to two Genesis Center administrators for per diem while attending a conference. The employees were also advanced an additional \$200 for a rental car, even though the Genesis Center had obtained an invoice from the rental company for \$158.07. At the time of our verification, there was an additional \$240.71 outstanding that had been advanced to employees for which receipts or change had yet to be returned. We also observed petty cash expenditures for sales tax on a TV stand purchased by the City, balloons, and a dress-dry-cleaning.

As further provided by Indiana Code 36-1-8-3, the fiscal body of a political subdivision may also establish a petty cash fund for the purpose of paying small or emergency items of operating expense. A receipt shall be taken for each and every expenditure from such fund and an accounts payable voucher shall be filed by the custodian of the fund, to reimburse such fund for expenditures so made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The City of Gary Policies and Procedures 4.2.1 Payment for Travel Expenses states: "To cover sustenance expenses, employees shall be entitled to a per diem in the amount of \$40.00 per day. Said per diem shall be paid only after travel has occurred. No advance payments of per diems shall occur."

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)

PRESCRIBED FORMS - METRO CENTER

The Form 353, General Warrant is not in use. The computerized records generated by the accounting software program have not been submitted for approval.

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)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

CONTRACTS WITH LESSEES - METRO CENTER

The City of Gary had a written agreement with Gary Intercity Lines, Incorporated, concerning property management of the Metro Center. However, Gary Intercity Lines, Incorporated, was disbanded January 11, 2002, and Gary Public Transportation Corporation (GPTC) now manages the Metro Center. A written agreement for the management of the Metro Center has not been executed between GPTC and the City of Gary.

The City of Gary Board of Works approves, sets the rates, and signs the Metro Center leases. All the leases reviewed have expired and the rent is still being paid at the original rates. Records are not maintained in a manner to allow verification of rent payment activity for each tenant. There are no subsidiary ledgers for each tenant.

GPTC pays the property and fire insurance for the Metro Center. The Metro Center is to collect pro rata insurance premiums from the tenants and then reimburse GPTC for the insurance costs. In 2005 and for several prior years, the Metro Center has not received all of the tenant's shares and they have not reimbursed GPTC for the insurance costs that they have collected.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

For some cities and towns additional records will be necessary to summarize financial transactions to develop monthly totals for posting to the general ledger. Cities and towns using data processing equipment can probably develop this monthly summary information with little, if any, changes in the programs. New records, or program revisions, may be necessary to provide the following:

General Ledger - is to be established, posted monthly on the double-entry basis with a self-balancing group of accounts for each fund. The general ledger will usually contain only control accounts if detail accounts are maintained in subsidiary ledgers. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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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 GARY, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Gary (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 2005-1 through 2005-7 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding activities allowed or unallowed, allowable costs/cost principles, cash management, matching, period of availability, and reporting that are applicable to its Public Safety Partnership and Community Policing Grants, HOME Investment Partnerships Program Grant, and Development and Promotion of Ports and Intermodal Transportation Grant. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

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 other major federal programs for the year ended December 31, 2005.

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)

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.

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 2005-1, 2005-2, 2005-5, and 2005-7.

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, of the reportable conditions described above, we consider items 2005-5 and 2005-7 to be material weaknesses.

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

October 11, 2006

CITY OF GARY
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 AGRICULTURE</u>			
Pass-Through Indiana Department of Education Child Nutrition Cluster Summer Food Service Program For Children	10.559	745-05	\$ 212,827
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Direct Grant Minority Business Opportunity Committee	11.803	05-20-03003-01	98,759
Pass-Through Indiana Department of Natural Resources Coastal Zone Management Estuarine Research Reserves	11.420	NA4OS4190039	74,469
Total for federal grantor agency			173,228
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Direct Grant WRDA - Water Resource Development Act, Section 219	12.XXX		5,305
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant CDBG-Entitlement and (HUD Administered) Small Cities Cluster Community Development Block Grants/Entitlement Grants	14.218		
		B-01-MC-18-0005	14
		B-02-MC-18-0005	350,463
		B-03-MC-18-0005	100,993
		B-04-MC-18-0005	2,792,165
		B-05-MC-18-0005	1,128,647
Total for cluster			4,372,282
Direct Grant Emergency Shelter Grants Program	14.231		
		S-04-MC-18-0005	30,438
		S-05-MC-18-0005	156,789
		45-05-09-0732-02	31,299
Total for program			218,526
Direct Grant Supportive Housing Program	14.235	IN36B201004	138,066
Direct Grant HOME Investment Partnerships Program	14.239		
		M-99-MC-18-203	151,232
		M-01-MC-18-203	25,282
		M-03-MC-18-203	29,110
		M-04-MC-18-203	178,268
		M-05-MC-18-203	67,013
Total for program			450,905
Direct Grant Empowerment Zones Program	14.244	EZ-99IN0004	892,406
Direct Grant Fair Housing Assistance Program - State and Local	14.401	FF205K055012	65,876
Total for federal grantor agency			6,138,061

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

CITY OF GARY
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 INTERIOR - NATIONAL PARK SERVICE</u>			
Direct Grant			
Rivers, Trails, and Conservation Assistance	15.921		
Groundwork Gary		4525-0017-454	<u>45,853</u>
Pass-Through Indiana Department of Natural Resources			
Coastal Program	15.630	CR0004	<u>39,964</u>
Total for federal grantor agency			<u>85,817</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Byrne Formula Grant Program	16.579	IN450500	
Protective Service Fund			96,599
Excess Forfeitures			<u>77,878</u>
Total for program			<u>174,477</u>
Direct Grant			
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-1299	<u>80,018</u>
Direct Grant			
Public Safety Partnership and Community Policing Grants	16.710		
COPS In School		2002-SH-WX-0398	192,321
COPS Technology Grant		2004-CK-WX-0085	259,000
Pass-Through Indiana Counter-Terrorism and Security Council			
COPS Homeland Security Overtime Program (HSOP)		2003-OM-WX-0067	<u>167,487</u>
Total for program			<u>618,808</u>
Direct Grant			
Gang Resistance Education and Training	16.737	2004-JV-FX-0042	<u>4,247</u>
Pass-Through Indiana Criminal Justice Institute			
Juvenile Accountability Incentive Block Grants	16.523	03-JB-008	<u>27,416</u>
Crime Victim Assistance	16.575		
		04VA083	4,375
		04VA084	13,003
		04VA086	52,183
		05VA067	55,473
		05VA069	24,683
		05VA070	<u>8,076</u>
Total for program			<u>157,793</u>
Pass-Through Partnership for a Drug Free Lake County, Inc.			
Drug Free Communities Support Program Grants	16.729	FY 2004	<u>429</u>
Total for federal grantor agency			<u>1,063,188</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster	20.205		
Highway Planning and Construction		STP-N-501 (010)	<u>26,650</u>
Total for cluster			<u>26,650</u>

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

CITY OF GARY
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	20.600	OP-05-02-03-04 PT-06-04-07-27	11,592 <u>23,681</u>
Total for program			<u>35,273</u>
Safety Incentive Grants for Use of Seatbelts	20.604	OP-IN-3-03-07-05-26	<u>6,311</u>
Total for cluster			<u>41,584</u>
Pass-Through Indiana Department of Transportation Development and Promotion of Ports and Intermodal Transportation	20.801	45001201	<u>582,488</u>
Total for federal grantor agency			<u>650,722</u>
<u>U.S. EQUAL OPPORTUNITY COMMISSION</u>			
Direct Grant Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	5-FPSP-0157	<u>41,350</u>
<u>U.S. SMALL BUSINESS ADMINISTRATION</u>			
Direct Grant Microloan Program	59.046	7540894007	<u>82,500</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant Brownfield Pilots Cooperative Agreements	66.811	BT97589601	<u>56,363</u>
Direct Grant Brownfield Assessment and Cleanup Cooperative Agreements	66.818	BF96530201	<u>154,597</u>
Direct Grant Great Lakes Program	66.469	2004-005-105	<u>98,531</u>
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-18225801	<u>40,285</u>
Beach Monitoring and Notification Program Implementation Grants	66.472	CU-975678-01	<u>27,650</u>
Total for federal grantor agency			<u>377,426</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana Department of Health Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	U52/CCU500520-22-4	<u>44,974</u>
Pass-Through Purdue University Injury Prevention and Control Research and State and Community Based Programs	93.136	VF1/CCV519921-02-4	<u>9,831</u>
Pass-Through Indiana Department of Health Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	CLP-775-2 (2004) CLP-775-2 (2005)	57,701 <u>44,059</u>
Total for program			<u>101,760</u>

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

CITY OF GARY
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 HEALTH AND HUMAN SERVICES (continued)</u>			
Pass-Through Indiana Department of Health (continued)			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		
		05-BPRS 196-14	45,120
		06-BPRS 196-14	<u>13,073</u>
Total for program			<u>58,193</u>
Pass-Through Indiana Family and Social Services Administration			
Social Services Block Grant	93.667	45-05-5A-0732	<u>69,410</u>
Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	93.671		
		45-05-OT-0732-01	31,000
		45-05-OT-0732-02	<u>18,913</u>
Total for program			<u>49,913</u>
Pass-Through Indiana Department of Environmental Management			
HIV Prevention Activities - Health Department Based	93.940	U62/CCU523488	<u>23,110</u>
Pass-Through Indiana Department of Health			
Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	MCH 775-3	<u>11,674</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959		
		05-PSUP-775-1	36,069
		06-PSUP-775-1	39,200
		05-SAPT-196-5	43,886
		06-SAPT-196-5	<u>40,553</u>
Total for program			<u>159,708</u>
Preventive Health Services - Sexually Transmitted Disease Control Grants	93.977	H25/CCH504340-13	<u>177,980</u>
Preventive Health and Health Services Block Grant	93.991	PHB 196-6	<u>3,790</u>
Maternal and Child Health Services Block Grant to States	93.994		<u>119,351</u>
Total for federal grantor agency			<u>829,694</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Assistance to Firefighters Grant	97.044	EMW-2003-FG-18848	<u>2,388</u>
Pass-Through Lake Area United Way			
Emergency Food and Shelter National Board Program	97.024	271600-005	<u>7,071</u>
Total for federal grantor agency			<u>9,459</u>
Total federal awards expended			<u>\$ 9,669,577</u>

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

CITY OF GARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Gary (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.

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	\$ 564,434
Emergency Shelter Grants Program	14.231	175,471
HOME Investment Partnerships Program	14.239	345,036
Empowerment Zones Program	14.244	198,686

CITY OF GARY
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?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
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 HOME Investment Partnerships Program, Public Safety Partnership and Community Policing Grants, and Development and Promotion of Ports and Intermodal Transportation. Unqualified for CDBG-Entitlement and (HUD Administered) Small Cities Cluster.

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
14.239	CDBG-Entitlement and (HUD Administered) Small Cities Cluster
16.710	HOME Investment Partnerships Program
20.801	Public Safety Partnership and Community Policing Grants
	Development and Promotion of Ports and Intermodal Transportation

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

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2005-1, PAYROLL INTERNAL CONTROLS AND DOCUMENTATION

Federal Agency: U.S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Award Numbers: 2002-SH-WX-0398, 2003-OM-WX-0067
Pass-through Agency: Indiana Counter-Terrorism and Security Council

The City has established a system in which payroll expenses to be paid from a specific fund are automatically posted to that fund upon entering the payroll. In order to ensure only eligible employees are paid, department heads are provided with "Payroll Earnings Forecasts" (forecasts) from the payroll department. These forecasts show all employees to be paid from that fund and/or department, the hours to be worked, and the dollar amounts to be paid. Then, the department head is to review the forecast, compare it to the time sheets, make and document any corrections, and sign certifying whether or not it is correct. When signing, he or she is to indicate the amount being certified, and the date they are certifying the report. The certified forecast is then to be returned to payroll for processing. Amounts paid based upon the corrected forecast are then to be posted to the appropriate fund and department.

We reviewed the forecasts for various periods for the various COPS grants and noted that the hours on the time sheets supporting the forecasts do not always agree to the hours reported on the forecasts. The police department chief of operations maintains the police department copies of the forecasts, as well as the time sheets. The time sheets associated with each forecast are to be maintained with that forecast.

Payroll overtime payments from the COPS Homeland Security grant were made for hours that were not properly documented. Nine of the seventeen payments tested could not be verified to the amounts posted to the ledger. The time sheets did not identify the overtime hours as related to Homeland Security. In one instance, no time sheet was presented for audit.

Regarding the COPS in School grant, one time sheet was not presented for audit. Additionally, the salaries charged to the grant were not for the officers that actually worked in the COPS for School program. The salaries that were charged to the grant were for less experienced officers who actually were patrolmen that had nothing to do with the grant. The officers that worked in the schools were more experienced officers whose salaries, if charged to the COPS in School grant, would have used more of the grant funds. The salaries for the more experienced officers were charged to the City's General Fund.

Title 28 - Judicial Administration, Chapter I - Department of Justice, Part 66 - Uniform Administrative Requirements for Grants and Cooperative Agreements § 66.20 states in part:

"(a) State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

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

(b) The financial management systems of other grantees and subgrantees must meet the following standards: . . .

- (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. . . .
- (6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

Failure to establish and maintain controls which support the financial activity could result in reporting federal expenditures which are inaccurate, or incomplete. Additionally, amounts not properly supported could be considered unallowable, resulting in questioned costs.

We recommended that officials review controls, and computerized transaction recording to ensure amounts are properly posted and documented.

FINDING 2005-2. CASH MANAGEMENT

Federal Agency: U.S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Award Number: 2004-CK-WX-0085

The City entered into contractual agreements to purchase equipment (a gun fire detection system and a surveillance system). Based on these contractual agreements, the City requested and had drawn down COPS Technology Grant funds in the amount of \$600,000 on March 2, 2005. Subsequent to the drawdown, the contractual agreement for the surveillance system became problematic. This resulted in the City not expending \$224,450 of the amount drawn down. On June 30, 2006, the City repaid the \$224,450 to the U.S. Department of Justice.

In 2005, the City Controller requested and received additional COPS grant cash draw downs from the U.S. Department of Justice as follows: COPS in School, \$300,000; COPS Ahead, \$482,290.53; and COPS Homeland Security, \$85,000. The City Controller stated that the City Police Department provided the information from which he made the draw downs via a telephone system. Documentation supporting these cash drawdowns was not presented for audit.

The City does not have a system for determining when funds are needed or for projecting cash flows.

The COPS grant owner's manual stipulates that the period of cash on hand allowed is 10 days in advance. Also, interest earned on all advances of federal funds over \$250 per fiscal year is required to be paid to the U.S. Department of Justice.

Title 28 - Judicial Administration, Chapter 1 - Department of Justice, Part 66 - Uniform Administrative Requirement for Grants and Cooperative Agreements § 66.21 states in part: "(b) Basic standard. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205."

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

OMB Circular 102 (Paragraph 2. a.) states: "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 need for the funds."

Failure to adhere to this requirement could cause the City to become ineligible to receive federal funds, or to have to repay federal funds or interest earned on those funds received in advance.

We recommended that officials only request funds as needed. A system should be established for determining need based upon projected or encumbered expenditures.

FINDING 2005-3, LOCAL MATCH

Federal Agency: U.S. Public Safety Partnership and Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Award Numbers: 2002-SH-WX-0398, 2003-OM-WX-0067
Pass-through Agency: Indiana Counter-Terrorism and Security Council

Local matching dollars are not transferred into the funds and accounts designated as the grant control funds. Instead, the City Controller has indicated in his corrective action plan, and it was verified in the review of the summary of prior audit findings, that the local matches would be paid directly from the General Fund. Based upon the summary of prior audit findings, the City indicated that some salary related expense would be paid from the General Fund, such as other compensation, health insurance, workers compensation, unemployment, and clothing allowance. For the Homeland Security Grant Program, all overtime salary related expenses are being paid from the grant fund. For the Cops in School Grant Program, all items indicated in the Summary of Prior Audit Findings are being paid from the General Fund.

We determined the total number of officers eligible to participate in two of the grants, based upon rosters provided by the City. Then, we calculated the officers' salary related expenses for the year. Next, using the information addressed in the first paragraph, we calculated the percentages of local matches to have been paid from the general fund, and determined that for the Cops in School Grant Program the salary related expenditures account for only 14.13% of the total eligible expenditures for 2005.

In accordance with the "Grant Monitoring Standards and Guidelines for Hiring and Redeployment" prepared by the U.S Department of Justice Office of Community Oriented Policing Services (COPS), the following is addressed:

"For Hiring grant awards, the COPS grant will provide up to 75% of an entry-level salary and benefits package over three years with a maximum of \$75,000 per position. Grantees are responsible for at least 25% of the salary and fringe benefit package through the local match."

"An additional guideline to follow concerns the type and source of the match. The type of match must be a cash match and the source of funding may not be Federal unless specifically authorized by Federal statute. The funding for local match must be in addition to funds previously budgeted for law enforcement purposes and may not have come from other COPS grants or supplements. The grantee must be able to identify the source of their matching funds. Ideally, it is beneficial if a grantee proactively documents the specific source for and timing of the local match, such as a separate line item in the local budget."

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

It must be noted that we also calculated salaries and other benefits to have been eligible costs under the two programs, and to have been posted to the funds designated to account for the federal share of the costs, and found that those expenditures would exceed the amount of the federal awards. Thus, if records were properly maintained, the funds designed for the federally funded programs would be overdrawn by those amounts; therefore, the City would be paying the correct percentages of their local matches.

Title 28 - Judicial Administration, Chapter I - Department of Justice, Part 66 - Uniform Administrative Requirements for Grants and Cooperative Agreement Section 66.20, Standards for financial management systems, states in part:

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

Title 28 - Judicial Administration, Chapter I - Department of Justice, Part 66 - Uniform Administrative Requirements for Grants and Cooperative Agreement Section 66.24, Matching or cost sharing, states in part:

"(6) Records. Costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of the grantees and subgrantee or cost-type contractors."

Failure to establish and maintain controls and records which adequately document local and federal shares of expenditures could result in amounts having to be repaid to the federal agency, or becoming ineligible to receive additional funding.

We recommended that, rather than trying to split costs among funds, it would be best to pay all expenses from the appropriately designated fund, and transfer the local matching funds into the fund designed to account for all of the grant related expenses. In that manner, the local match can be easily identified, and the risk of overdrawing a fund, or not meeting the required local match is minimized. Additionally, federal monitoring reports can be prepared based upon the activity contained in one location.

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

FINDING 2005-4, PERIOD OF AVAILABILITY

Federal Agency: U.S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Award Numbers: 2003-OM-WX-0067
Pass-through Agency: Indiana Counter-Terrorism and Security Council

The COPS Homeland Security grant expiration date was August 31, 2004. Grant expenditures of \$167,487 were made by the City through December 31, 2005.

The conditions of the grant stated that requests for time extensions should be submitted in writing approximately 90 days before the end of the grant period.

In a letter dated May 23, 2005, the U.S. Department of Justice stated the City's grant expired on August 31, 2004. This letter further stated that the City must complete an Extension Request Form and return it to the U.S. Department of Justice no later than June 30, 2005.

No extension letter or grant closeout documentation was presented for audit.

Title 28 - Judicial Administration, Chapter I - Department of Justice, Part 66 - Uniform Administrative Requirements for Grants and Cooperative Agreements § 66.23 states:

“(a) General. Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

(b) Liquidation of obligations. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline at the request of the grantee.”

Failure to adhere to this requirement could cause the City to become ineligible to receive federal funds, or to have to repay federal funds.

We recommended that officials only charge costs resulting from obligations incurred during the funding period.

FINDING 2005-5, FINANCIAL REPORTING

Federal Agency: U.S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Award Numbers: 2002-SH-WX-0398, 2003-OM-WX-0067, 2004-CK-WX-0085
Pass-through Agency: Indiana Counter-Terrorism and Security Council

The quarterly Financial Status Reports were prepared and submitted by City Controller's office. The Financial Status Reports were prepared based on the City Controller's ledgers for the fourth quarter. Documentation was not provided supporting the reports for the first three quarters.

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

For all three programs, the quarterly Financial Status Reports were filed 3 to 10 days after the due date. The fourth quarter Financial Status Report for the COPS Homeland Security grant was not presented for audit.

Additionally, the fourth quarter disbursements shown on the Financial Status Reports for the COPS Technology grant did not agree with the financial record. The disbursement amount shown on the Financial Status Report was \$375,550; however, the ledger disbursement amount was \$259,000.

Financial Status Reports. All COPS grantees are required to submit quarterly Financial Status Reports (FSRs) using a Standard Form 269A (SF-269A). This report reflects the actual federal monies and unliquidated obligations incurred, local matching contributions, and the unobligated balance of federal funds. FSRs must be submitted no later than forty-five days after the last day of each quarter as follows:

<u>Reporting Quarter</u>	<u>Due Date</u>
January 1 to March 30	May 15
April 1 to June 30	August 14
July 1 to September 30	November 14
October 1 to December 1	February 14

This report requests information on total monies spent, the breakdown by Federal expenditure and local match, and unobligated amounts. All Financial Status Reports must be completed and sent to the COPS Office no later than 45 days following each calendar quarter. Grantees who do not submit a SF-269A by the due date will be unable to drawdown funds. The payment systems contain an edit that checks for SF-269A delinquency and will reject a drawdown attempt if the report is not up to date. (Grant Monitoring Standards and Guidelines for Hiring and Redeployment Part V, COPS Compliance Definitions and Conditions)

Title 28 - Judicial Administration, Chapter I - Department of Justice, Part 66 - Uniform Administrative Requirements for Grants and Cooperative Agreement Section 66.20, Standards for financial management systems, states in part:

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to-

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

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

- (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

When dollar amounts reported cannot be verified to official city records and reports are not filed timely, future federal awards can be jeopardized.

We recommended that officials file reports timely and that the information reported be verifiable to official city accounting records.

FINDING 2005-6, PERIOD OF AVAILABILITY

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.239
Award Number: M-99-MC-18-203

During 2005, the City expended \$151,232.54 from the HOME Investment Partnerships Program Grant that was awarded in 1999.

According to the grant agreement: "Once drawn down, funds must be expended within fifteen days. All funds must be committed within 24 months and expended within 5 years."

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of the subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (A-102 Common Rule, § ____.23; OMB Circular A-110, § ____.28).

Failure to adhere to this requirement could cause the City to become ineligible to receive federal funds, or to have to repay federal funds.

We recommended that officials only charge costs resulting from obligations incurred during the allowed time period.

FINDING 2005-7, CASH MANAGEMENT

Federal Agency: U.S. Department of Transportation
Federal Program: Development and Promotion of Ports and Intermodal Transportation
CFDA Number: 20.801
Award Number: 45001201
Pass-through Agency: Indiana Department of Transportation

The City lacks internal controls over cash management for the Gary Marina Access Road Project.

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

The City entered into a contractual agreement for construction engineering and inspection services for the construction of Gary Marina Access Road Phase I and appurtenances. Based on this contractual agreement, the City share would be 20% of the invoices and the Federal share 80%. On November 4, 2005, the City received federal funds in the amount of \$27,241.55. Subsequent to receiving the federal share, the approved invoice amount of \$34,051.94 was changed to \$32,811.94. As of August 10, 2006, this invoice of \$34,051.94 has not been paid by the City.

Also, the City paid the consulting firm for three invoices in 2005 totaling \$63,997.75. Since these invoices were not sent to the Indiana Department of Transportation for approval, the City has not been reimbursed the federal share of these invoices.

OMB Circular 102 (Paragraph 2. a.) states: "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 need for the funds."

Failure to adhere to this requirement could cause the City to become ineligible to receive federal funds, or to have to repay federal funds or interest earned on those funds received in advance.

We recommended that officials establish internal controls over disbursement of federal funds received.



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GERALDINE B. TOUSANT
Deputy Mayor

HUSAIN G. MAHMOUD
Director of Finance

M. CELITA GREEN
Deputy Controller

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2004-2 Financial Reporting

Federal Agency:	U.S. Department of Justice
Federal Program:	Communtly Oriented Policing Services
CFDA Number:	16.710
Federal Award No.	2002-SH-WX-0398, 2003-OM-WX-0067, 1995- CCWX-0508 1996-CW-WX-830
Pass-Through Entity:	N/A
Auditee Contract Person:	Husain Mahmood
Title of Contact Person:	Director of Finance
Phone Number:	219 881-1363

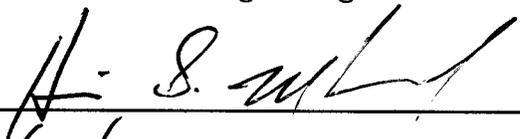
Pursuant to the Corrective Action Plan, the Department of Finance has retrieved all information regarding the accountability and allocation of the fiscal distribution of resources by grant funds as follows:

- We have prepared quarterly reports and submitted draw down requests as well as develop other means in identifying the different cost activities for tracking eligible police officers.
- Established Funds, Budgets, Payroll Transmittals for COPS in School, COPS Homeland Security Overtime Program, and Cops Universal Hiring Program.
- All salaries are paid from the respective funds, eliminated a need to reimburse the General Fund through transfer.

In contrast, we are steadfast in continuing our efforts to maintain structure and accountability of the above grants funds through reorganization and internal controls.

Signed

Date



6/21/2006



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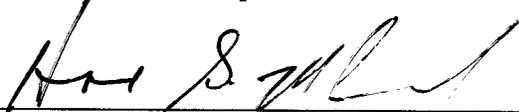
SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2004 -3 CASH MANAGEMENT

Federal Agency: U. S. Department of Justice
Federal Program: Community Oriented Policing Services
CFDA Number: 16.710
Award Number: 2003-OM-WX-0067
Pass-Through Entity: Indiana Counter-Terrorism and Security Council

Auditee Contact Person: Husain Mahmoud
Title of Contact Person: Director of Finance
Phone Number: 219 881-1363

As stated in the corrective action plan, the COPS Homeland Security Grant Program maintained in all facets by the Police Department, but the quarterly reports, tracking, and draw downs maintained by the Finance Department along with relating them to individual officers established to obtain the accurate amounts of funds drawn down associated to the expenses incurred during the period. The Police Department will continue to complete the narratives for these reports.



Husain Mahmoud, Director of Finance

6/21/2006
Date



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Deputy Controller

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2004 -4 Payroll Internal Controls and Documentation

Federal Agency: U.S. Department of Justice
Federal Program: Community Oriented Policing Services
CFDA Number: 16.710
Federal Award No. 2002-SH-WX-0398, 2003-OM-WX-0067, 1995- CCWX-0508
Pass-Through Entity: N/A

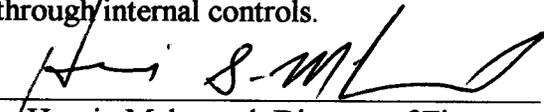
Federal Agency: U. S. Department of Labor
Federal Program: Community Oriented Policing Services
CFDA Number: 16.710
Award Number: 2003-OM-WX-0067
Pass-Through Entity: Indiana Counter-Terrorism and Security Council

Auditee Contact Person: Husain Mahmoud
Title of Contact Person: Director of Finance
Phone Number: 219 881-1363

Pursuant to the corrective action plan, the City of Gary continues to assure compliance and accountability of grants relating to the prior year audit findings.

On time sheets in order to correspond with the pay periods and comparison to the Payroll Earning Forecast, (transmittal), we made changes regarding the tracking of officers by the police department cost allocation structure. The accounting for records (timesheets) identifies the source of the disbursement of funds provided for financial verification of grants activities.

In contrast, the City of Gary will continue to improve the accountability of the above grant funds through internal controls.


Husain Mahmoud, Director of Finance

6/21/2006
Date



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Deputy Controller

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2004- 5 Local Match

Federal Agency: U.S. Department of Justice
Federal Program: Community Oriented Policing Services
CFDA Number: 16.710
Federal Award No. 2002-SH-WX-0398, 1995- CCWX-0508
Pass-Through Entity: N/A

Federal Agency: U.S. Department of Labor
Federal Program: Community Oriented Policing Services
CFDA Number: 16.710
Federal Award No. 2003-OM-WX-0067
Pass-Through Entity: Indiana Counter-Terrorism and Security Council

Auditee Contract Person: Husain Mahmood
Title of Contact Person: Director of Finance
Phone Number: 219 881-1363

As the City of Gary continues to assure compliance and accountability of the prior year audit findings, our efforts in providing corrective actions remains ongoing, associated to the operation of the grant funds.

The COPS Universal Hiring Officers were paid increased wages over a period which in some instances, the percentage were higher then the total expenses during the periods because of retention. The City maintains spreadsheets to account for all costs incurred by officers on the COPS Universal Hiring grant, to reflect these percentages that the city is paying.

However, the city will have to continue to report expenses on quarterly reports at the agreed amounts in the original contract to meet the criteria specified for the number of officers per officer, as well as the percentage necessary for city expenses not to exceed the total grant amount agreed upon in the contract at the conclusion of the grant.

This procedure allowed separate accounting for each program as well as cash matches deposited into each fund.

As indicated on the corrective action report, in some cases, it may not be necessary to transfer a cash match to the COPS program where certain line items are budgeted in the General Fund for all policemen, such as other compensation that allows for incentive in educational pay, as well as clothing allowances, and longevity to officers who have been employed for over one year. These expenses that are budgeted in the general fund equal or exceed the cash match.



Husain Mahmoud, Director of Finance

6/21/2006
Date



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CORRECTIVE ACTION PLAN

FINDING NO. 2005 -1 Payroll Internal Controls and Documentation

Federal Agency: U.S. Department of Justice
Federal Program: Community Oriented Policing Services
CFDA Number: 16.710
Federal Award No. 2002-SH-WX-0398
Pass-Through Entity: N/A

Federal Agency: U. S. Department of Justice
Federal Program: Community Oriented Policing Services
CFDA Number: 16.710
Award Number: 2003-OM-WX-0067
Pass-Through Entity: Indiana Counter-Terrorism and Security Council

Auditee Contact Person: Husain Mahmoud
Title of Contact Person: Director of Finance
Phone Number: 219 881-1363
Expected Completion Date: 12/31/06

Corrective Action:

The City of Gary will assure the accountability of grants relating to the audit findings. Our efforts, which have been ongoing to reorganize the fiscal responsibilities of proper allocation of hours paid in association with the timesheets and transmittals continues with the analyses of expenditures associated with the operation of the grant funds during the period of our annual audit examination late last year.

As stated in the Summary of Prior Audit Findings ,on time sheets in order to correspond with the pay periods and comparison to the Payroll Earning Forecast, (transmittal), we made changes regarding the tracking of officers by the police department cost allocation structure. The accounting for records (timesheets) identifies the source of the disbursement of funds provided for financial verification of grants activities, which been reported in the correct period, and resolved.

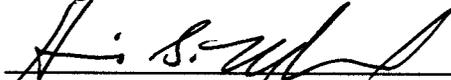
We implemented the following:

- A review of time worked each payroll period on time sheets, along with proper classification of the appropriate grant listed as a part of the payroll transmittal.
- Time Sheets will show pre-printed dates for each payroll period to assure that time worked is reported on the appropriate Payroll Earnings Forecast Reports.

It has been reiterated to the Police Department Management Personnel, that the policies and procedures regarding the time and attendance reporting must be adhere too, which will consist of monitoring, and reviewing time worked (regular or overtime), on time sheets in order to correspond with the current pay period and comparison to the Payroll Earning Forecast (transmittal).

We will continue to examine and incorporate internal controls established by State and City guidelines for all grants, and make changes regarding the accurate tracking of officers by the police department cost allocation structure. The accounting for records (timesheets) will identify the source of the disbursement of funds provided for financial verification of grants activities.

In contrast, the City of Gary will continue to improve the accountability of the above grant funds through internal controls.



Husain Mahmoud, Director of Finance

10/11/2006
Date



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CORRECTIVE ACTION PLAN

FINDING NO. 2005 -2 CASH MANAGEMENT

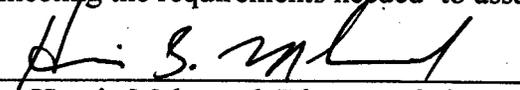
Federal Agency: U. S. Department of Justice
Federal Program: Public Safety Partnership and Community Oriented Policing Grant
CFDA Number: 16.710
Award Number: 2004-CKWX0085

Auditee Contact Person: Husain Mahmoud
Title of Contact Person: Director of Finance
Phone Number: 219 881-1363
Expected Completion Date: 12/31/06

As stated in the Summary of Prior Audit Findings, COPS Technology Grant, COPS in School, COPS Ahead, and the COPS Homeland Security Grant was formerly maintained in all facets by the Police Department, but the reports, tracking quarterly, and draw downs maintained by the Finance Department along with relating them to individual officers or purchase of equipment established to obtain the accurate amounts of funds drawn down associated to the expenses incurred during the period.

However, as this process continues, it will eliminate funds drawn in advance from accumulating interests over the allowable amounts during a fiscal period. A system for tracking expenditures and relating them to individual officers or the purchase of equipment established to obtain accurate amounts drawn down in the future.

We are reviewing actual expenditures associated with the unexpended cash balance to assure the proper uses of the fund account. The cash drawn down in March 2005, over the amount of expenses incurred during the period requested for the drawn down as stated in the audit report was returned FY 2006 due to problems occurring with the vendors meeting the requirements needed to assure proper specification.


Husain Mahmoud, Director of Finance

10/11/2006
Date



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CORRECTIVE ACTION PLAN

FINDING NO. 2005- 3 Local Match

Federal Agency:	U.S. Department of Justice
Federal Program:	Community Oriented Policing Services
CFDA Number:	16.710
Federal Award No.	2002-SH-WX-0398
Pass-Through Entity:	N/A
Federal Agency:	U.S. Department of Justice
Federal Program:	Community Oriented Policing Services
CFDA Number:	16.710
Federal Award No.	2003-OM-WX-0067
Pass-Through Entity:	Indiana Counter-Terrorism and Security Council
Auditee Contract Person:	Husain Mahmoud
Title of Contact Person:	Director of Finance
Phone Number:	219 881-1363
Expected Completion Date:	12/31/06

Corrective Action:

As the City of Gary continues to assure compliance and accountability of grants to the prior year audit findings, our efforts, which have, remain ongoing during the reorganization of administrative and fiscal responsibilities with the analyses of expenditures associated with the operation of grant funds.

The City maintains spreadsheets and will account for all costs incurred by officers on the COPS grants, to reflect the proper percentage that the city is paying. However, the city will meet the criteria specified for the number of officers, as well as the percentage necessary for city expenses not to exceed the total grant amount agreed upon in the contract.

This procedure will allow a review process for each program as well as cash matches, which can be deposited into each fund, if necessary. Any additional accounting items processed in 2006 will be accumulated and cash matches made to the fund.

As indicated on the summary of prior audit findings report, in some cases, it may not be necessary to transfer a cash match to the COPS programs where certain line items are budgeted in the General Fund for all policemen, such as other compensation that allows for incentive in educational pay, as well as clothing allowances, and longevity to officers who have been employed for over one year. These expenses that are budgeted in the general fund equal or exceed the cash match, but we will discuss the possibility of the recommendation presented in the auditor's report.



Husain Mahmoud, Director of Finance

10/11/2006
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CORRECTIVE ACTION PLAN

FINDING NO. 2005- 4 Period of Availability

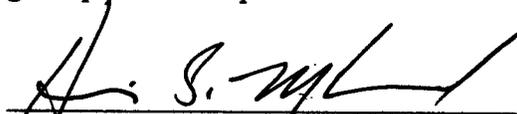
Federal Agency:	U.S. Department of Justice
Federal Program:	Public Safety Partnership and Community Oriented Policing Grant
CFDA Number:	16.710
Federal Award No.	2003-OM-WX-0067
Pass-Through Entity:	Indiana Counter-Terrorism and Security Council
Auditee Contract Person:	Husain Mahmoud
Title of Contact Person:	Director of Finance
Phone Number:	219 881-1363
Expected Completion Date:	12/31/06

Corrective Action:

As the City of Gary continues to assure compliance and accountability, our efforts, continues with the analyses of expenditures associated with the operation of grant funds.

The City of Gary is in the process of reviewing the events surrounding the administration and operation process related to the Homeland Security grant. We will charge cost only related to the original funding period unless an extension for the grant is warranted.

The City will maintain an accurate schedule to outline the beginning and ending of the grant period as required.



Husain Mahmoud, Director of Finance



Date



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Deputy Controller

CORRECTIVE ACTION PLAN

FINDING NO. 2005-5 Financial Reporting

Federal Agency: U.S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Federal Award No.: 2002-SH-WX-0398, 2004-CK-WX-0085

Federal Agency: U.S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Federal Award No.: 2003-OM-WX-0067
Pass-Through Entity: Indiana Counter-Terrorism and Security Council

Auditee Contract Person: Husain Mahmoud
Title of Contact Person: Director of Finance
Phone Number: 219 881-1363
Expected Completion Date: 12/01/06

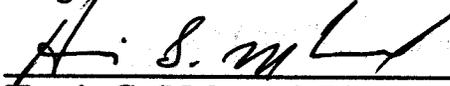
Corrective Action:

As the City of Gary continues to assure compliance and accountability of grants to the prior year audit findings, our efforts, which have, remain ongoing during the reorganization of administrative and fiscal responsibilities since FY 2004 continues the analyses of expenditures associated with the grant funds.

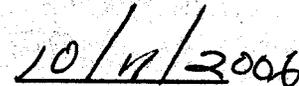
Due to the Department of Finance data conversion and comparison, we will assure more accurate tracking of eligible officers and officers that are in retention, from the timesheets and eligibility lists provided by the police department cost allocation. The reports will reflect a breakdown of all expenditures related to matches and unobligated amounts.

We will expedite the required timelines for proper filing of reports associated with all grants, and collaborate resources to adequately maintain a schedule for this process. Our records will identify the source of the disbursement of funds provided for financial verification of the grant activities.

In contrast, the City of Gary will continue to improve its accountability of the above grant funds through reorganization and internal controls.



Husain G. Mahmoud, Director of Finance



Date



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CORRECTIVE ACTION PLAN

FINDING NO. 2005- 6 Period of Availability

Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
Policing Grant
CFDA Number: 14.239
Federal Award No. M-99-MC-18-203

Auditee Contract Person: Husain Mahmoud
Title of Contact Person: Director of Finance
Phone Number: 219 881-1363
Expected Completion Date: 12/31/06

Corrective Action:

As the City of Gary continues to assure compliance and accountability of grants, our efforts, remains steadfast of administrative and fiscal responsibilities with the analyses of expenditures associated with the operation of grant funds.

The HOME investment Partnerships Program Grant awarded in 1999 will be expended as specified in the grant agreement with charges relating to the obligations during the appropriate allowed time. The City will maintain spreadsheets and timeline schedules in the future to account for all costs within the scope of the obligation.

Husain Mahmoud, Director of Finance

10/11/2006

Date



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Deputy Controller

CORRECTIVE ACTION PLAN

FINDING NO. 2005 -7 CASH MANAGEMENT

Federal Agency: U. S. Department of Transportation
Federal Program: Development and Promotion of Posts and Intermodal Transportation
CFDA Number: 20.810
Award Number: 45001201
Pass-Through Entity: Indiana Department of Transportation
Auditee Contact Person: Husain Mahmood
Title of Contact Person: Director of Finance
Phone Number: 219 881-1363
Expected Completion Date: 12/31/06

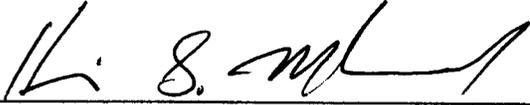
The City of Gary will assure the accountability of grants relating to the audit findings. Our efforts, which have been ongoing to reorganize the fiscal responsibilities with expenditures associated with the operation of grant funds annually.

One of the concerns of SBA is that the City applied for a reimbursement request on Claim# 13 for American Consulting Engineers (ACE) invoice No. 21171 for the July 2005 period in amount of \$34,051.94 for a reimbursement amount of \$27,241.55 on the authorization of Mr. Charles Peller and processed by the Director of Public Works office.

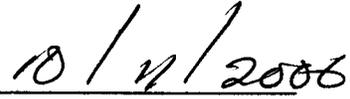
Claim # 13 was submitted to INDOT on September 16, 2005, paid by INDOT to the City on November 4, 2005 and as of August 10, 2006, payment was not made to ACE.

Subsequently, ACE issued a corrected invoice No. 22520 Sometime in late November or early December 2005 according to the consecutively issue invoice numbers, and still using the same invoice date and for the same period as invoice #21171, but for a new and lesser amount of \$32,811.94, a difference of \$1,240.00. This was not processed, as we were unable to learn whether the earlier invoice was paid to ACE. Still on our agenda is notification to INDOT that a credit is due them as a result of the revised invoice.

As a corrective action, we have researched our records to determine the status of claims filed with INDOT and found that Claims #2, 8,9,12 and 16 are missing. We have also searched files and these claims could not be located. We have requested INDOT to provide us copies of the missing claims that will clarify which invoices were submitted for reimbursement and when.



Husain Mahmoud, Director of Finance



Date

CITY OF GARY
EXIT CONFERENCE

The contents of this report were discussed on October 11, 2006, with Husain G. Mahmoud, Controller; M. Celita Green, Deputy Controller; Rudolph Clay, Sr., Mayor; Geraldine B. Tousant, President of the Board of Public Works and Safety; Hamilton Carmouche, Corporation Counsel; Arlene Colvin, Chief of Staff; Nathaniel Williams, Internal Auditor; Mary Brown, member of the Common Council; Rachelle Ceaser, member of the Common Council; and Carolyn Rogers, member of the Common Council. The official responses have been made a part of this report and may be found on pages 102 through 118.



Mayor Rudolph Clay

**Luci Horton
Interim Director**

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Customer Service
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**Gary Sanitary District
Board of Commissioners
&
Gary Storm Water
Management District
Board of Directors**

Silas Wilkerson III
President

Derrick Earls
Vice President

Ophelia Woodson
Secretary/Treasurer

Charles Jackson
Member

Harlee Currie
Member

Hamilton L. Carmouche
GSD Board Attorney

Website
www.garysan.com

To: State Board of Accounts Auditors

Re: Gary Sanitary District
2005 Audit Comment Responses

Accounts Receivable Past Due - GSD

The District is currently reviewing A/R Aged reports of active and inactive customers for the past one (1) to three (3) years. From this information, the District will determine accounts that appear to be uncollectible and receive permission by the Gary Sanitary District Board of Commissioners to write-off the bad debt. The District will ensure that internal controls are in effect which provides reasonable assurance regarding the reliability of the financial information and records, effectiveness and efficiency of operations, proper execution of management objectives, and compliance with laws and regulations. It is the goal of the District to regularly review its accounts receivable balances and make every effort to collect amounts owed. Going forward, the Finance Manager will present a list of bad debts proposed to be written off to the Gary Sanitary District Board of Commissioners for its consideration in April, August and December of each year.

Township Billing Records - GSD

The District is providing a copy of the process to post Calumet Township Trustee payments. When the Collections Office receives payments for the vouchers received, there are sometimes discrepancies due to accounts the township has opted not to pay for various reasons (i.e., customer's eligibility, etc.) In such cases, those amounts are deducted from the customer's account. However, there was no procedure in place to deduct the same amount from the township's records. The Collections staff has been instructed that going forward it is necessary that both GSD and Township accounts be reconciled. A memo will be sent to the Collections staff explaining this procedure. At this point, we believe it is best to do an accounting adjustment to bring GSD and the Township account's into balance.

GSD - Undocumented Meal Reimbursement

The District is currently revising its travel policy regarding appropriate recording and documentation of meal reimbursements and will also be providing a meal reimbursement form to the State Board of Accounts (SBOA) for approval.



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GSD Payroll Deficiencies

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Public Purchases Law

The District permits Gary Business Enterprises a 10% preference when bidding. As in the case of the City, the District does not believe this is a violation of the law.

From

Vern E. Webbs
Deputy Director/Finance Manager
Gary Sanitary District
Gary Storm Water Management District

August 1, 2006

An Equal Opportunity Employer
"Producing Living Water for a Quality Environment"
www.garysan.com



City Of Gary
Department of Finance

401 Broadway
Gary, Indiana 46402
(219) 881-1363 / Fax (219) 881-1340

RUDOLPH M. CLAY
Mayor

HUSAIN G. MAHMOUD
Director of Finance

GERALDINE B. TOUSANT
Deputy Mayor

M. CELITA GREEN
Deputy Controller

November 1, 2006

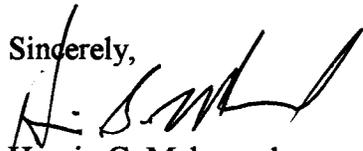
Mr. Charlie Pride
Indiana State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, IN 46204-2738

RE: **OFFICIAL RESPONSE**
CITY CONTROLLER, CITY OF GARY
AUDIT RESULTS AND COMMENTS

Dear Mr. Pride,

Attached is the Official Response to FY 2005 Audit Results and Comments for the City of Gary, City Controller.

If you have any questions or concerns regarding this response, please feel free to contact me at (219) 881-1363.

Sincerely,

Husain G. Mahmoud
City Controller



City Of Gary

Department of Finance

401 Broadway

Gary, Indiana 46402

(219) 881-1363 / Fax (219) 881-1340

RUDOLPH M. CLAY

Mayor

HUSAIN G. MAHMOUD

Director of Finance

GERALDINE B. TOUSANT

Deputy Mayor

M. CELITA GREEN

Deputy Controller

CITY OF GARY RESPONSES TO AUDIT RESULTS AND COMMENTS 2005 ANNUAL AUDIT

INTERNAL CONTROLS – GENERAL LEDGER

At period ending FY 2005, the City of Gary converted from the accrual method to the cash basis of accounting.

However, the adjustment takes place at the end of the period, but before the financial statements is prepared. It takes days or weeks to determine all the adjustments necessary, in order to have account balances, which properly reflect the results of operations under an accrual system adjusted to reflect reality of the measured cash basis.

The City of Gary computerized accounting system which processes all financial transactions under the cash basis, require a tremendous amount of time and effort identifying transactions related to the accrual accounting in preparing the City and Town Annual Report (CTAR), which is on the cash basis to assure that all adjustments have been inserted into it proper categories on the report.

The City of Gary completion of converting its current accounting structure on the cash basis will identify all transactions appropriately in the future.

OVERDRAWN CASH BALANCES

As indicated in the prior audit comments, there are several overdrawn cash balances, which were reimbursable grants. These grants must incur an expense, before the cash can be drawn for reimbursement. The City is unable to satisfy the overdrawn fund balances for tax-based fund until all prior year tax distributions or settlements are received.

However, we are a year behind in tax distributions. Anticipated tax warrants only satisfy 80% of the projected budget. The City will make all efforts to maintain positive fund balances in all funds. The City will continue to diligently work and maintain positive Cash Balances at year-end for other non-reimbursable funds.

OVERDRAWN FUND BALANCES

Forty-two percent of the overdrawn fund balances were grants. The grant funds are reimbursable. Therefore, the city has little control over the overdrawn fund balances, because cash is not received until expenses are incurred and paid.

Twenty-one percent were tax based. The deficit fund balance was largely due to the tax reassessment and delayed property tax distributions for Lake County. The city required borrowing from other sources to accommodate the shortfall in tax distributions.

Unfortunately, the City is unable to remedy the overdrawn fund balances for tax-based fund until all prior year tax distributions or settlements received. Currently, we are a year behind in tax distributions. Anticipated tax warrants only satisfy 80% of the projected budget. The City will make all efforts to maintain positive fund balances in all funds.

LOANS BETWEEN CITY FUNDS

As indicated in the prior audit report of FY 2004, many of the temporary loans listed in the audit have been repaid. Inter-fund borrowing continued in 2005, due to the tax reassessment and delayed property tax distributions in Lake County to Cities and Towns.

In order to maintain services and meet the fiscal obligations of the City of Gary, All respective temporary loans utilized are classified appropriately so that upon receipt of tax distribution from the County will be recorded in its proper account.

The County projects the present tax situation will continue throughout 2006. The City will make every effort to repay temporary loans by year-end as revenue become available

DISBURSEMENTS IN EXCESS OF APPROPRIATIONS

The City will make every effort to operate within approved appropriations. Unfortunately, due to the property tax reassessment delays, the City did not receive a certified 2005 budget until late FY 2006. At that point, appropriations had already been expended.

APROPRIATION TRANSFERS BETWEEN DEPARTMENTS

The City will assure that all appropriation transfers are within the guidelines of Common Council authorization and prior approval of the Department of Local Government Finance requirements.

PAYROLL DEFICIENCIES

Currently, we are in process of reviewing the status of all employees vacation time to establish a mechanism on our computerized time and attendance and payroll accounting system, which disallows any vacation time extended over the one year required in the personnel manual.

CLAIM DEFICIENCIES

We are in the process of locating the source documents needed to support the disbursements generated totally by FY 2005 claims including, the specific claims tested during the audit. With the relocation of claims to a new area, and the absent of the primary staff person generally assisting examiners during most of the annual audit examination of the audit, some items were unable to be located at that time.

NON-COMPLIANCE WITH CONTRACTUAL AGREEMENT FOR DONATIONS TO NON-GOVERNMENT ENTITIES

We have met with the organization's representatives and discussed concerns regarding the programmatic operation as related to the requirements of City ordinance and contractual agreement. A request for all documentation has been initiated to verify the allocated and associated expenditures related to City of Gary Common Council appropriation approval.

PURCHASING PREFERENCES

The City of Gary has submitted information regarding the purchasing preference two years ago to the State of Indiana Attorney General's office and has yet to hear a response.

CAPITALIZATION POLICY

Currently, the City of Gary is amending its Capitalization Policy to include information regarding the definition of re-surfacing, pavement rehabilitation, and asphalt paving. We are coordinating efforts through the Department of Public Works and the Department of Finance to properly identify the process for capitalization.

This insertion and modification will address and establish the actual capitalization threshold and differentiate cost of repairs to be expensed. We will establish our policy to depreciate infrastructure at 75 years instead of 50 years, which is indicated in our current ordinance.

UNDOCUMENTED MEAL REIMBURSEMENT – GARY SANITARY DISTRICT

The District is currently revising its travel policy regarding appropriate recording and documentation of meal reimbursements and will be providing a meal reimbursement form to the State Board of Accounts (SBOA) for approval.

TOWNSHIP BILLING RECORDS – GARY SANITARY DISTRICT

The District is providing a copy of the process to post Calumet Township Trustee payments. When the Collections Office receives payments for the vouchers received, there are sometimes discrepancies due to accounts the township has opted not to pay for various reasons (i.e., customer's eligibility, etc.) In such cases, those amounts are deducted from the customer's account. However, there was no procedure in place to deduct the same amount from the township's records. The Collections staff has been instructed that going forward it is necessary that both GSD and Township accounts *be* reconciled. A memo will be sent to the Collections staff explaining this procedure. At this point, we believe it is best to do an accounting adjustment to bring GSD and the Township account's into balance.

ACCOUNT RECIEVABLE PAST DUE – GARY SANITARY DISTRICT

The District is currently reviewing AIR Aged reports of active and inactive customers for the past one (1) to three (3) years. From this information, the District will determine accounts that appear to be uncollectible and receive permission by the Gary Sanitary District Board of Commissioners to write-off the bad debt. The District will ensure that internal controls are in effect which provides reasonable assurance regarding the reliability of the financial information and records, effectiveness and efficiency of operations, proper execution of management objectives, and compliance with laws and regulations. It is the goal of the District to regularly review its accounts receivable balances and make every effort to collect amounts owed. Going forward, the Finance Manager will present a list of bad debts proposed to be written off to the Gary Sanitary District Board of Commissioners for its consideration in April, August and December of each year.

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In regards to the salary budget for 2005 *for* GSD staff, Board members and City Hall officials, normally the salary budget is forwarded to the Finance Department at City Hall following Board approval, which occurs at the last Board meeting each year. Their finance department would make the appropriate changes and updates into the payroll system. All personnel actions involving pay adjustment through out the year are also

forwarded to the finance department. Going forward, the salary budget will be forwarded to the City Hall Finance Department to update pay changes into the payroll system. GSD will periodically follow up through out the year to ensure that the budget amounts and payroll system agree.

FEES – PARK DEPARTMENT

An all-day pool usage fee was once again charged for the Tolleston pool because these findings were not presented until the season had ended. This can be corrected for the 2007 season. However, this same fee has been charged since the grand re-opening of Tolleston in 1998, and was listed as such in printed material from that event.

ACCOUNTABLE ITEMS – PARK DEPARTMENT

The Park Department collected fees at all of the large pools (Tolleston, Washington, Hatcher and Howe) for the 2006 season. At each facility, a cash register was used and “x” and “z” tapes were turned in. In addition, the patrons received receipts from the register.

PRESCRIBED FORMS – PARK DEPARTMENT

The unapproved security receipt has been eliminated. Department will used prescribed receipts to document transactions appropriately.

USE OF CASH REGISTER – PARK DEPARTMENT

The times abstracted for the month of October 2006 indicate that the “z” tapes cover every hour that the fitness center is open except for approximately ten (10) seconds. This is the time that it takes the computer to run the close-out tape for a particular shift.

INTERNAL CONTROLS OVER GOLF PASSES – PARK DEPARTMENT

1. All new golf passes were purchases in January 2006.
2. All golf passes will be used in sequence
3. Golf passes will be used in every category starting with 001.
4. All voided passes will be voided out with the stub attached to the receipt.

COMPUTER SYSTEM – GENESIS CONVENTION CENTER

During the annual audit of FY 2004 in FY2005, the Genesis Convention Center began using the City of Gary primary accounting system. We have finalized the incorporation of the chart of accounts which was associated with specific line items on the Genesis Convention Center computer system needed for accountability for their operation.

TIMELINESS OF DEPOSITS – GENESIS CONVENTION CENTER

Deposits of fund will be made on a daily basis, as funds (income) are required. All weekend income will be deposited on Mondays.

FINANCIAL STATEMENTS – GENESIS CONVENTION CENTER

The City of Gary will review the findings reported on the FY2005 annual audit. In addition, make adjustments as did on the FY2004 report. We will assure at the end of the fiscal year that all account adjustments are shown as accurate on financial statements including supporting documentation.

PETTY CASH FUND – GENESIS CONVENTION CENTER

All petty cash receipts will be identified which would allow justification of expenditures allocated on the line item budget. Petty cash will only be used for small purchases not associated with purchases requiring regular purchase order.

PRESCRIBED FORMS – METRO CENTER

Metro Center is in the process of modifying the computerized accounting system and will address the appropriate forms needed for operation and submit to the Indiana State Board of Accounts for approval.

OFFICIAL BOARD MINUTES – FIRE PENSION

We will notify the City of Gary Fire Chief about this situation to assure that organization follows the guidelines described in IC 36-8-7-7.

RUDOLPH CLAY
Mayor

GERALDINE B. TOUSANT
Deputy Mayor



City of Gary

Department of Public Parks
455 Massachusetts Street
Gary, Indiana 46402
Phone (219) 886-7099
Fax (219) 881-0008

COMMISSIONERS

Patrick C. Hogan
President
Keith C. Rogers
Vice-President
Betty Gabriel
Secretary
Charles W. Jackson, Jr.
Member

LaTanya L. Williams
Superintendent

MEMORANDUM

TO: Nathaniel T. Williams, Internal Auditor
FM: LaTanya L. Williams, Superintendent 
DATE: October 27, 2006
SUBJ: Corrective Action of SBA Audit Report

I am in receipt of your correspondence regarding the Indiana State Board of Accounts (SBA) Examiners for fiscal year 2005. Per our telephone conversation on Wednesday, October 25, 2006, I explained as a result of our exit interview with the examiner, we were instructed that a written response of the findings would be coordinated by the City of Gary Finance Department. Therefore, a written response had not been submitted in anticipation of direction forthcoming from the Finance Department.

Below is the corrective action plan of procedures implemented by the department in 2006 that should address those findings. It is my understanding this will be reviewed by the Finance Department for approval and open to further discussion in order to ensure compliance with the SBA.

Fees

An all-day pool usage fee was once again charged for the Tolleston pool because these findings were not presented until the season had ended. This can be corrected for the 2007 season. However, this same fee has been charged since the grand re-opening of Tolleston in 1998, and was listed as such in printed material from that event.

Accountable Items

The Park Department collected fees at all of the large pools (Tolleston, Washington, Hatcher and Howe) for the 2006 season. At each facility, a cash register was used and "x" and "z" tapes were turned in. Also, the patrons received receipts from the register.

"WE KEEP 'EM GREEN"

Prescribed Forms

The unapproved security receipt has been eliminated. Department will use prescribed receipt to document security has been paid.

Use of Cash Register

The time periods abstracted for the month of October 2006 indicate that the "z" tapes cover every hour that the fitness center is open except for approximately ten (10) seconds. This is the time that it takes the computer to run the close-out tape for a particular shift.

Internal Controls Over Golf Passes

1. All new golf passes were purchased in January 2006.
2. All golf passes will be used in sequence.
3. Golf passes will be used in every category starting with 001.
4. All voided passes will be voided out with the stub attached to the receipt.

I look forward to discussing these matters with the designated Finance personnel.
Thank you.

Cc: Honorable Mayor Rudolph Clay
Deputy Mayor Geraldine B. Tousant
Chief of Staff Arlene Colvin
Controller Husain Mahmoud
Deputy Controller Celita Green

LLW/als

MEMO

TO; ALL PERSONNEL
FROM; PAT WAGNER, EXECUTIVE MANAGER
RE; PETTY CASH
DATE; AUGUST 28, 2006

ALL PETTY CASH RECEIPTS MUST CLEARLY STATE WHAT THEY ARE FOR. AS EXAMPLE; TRIP TO HARDWARE STORE RECEIPT FOR LIGHT BULBS MUST HAVE WRITTEN ON RECEIPT 'LIGHTBULBS FOR RED RIBBON LOUNGE SPOT LIGHTS'. THIS ALLOWS US TO NOT ONLY JUSTIFY EXPENDITURE FROM PETTY CASH AND ALLOW PAYMENT, BUT ALSO ALLOWS US TO CORRECTLY IDENTIFY LINE ITEM OF BUDGET TO WHICH EXPENDITURE WILL BE APPLIED. NO PETTY CASH DISBURSEMENTS WITHOUT A WRITTEN/PRINTED RECEIPT ARE PERMITTED UNDER ANY CIRCUMSTANCE. WHENEVER POSSIBLE, PETTY CASH SHOULD NOT BE USED FOR PURCHASES. A REGULAR PO PROCESS SHOULD BE USED. PETTY CASH IS ONLY MEANT FOR EMERGENCY AND SMALL PURCHASES. SHOULD ANYONE HAVE ANY QUESTION THEY ARE TO SEE ME BEFORE REQUESTING.

CC. GCC BOARD

MEMO

TO: GCC BOARD
FROM: PAT WAGNER, EXECUTIVE MANAGER
DATE: AUGUST 28, 2006
RE: PER DIEM ADVANCE

The State Board of Accounts noted in their audit for 2005 & 2006 to date that per diem had been advanced for Board Members & GCC personnel traveling.

Per City of Gary Policy 4.2.1 Payment for Travel Expenses – “To cover sustenance expenses employees shall be entitled to a per diem in the amount of \$40.00 per day. Said per diem shall be paid only after travel has occurred. No advance payments of per diems shall occur.

Per State Board and the Controller’s office this policy must also apply to GCC.

MEMO

**TO: VANITA KINGSBERRY
SAUNDRA WOODS
BARBARA JORDAN**

FROM: PAT WAGNER, EXECUTIVE MANAGER

DATE: AUGUST 28, 2006

RE: DEPOSITS

Deposits of Genesis Convention Center funds MUST be made on a daily basis as funds (incomes) are required. All Friday P.M., Saturday, & Sunday incomes to be taken to Controller's office for deposit on Monday others on next day.

Please adhere to this policy IC5-13-6-1(d).

Cc: GCC Board

MEMO

**TO: KENYA JONES
GWEN WILLIAMS
ADLEE HODGES
RUTH BENTON**

FROM: PAT WAGNER, EXECUTIVE MANAGER

DATE: AUGUST 23, 2006

RE: RENTAL SPACE DESCRIPTION ON CONTRACTS

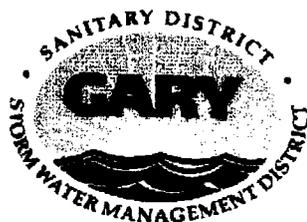
To satisfy request of State Board of Accounts, description of space rented for any and all events must read as printed on rate schedule.

For example, if customer is renting Indiana Hall with extension space rental must read as such to match rental rate sheet.

If waiver sheet of either type City or Genesis Convention Center, please also note in body of contract sheet to refer to waiver sheet.

Please see me with any questions.

CC: GCC Board



Mayor Rudolph Clay

Luci Horton
Interim Director

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GSD Payroll Deficiencies

Regarding the W-4 exemption certificates, the District has located copies of the certificates for 2005 in which the originals were submitted to City Hall per their request in January 2005. Unfortunately, the employee who handled the W-4 certificates for 2005 was out on emergency FMLA and we (GSD Management) were unable to locate the copies when requested. Also, City Hall was not able to locate the 2005 W-4's sent to them as well. Since the auditor's request, that employee has returned from FMLA and provided us with documentation indicating this same request was made by the State Board of Accounts (SBOA) auditors in February 2005 and was submitted to them at that time (see attachment). In the interim, we requested all GSD employees on July 5, 2006 to complete 2005 and 2006 W-4's. The Management Administrative Assistant who currently handles payroll, has the originals and the Finance Manager has copies. We have also forwarded copies of the 2005 and 2006 W-4's to City Hall for their records. Going forward, this will be GSD's standard practice of handling employees W-4's.

In regards to the salary budget for 2005 for GSD staff, Board members and City Hall officials, normally the salary budget is forwarded to the Finance Department at City Hall following Board approval which occurs at the last Board meeting each year. Their finance department would make the appropriate changes and updates into the payroll system. All personnel actions involving pay adjustment through out the year are also forwarded to the finance department. Going forward, the salary budget will be forwarded to the City Hall Finance Department to update pay changes into the payroll system. GSD will periodically follow up through out the year to ensure that the budget amounts and payroll system agree.

Public Purchases Law

The District permits Gary Business Enterprises a 10% preference when bidding. As in the case of the City, the District does not believe this is a violation of the law.

From

Vern E. Webbs
Deputy Director/Finance Manager
Gary Sanitary District
Gary Storm Water Management District

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