

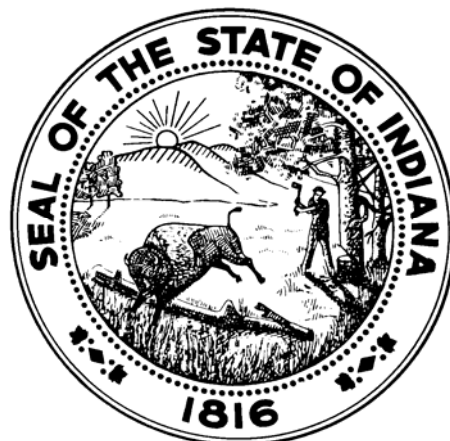
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2006

CITY OF HAMMOND

LAKE COUNTY, INDIANA



FILED
09/06/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Barbara Cardwell	01-01-06 to 12-31-07
Mayor	Thomas M. McDermott, Jr.	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	William J. O'Connor	01-01-06 to 12-31-07
President of the Common Council	Alfonso Salinas Daniel Repay	01-01-06 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Water Utility	Richard Mercer Gary Williams (Interim)	01-01-06 to 12-31-06 01-01-07 to 12-31-07
Sanitary District Manager	Michael T. Unger, Ph.D.	01-01-06 to 12-31-07
Director of the Port Authority	Milan Kruszynski	01-01-06 to 12-31-07



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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hammond (City), as of and for the year ended December 31, 2006, 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.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated June 19, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, and Budgetary Comparison Schedules, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts 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

June 19, 2007



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hammond (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 19, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management in a separate letter dated June 19, 2007.

This report is intended solely for the information and use of the City's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 19, 2007

CITY OF HAMMOND
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

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			Component Unit
					Governmental Activities	Business-Type Activities	Total	Hammond Port Authority
Primary government:								
Governmental activities:								
General government	\$ 46,346,804	\$ 3,490,908	\$ 4,541,060	\$ 296,767	\$ (38,018,069)	\$ -	\$ (38,018,069)	\$ -
Public safety	38,473,928	1,861,881	1,271,515	-	(35,340,532)	-	(35,340,532)	-
Highways and streets	29,918,631	-	2,398,211	25,984,986	(1,535,434)	-	(1,535,434)	-
Sanitation	4,833,646	1,724,983	795,045	-	(2,313,618)	-	(2,313,618)	-
Health and welfare	1,316,133	475,367	202,264	9,240	(629,262)	-	(629,262)	-
Economic development	4,286	-	-	-	(4,286)	-	(4,286)	-
Culture and recreation	5,547,014	716,230	16,020	-	(4,814,764)	-	(4,814,764)	-
Urban redevelopment and housing	6,350,434	-	5,082,994	-	(1,267,440)	-	(1,267,440)	-
Principal and interest on long-term debt	8,597,790	-	-	-	(8,597,790)	-	(8,597,790)	-
Total governmental activities	141,388,666	8,269,369	14,307,109	26,290,993	(92,521,195)	-	(92,521,195)	-
Business-type activities:								
Water	9,942,259	8,936,234	-	-	-	(1,006,025)	(1,006,025)	-
Sanitary District	25,179,204	16,174,021	-	2,826,973	-	(6,178,210)	(6,178,210)	-
Total business-type activities	35,121,463	25,110,255	-	2,826,973	-	(7,184,235)	(7,184,235)	-
Total primary government	\$ 176,510,129	\$ 33,379,624	\$ 14,307,109	\$ 29,117,966	(92,521,195)	(7,184,235)	(99,705,430)	-
Component unit:								
Hammond Port Authority	\$ 10,581,275	\$ 4,756,606	\$ -	\$ -	-	-	-	(5,824,669)
General receipts:								
Property taxes					54,401,828	3,949,563	58,351,391	-
Other local sources					41,950,574	-	41,950,574	-
Bonds and loans					9,422,055	3,811,506	13,233,561	-
Grants and contributions not restricted to specific programs					-	-	-	5,423,450
Unrestricted investment earnings					902,619	423,099	1,325,718	68,750
Transfers					1,309,654	(1,309,654)	-	-
Total general receipts and transfers					107,986,730	6,874,514	114,861,244	5,492,200
Change in net assets					15,465,535	(309,721)	15,155,814	(332,469)
Net assets - beginning					38,576,552	15,079,409	53,655,961	4,027,766
Net assets - ending					\$ 54,042,087	\$ 14,769,688	\$ 68,811,775	\$ 3,695,297
<u>Assets</u>								
Cash and investments					\$ 16,762,499	\$ 9,564,222	\$ 26,326,721	\$ 1,916,369
Cash with fiscal agent					-	131,967	131,967	-
Restricted assets:								
Cash and investments					37,279,588	5,073,499	42,353,087	1,778,928
Total assets					\$ 54,042,087	\$ 14,769,688	\$ 68,811,775	\$ 3,695,297
<u>Net Assets</u>								
Restricted for:								
Debt service					\$ 10,511,797	\$ 2,456,471	\$ 12,968,268	\$ -
Capital projects					15,797,173	-	15,797,173	-
Other purposes					10,970,618	2,617,028	13,587,646	1,778,928
Unrestricted					16,762,499	9,696,189	26,458,688	1,916,369
Total net assets					\$ 54,042,087	\$ 14,769,688	\$ 68,811,775	\$ 3,695,297

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

CITY OF HAMMOND
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, 2006

	General	Gaming Revenues	TIF Allocation/ Northend Project	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 43,609,313	\$ -	\$ 4,452,580	\$ 6,695,257	\$ 54,757,150
Licenses and permits	906,879	-	-	12,965	919,844
Intergovernmental	3,684,790	35,849,146	-	15,208,396	54,742,332
Charges for services	4,125,114	-	-	2,492,961	6,618,075
Fines and forfeits	340,327	-	-	69,313	409,640
Other	1,477,778	89,147	-	8,226,102	9,793,027
Total receipts	54,144,201	35,938,293	4,452,580	32,704,994	127,240,068
Disbursements:					
General government	8,778,107	9,620,223	-	7,606,265	26,004,595
Public safety	35,241,973	415,807	-	2,901,652	38,559,432
Highways and streets	-	26,225,224	-	3,693,407	29,918,631
Sanitation	4,237,369	-	-	596,277	4,833,646
Health and welfare	731,021	-	-	585,112	1,316,133
Economic development	-	-	-	4,286	4,286
Culture and recreation	-	959,771	-	4,278,065	5,237,836
Urban redevelopment and housing	-	-	1,785,934	4,564,500	6,350,434
Debt service:					
Principal	-	516,888	-	5,160,000	5,676,888
Interest	-	761,431	-	1,998,222	2,759,653
Bond issuance costs	-	-	-	161,249	161,249
Capital outlay	-	-	-	971,226	971,226
Total disbursements	48,988,470	38,499,344	1,785,934	32,520,261	121,794,009
Excess (deficiency) of receipts over disbursements	5,155,731	(2,561,051)	2,666,646	184,733	5,446,059
Other financing sources (uses)					
Tax anticipation warrants received	10,000,000	-	-	-	10,000,000
Tax anticipation warrants paid	(10,000,000)	-	-	-	(10,000,000)
Bond proceeds	-	-	-	9,422,055	9,422,055
Transfers in	3,251,035	-	-	13,400,165	16,651,200
Transfers out	(550,806)	(7,223,514)	-	(9,067,226)	(16,841,546)
Total other financing sources (uses)	2,700,229	(7,223,514)	-	13,754,994	9,231,709
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,855,960	(9,784,565)	2,666,646	13,939,727	14,677,768
Cash and investment fund balance - beginning	(10,292,399)	29,217,189	1,228,749	18,376,407	38,529,946
Cash and investment fund balance - ending	\$ (2,436,439)	\$ 19,432,624	\$ 3,895,395	\$ 32,316,134	53,207,714
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.					
					834,373
Net assets of governmental activities					<u>\$ 54,042,087</u>
Cash and Investment Assets - December 31					
Cash and investments	\$ (2,436,439)	\$ 19,432,624	\$ -	\$ (1,068,059)	\$ 15,928,126
Restricted assets:					
Cash and investments	-	-	3,895,395	33,384,193	37,279,588
Total cash and investment assets - December 31	\$ (2,436,439)	\$ 19,432,624	\$ 3,895,395	\$ 32,316,134	\$ 53,207,714
Cash and Investment Fund Balance - December 31					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 10,511,797	\$ 10,511,797
Capital outlay	-	-	-	15,797,173	15,797,173
Other purposes	-	-	3,895,395	7,075,223	10,970,618
Unrestricted	(2,436,439)	19,432,624	-	(1,068,059)	15,928,126
Total cash and investment fund balance - December 31	\$ (2,436,439)	\$ 19,432,624	\$ 3,895,395	\$ 32,316,134	\$ 53,207,714

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

CITY OF HAMMOND
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, 2006

	Water Utility	Sanitary District	Total	Internal Service Funds
Operating receipts:				
Receipts from customers and users	\$ 8,936,234	\$ 16,174,021	\$ 25,110,255	\$ -
Charges for services - internal	-	-	-	17,298,827
Charges for services - other	-	-	-	1,674,716
Other	-	-	-	14,270
Total operating receipts	8,936,234	16,174,021	25,110,255	18,987,813
Operating disbursements:				
Payments to suppliers and contractors	6,627,802	12,463,092	19,090,894	-
Payments to employees	2,739,710	4,875,109	7,614,819	-
Administration and general	-	-	-	1,680,996
Insurance claims and premiums	-	-	-	18,029,405
Total operating disbursements	9,367,512	17,338,201	26,705,713	19,710,401
Deficiency of operating receipts under operating disbursements	(431,278)	(1,164,180)	(1,595,458)	(722,588)
Nonoperating receipts (disbursements):				
Local tax distributions	-	3,949,563	3,949,563	-
Proceeds from capital debt	-	2,826,973	2,826,973	-
Proceeds from tax anticipation warrants	-	3,811,506	3,811,506	-
Interest and investment receipts	423,099	-	423,099	10,355
Loan issuance costs paid from capital debt	-	(82,017)	(82,017)	-
Principal repayment of tax anticipation warrants	-	(3,811,506)	(3,811,506)	-
Debt service of principal	-	(2,620,000)	(2,620,000)	-
Interest and investment disbursement	-	(1,327,480)	(1,327,480)	-
Acquisition and construction of capital assets	(574,747)	-	(574,747)	-
Total nonoperating receipts (disbursements)	(151,648)	2,747,039	2,595,391	10,355
Excess (deficiency) of receipts over (under) disbursements and nonoperating receipts (disbursements)	(582,926)	1,582,859	999,933	(712,233)
Transfers in	-	-	-	1,500,000
Transfers out	(792,574)	(517,080)	(1,309,654)	-
Excess (deficiency) of receipts, contributions and transfers in over (under) disbursements and transfers out	(1,375,500)	1,065,779	(309,721)	787,767
Cash and investment fund balance - beginning	10,807,811	4,271,598	15,079,409	46,606
Cash and investment fund balance - ending	<u>\$ 9,432,311</u>	<u>\$ 5,337,377</u>	<u>\$ 14,769,688</u>	<u>\$ 834,373</u>
Cash and Investment Assets - December 31				
Cash and investments	\$ 8,673,830	\$ 890,392	\$ 9,564,222	\$ 834,373
Cash with fiscal agent	-	131,967	131,967	-
Restricted assets:				
Cash and investments	758,481	4,315,018	5,073,499	-
Total cash and investment assets - December 31	<u>\$ 9,432,311</u>	<u>\$ 5,337,377</u>	<u>\$ 14,769,688</u>	<u>\$ 834,373</u>
Cash and Investment Fund Balance - December 31				
Restricted for:				
Debt service	\$ -	\$ 2,456,471	\$ 2,456,471	\$ -
Other purposes	758,481	1,858,547	2,617,028	-
Unrestricted	8,673,830	1,022,359	9,696,189	834,373
Total cash and investment fund balance - December 31	<u>\$ 9,432,311</u>	<u>\$ 5,337,377</u>	<u>\$ 14,769,688</u>	<u>\$ 834,373</u>

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

CITY OF HAMMOND
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2006

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employer	\$ 6,260,665	\$ -
Plan members	22,646	-
State	<u>6,280,040</u>	<u>-</u>
Total contributions	<u>12,563,351</u>	<u>-</u>
Investment earnings:		
Interest	<u>14,633</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>18,158,305</u>
Total additions	<u>12,577,984</u>	<u>18,158,305</u>
Deductions:		
Benefits	10,595,083	-
Administrative and general	101,383	-
Agency fund deductions	<u>-</u>	<u>17,781,024</u>
Total deductions	<u>10,696,466</u>	<u>17,781,024</u>
Excess of total additions over total deductions	1,881,518	377,281
Cash and investment fund balance - beginning	<u>(1,304,789)</u>	<u>1,705,879</u>
Cash and investment fund balance - ending	<u>\$ 576,729</u>	<u>\$ 2,083,160</u>

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

Blended Component Units

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

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

Discretely Presented Component Units

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Joint Venture

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

Related Organizations

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays 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 nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major governmental funds:

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

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

The TIF allocation northend project is a special revenue fund. It accounts for property taxes from the tax increment financing (TIF) district restricted for improvements in the Marina district.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash 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.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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."

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit 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:

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash 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 and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, 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. Cash and Investment Balance Deficits

At December 31, 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006
General Fund (101)	\$ 2,436,439
Special revenue funds:	
Parks and Recreation (204)	350,018
Redevelopment Commission General Operating (228)	108,183
Recycling Grant (238)	18,277
Public Safety (239)	63,420

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	2006
Special revenue funds (continued):	
Asbestos Program (245)	1,374
EPA Air Pollution Grant (250)	23,252
Transit (Transportation) (252)	896,168
Police Grant (259)	15,556
Youth Golf Academy (278)	383,816
Bioterrorism (281)	3,862
Debt service fund:	
Park Debt Service (312)	102,633
Capital projects funds:	
Golf Course (461)	1,112,272
VOC Detector (274)	21,000
Internal service fund:	
Diesel Fuel Tax (6)	5,634

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 government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The 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

Investment Policies

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the 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, 2006, the City held investments with JPMorgan in the amount of \$1,518,000 which are collateralized with securities held by the pledging financial institution.

Interest Rate Risk

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

Credit Risk

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

City's Investments		
Standard and Poor's Rating	Moody's Rating	Investment Pools
AAA	Aaa	<u>\$ 1,518,000</u>

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Concentration of Credit Risk

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

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>
General Fund	Other governmental	\$ 550,806
Gaming Fund	General Fund	1,970,955
	Other governmental	3,752,558
	Internal Service	1,500,000
Other governmental	General Fund	148,000
	Other governmental	8,919,227
Business-type	General Fund	1,132,080
	Other governmental	<u>177,574</u>
Total		<u>\$ 18,151,200</u>

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

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

The City has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and loss related to torts. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$150,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. For medical benefits, the premium charged to each fund is based upon the percentage of payroll expense that fund incurs. The premium for job related illnesses or injuries, is based upon the actual amount incurred and paid on behalf of each fund, and the premium for loss related to torts is charged and paid only by the general fund. Interfund premiums are reported as quasi-external interfund transactions.

Unemployment Compensation

The government has chosen to establish a risk financing fund for risks associated with unemployment compensation claims. The risk financing fund is accounted for in the Unemployment Compensation Fund, an internal service fund, where assets are set aside for claim settlements. The total charge allocated to each of the funds is based on each fund's actual number of employees which have had claims. Provisions are also made for unexpected or unusual claims.

B. Cash Held in Trust

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

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

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

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

1. The "Bond Expense Fund" to pay the costs of issuance of the bonds. No later than six months after the issuance of the bonds, the Trustee will transfer to the Sinking Fund any monies allocable to the bonds on deposit in the Bond Expense Fund. This account was closed by the Trustee on September 13, 2000.
2. Transfer to the "Sinking Fund" account an amount equal to the lesser of (a) all of such lease rental payments; or (b) an amount which, when added to the amount in the Sinking Fund on the deposit date, equals the sum of the unpaid principal and interest on the bonds due on the next interest payment date and the unpaid mandatory Sinking Fund requirement due on the next mandatory Sinking Fund redemption date from the "Lease Payment" account.
3. The "Debt Service Reserve Fund" account required that on the date of issuance of the bonds, an amount will be on deposit which equals the least of (a) maximum annual debt service, (b) 10% of the original amount of the bonds, or (c) 125% of average annual debt service. The Debt Service Reserve Fund may be applied for the purpose of paying principal of and interest on the bonds if any deficiencies occur in the Sinking Fund established for such purpose. The Redevelopment Authority initially funded the Debt Service Reserve requirement by depositing \$1,444,452.20 released from the lien of the 1989 Indenture.
4. The "Redemption Fund" accounts for insurance and condemnation proceeds and is used to redeem bonds.
5. The "Rebate Fund" can be established pursuant to written instructions of the Redevelopment Authority to make yield reduction payments.

In addition, to facilitate construction of a golf course, the City sold Redevelopment District Revenue Bonds of 2001 for \$7,500,000. Per the registrar and paying agent agreement, Bank One Trust Company agreed to keep and maintain a bond principal and interest account and a reserve account

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

for the repayment of the bonds. Pursuant to the first supplemental operating agreement dated as of August 1, 2001, the Hammond Port Authority agreed to transfer net revenues to the bond principal and interest account to the aggregate amount of the principal and interest due during that bond year.

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

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

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

C. Casino Expansion and Forgiveness of Debt

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

1. The Port Authority agrees to clear and close all areas of the Hammond Marina by or before 12:00 am on October 1, 2006.
2. The Port Authority shall keep the Hammond Marina closed until the Port Authority and Horseshoe agree in their reasonable discretion that the New Development Project has been completed or substantially completed, and that it is safe to reopen the Hammond Marina.
3. In consideration for closing the Hammond Marina to accommodate the New Development Project, Horseshoe shall pay the Port Authority for the 2007 season the total amount of \$3,500,000, which payment shall be made on or before March 1, 2007.
4. In connection with the New Development Plan, Horseshoe shall permanently remove up to 29 boat slips from the Hammond Marina. This removal in connection with previously removed boat slips means a total anticipated loss of 160 boat slips. Any additional boat slips removed by Horseshoe as part of the New Development Project, Horseshoe shall pay to the Port Authority any slip fees due for any such additional slips removed at the then current slip price.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. The Port Authority agrees to sell to Horseshoe all rights, title and interest in and to the Yacht Club building for the total sum of \$2,750,000. The closing of the sale of the Yacht Club building shall take place on or before October 15, 2006.
6. Horseshoe waives and deems satisfied the 2002 Series B Redevelopment Taxable Revenue Bonds in favor of the City, which has a principal balance outstanding of \$2,700,000, of which \$400,000 was already due, but remained unpaid as of December 31, 2005. The total of forgiven debt, which includes principal and interest through January 31, 2006, was \$3,110,625.
7. The Port Authority and the City shall ensure the complete repair of the Hammond Marina break wall on or before December 31, 2011. Horseshoe shall make a one-time payment to the Port Authority in the amount of \$750,000 on or before October 1, 2006, to be used for this purpose.
8. Any obligation of Horseshoe to make a payment to the Port Authority based on casino admissions is hereby eliminated. In lieu of such obligations, Horseshoe shall pay to the Port Authority a flat annual fee of \$7,000,000, which shall be paid in equal monthly installments. This payment shall commence as of the date the new casino is open to the public for gaming.
9. Horseshoe shall advance to the City the amount of \$15,000,000 which shall be memorialized in a written document within 90 days following the effective date. The advance shall bear interest at a commercially reasonable rate to be determined by Horseshoe and the City and shall be satisfied through Horseshoe's deduction of any and all amounts which become due the City from Horseshoe in accordance with Section 5.01 of the Project Agreement, in excess of \$18,266,979 for any calendar year beginning with calendar year 2006.

D. Holding Corporation

The City has entered into a capital lease with Hammond Criminal Justice Facility Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year totaled \$1,890,062. In April 2007, the Hammond Criminal Justice Facility Building Corporation was dissolved.

E. Noncompliance – Legal/Contractual Provisions

The City has not made principal or interest payments due on the City of Hammond Redevelopment District Taxable Tax Increment Revenue Bonds Series 2002 C (Unilever Project). The total principal and interest payments of \$350,000 and \$426,960, respectively, were due from July 15, 2004 through December 31, 2006.

F. Conduit Debt Obligation

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

As of December 31, 2006, there were five series of industrial revenue bonds outstanding. The aggregate principal amount payable for the five series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$69,740,000.

G. Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment medical benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City on or after attaining age 65 with at least 10 years of service, or who retire from the City at any age, with at least 15 years of service. Currently, 444 retirees meet these eligibility requirements. The City pays up to \$1,000 per month per retiree with the balance being paid by the retiree of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2006, disbursements of \$2,892,517 were recognized for postemployment benefits.

H. Rate Structure – Enterprise Funds

Water Utility

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

Wastewater Utility

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

I. Subsequent Events

Tax Levies and Rates for 2007

Due to delays caused by trending of assessments, the assessed valuations of Lake County have not been finalized. Therefore, the 2006 pay 2007 property tax rates and levies, as well as related budget orders for 2007, have not yet been established as of May 22, 2007. The City has been advised by the County Treasurer that the first installment of the 2006 pay 2007 property tax billings are currently anticipated to be issued in August 2007.

J. 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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 1,163,043	\$ 8,644,500	\$ 8,692,500
Interest on net pension obligation	(57,259)	1,808,200	1,801,000
Adjustment to annual required contribution	<u>65,251</u>	<u>(3,159,000)</u>	<u>(3,146,300)</u>
Annual pension cost	1,171,035	7,293,700	7,347,200
Contributions made	<u>974,419</u>	<u>2,890,100</u>	<u>3,779,900</u>
Increase in net pension obligation	196,616	4,403,600	3,567,300
Net pension obligation, beginning of year	<u>(789,779)</u>	<u>26,788,200</u>	<u>26,680,900</u>
Net pension obligation, end of year	<u>\$ (593,163)</u>	<u>\$ 31,191,800</u>	<u>\$ 30,248,200</u>
	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Contribution rates:			
City	4.75%	1,003%	1,197%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-05	01-01-05
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed 40 years	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years
Amortization period			
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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 734,971	118%	\$ (781,215)
	06-30-05	911,922	125%	(789,779)
	06-30-06	1,171,035	107%	(593,163)
1925 Police Officers' Pension Plan	12-31-02	7,103,800	58%	22,183,300
	12-31-03	7,071,500	35%	22,788,200
	12-31-04	7,293,700	40%	31,191,800
1937 Firefighters' Pension Plan	12-31-02	6,786,500	38%	22,168,700
	12-31-03	7,088,800	36%	26,680,900
	12-31-04	7,347,200	51%	30,248,200

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	198	186
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	8	14

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

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, 2006, 2005, and 2004, were \$3,945,144, \$3,408,367, and \$4,134,958, respectively, equal to the required contributions for each year.

CITY OF HAMMOND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 18,797,977	\$ 19,498,861	\$ (700,884)	96%	\$ 18,447,579	(4%)
07-01-05	19,522,708	22,345,580	(2,822,872)	87%	19,211,969	(15%)
07-01-06	22,029,826	24,222,294	(2,192,468)	91%	20,163,321	(11%)

1925 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)
01-01-00	\$ 199,521	\$ 77,863,600	\$(77,664,079)	0%	\$ 1,190,900	(6,521%)
01-01-01	415,928	76,341,300	(75,925,372)	1%	1,037,200	(7,320%)
01-01-02	2,390,395	73,303,900	(70,913,505)	3%	947,500	(7,484%)
01-01-03	2,730,103	72,341,600	(69,611,497)	4%	1,280,300	(5,437%)
01-01-04	799,472	73,785,600	(72,986,128)	1%	879,300	(8,300%)
01-01-05	(812,962)	72,238,300	(73,051,262)	(1%)	862,200	(8,473%)

1937 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)
01-01-00	\$ 346,255	\$ 73,462,100	\$(73,115,845)	0%	\$ 1,331,600	(5,491%)
01-01-01	506,107	70,979,100	(70,472,993)	1%	1,141,400	(6,174%)
01-01-02	2,263,340	69,894,600	(67,631,260)	3%	938,600	(7,206%)
01-01-03	851,044	70,184,000	(69,332,956)	1%	1,432,600	(4,840%)
01-01-04	(351,397)	74,162,500	(74,513,897)	0%	872,000	(8,545%)
01-01-05	(1,361,007)	70,984,600	(72,345,607)	(2%)	726,100	(9,964%)

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

1925 Police Officers' Pension Plan			
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
		City	State
12-31-99	\$ 7,517,600	25%	24%
12-31-00	7,878,400	25%	26%
12-31-01	7,939,300	22%	56%
12-31-02	7,883,400	18%	34%
12-31-03	8,072,200	0%	31%
12-31-04	8,644,500	3%	33%

1937 Firefighters' Pension Plan			
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
		City	State
12-31-99	\$ 7,197,200	30%	23%
12-31-00	7,466,200	26%	26%
12-31-01	7,413,600	23%	57%
12-31-02	7,517,200	0%	35%
12-31-03	8,088,900	3%	29%
12-31-04	8,692,500	15%	28%

CITY OF HAMMOND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For Year Ending December 31, 2006

	General Fund				Major Special Revenue Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Taxes:								
Property	\$ 34,315,606	\$ 34,315,606	\$ 43,609,313	\$ 9,293,707	\$ -	\$ -	\$ -	\$ -
Licenses and permits	1,013,000	1,013,000	906,879	(106,121)	-	-	-	-
Intergovernmental	2,401,190	2,401,190	3,684,790	1,283,600	-	35,000,000	35,849,146	849,146
Charges for services	2,779,200	2,779,200	4,125,114	1,345,914	-	-	-	-
Fines and forfeits	350,000	350,000	340,327	(9,673)	-	-	-	-
Other	477,000	477,000	1,477,778	1,000,778	-	-	89,147	89,147
Total revenues	41,335,996	41,335,996	54,144,201	12,808,205	-	35,000,000	35,938,293	938,293
Expenditures:								
Current:								
General government:								
Mayor	5,232	237,486	219,694	17,792	-	9,620,223	9,620,223	-
Controller	93,985	649,272	574,541	74,731	-	-	-	-
Code Enforcement	7,409	460,178	460,056	122	-	-	-	-
City Clerk	50,345	1,014,147	911,611	102,536	-	-	-	-
City Judge	13,515	781,537	761,544	19,993	-	-	-	-
Building Department	6,790	334,894	281,516	53,378	-	-	-	-
Common Council	31,171	487,081	417,860	69,221	-	-	-	-
Law Office	2,103	259,501	247,354	12,147	-	-	-	-
Board of Works	57,248	3,947,700	3,545,820	401,880	-	-	-	-
Human Relations	4,696	163,533	133,013	30,520	-	-	-	-
Engineering	100,918	892,471	824,392	68,079	-	-	-	-
Animal Control	5,890	242,793	238,817	3,976	-	-	-	-
Planning	8,999	190,575	161,889	28,686	-	-	-	-
Total general government	388,301	9,661,168	8,778,107	883,061	-	9,620,223	9,620,223	-
Public safety:								
Police Department	60,877	20,608,020	20,222,705	385,315	-	300,063	300,063	-
Fire Department	118,651	14,927,676	14,936,684	(9,008)	-	-	-	-
Emergency Management	1,448	76,468	82,584	(6,116)	-	-	-	-
Total public safety	180,976	35,612,164	35,241,973	370,191	-	300,063	300,063	-
Highways and streets:								
Common Council	-	-	-	-	-	26,225,224	26,225,224	-
Sanitation:								
Sanitation Department	270,492	3,933,299	3,970,311	(37,012)	-	-	-	-
Recycling Department	-	326,444	267,058	59,386	-	-	-	-
Total sanitation	270,492	4,259,743	4,237,369	22,374	-	-	-	-
Health and welfare:								
Health Department	3,970	592,768	557,655	35,113	-	-	-	-
Environmental Management	-	188,147	173,366	14,781	-	-	-	-
Total health and welfare	3,970	780,915	731,021	49,894	-	-	-	-
Culture and recreation:								
Parks and Recreation	-	-	-	-	-	959,771	959,771	-
Debt service:								
Principal	-	-	-	-	-	516,888	516,888	-
Interest	-	-	-	-	-	761,431	761,431	-
Total debt service	-	-	-	-	-	1,278,319	1,278,319	-
Total expenditures	843,739	50,313,990	48,988,470	1,325,520	-	38,383,600	38,383,600	-
Other financing sources (uses):								
Operating transfers in	-	-	3,251,035	3,251,035	-	-	-	-
Operating transfers out	-	-	(550,806)	(550,806)	-	(7,339,258)	(7,339,258)	-
Tax anticipation warrants received	-	-	10,000,000	10,000,000	-	-	-	-
Tax anticipation warrants repaid	-	-	(10,000,000)	(10,000,000)	-	-	-	-
Total other financing sources (uses)	-	-	2,700,229	2,700,229	-	(7,339,258)	(7,339,258)	-
Net change in fund balances	40,492,257	(8,977,994)	7,855,960	14,182,914	-	(10,722,858)	(9,784,565)	938,293
Fund balances - beginning	(18,881,864)	(20,692,464)	(10,292,399)	10,400,065	-	29,217,189	29,217,189	-
Fund balances - December 31	\$ 21,610,393	\$ (29,670,458)	\$ (2,436,439)	\$ 24,582,979	\$ -	\$ 18,494,331	\$ 19,432,624	\$ 938,293

CITY OF HAMMOND
 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, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Funds
Receipts:				
Taxes	\$ 5,601,673	\$ 663,632	\$ 429,952	\$ 6,695,257
Licenses and permits	12,965	-	-	12,965
Intergovernmental	12,896,862	18,814	2,292,720	15,208,396
Charges for services	2,492,961	-	-	2,492,961
Fines and forfeits	69,313	-	-	69,313
Other	1,758,114	6,232,730	235,258	8,226,102
	<u>22,831,888</u>	<u>6,915,176</u>	<u>2,957,930</u>	<u>32,704,994</u>
Total receipts				
Disbursements:				
General government	7,606,265	-	-	7,606,265
Public safety	2,901,652	-	-	2,901,652
Highways and streets	3,693,407	-	-	3,693,407
Sanitation	596,277	-	-	596,277
Health and welfare	585,112	-	-	585,112
Economic development	4,286	-	-	4,286
Culture and recreation	4,278,065	-	-	4,278,065
Urban redevelopment and housing	4,564,500	-	-	4,564,500
Debt service:				
Principal	-	5,160,000	-	5,160,000
Interest	-	1,305,787	692,435	1,998,222
Bond issuance costs	-	-	161,249	161,249
Capital outlay	-	-	971,226	971,226
	<u>24,229,564</u>	<u>6,465,787</u>	<u>1,824,910</u>	<u>32,520,261</u>
Total disbursements				
Excess (deficiency) of receipts over disbursements	<u>(1,397,676)</u>	<u>449,389</u>	<u>1,133,020</u>	<u>184,733</u>
Other financing sources (uses)				
Bond proceeds	3,141,550	-	6,280,505	9,422,055
Transfers in	2,678,099	5,463,761	5,258,305	13,400,165
Transfers out	<u>(363,785)</u>	<u>(7,246,441)</u>	<u>(1,457,000)</u>	<u>(9,067,226)</u>
Total other financing sources (uses)	<u>5,455,864</u>	<u>(1,782,680)</u>	<u>10,081,810</u>	<u>13,754,994</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,058,188	(1,333,291)	11,214,830	13,939,727
Cash and investment fund balance - beginning	<u>3,184,881</u>	<u>11,742,455</u>	<u>3,449,071</u>	<u>18,376,407</u>
Cash and investment fund balance - ending	<u>\$ 7,243,069</u>	<u>\$ 10,409,164</u>	<u>\$ 14,663,901</u>	<u>\$ 32,316,134</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 167,846	\$ (102,633)	\$ (1,133,272)	\$ (1,068,059)
Restricted assets:				
Cash and investments	<u>7,075,223</u>	<u>10,511,797</u>	<u>15,797,173</u>	<u>33,384,193</u>
Total cash and investment assets - December 31	<u>\$ 7,243,069</u>	<u>\$ 10,409,164</u>	<u>\$ 14,663,901</u>	<u>\$ 32,316,134</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ -	\$ 10,511,797	\$ -	\$ 10,511,797
Capital outlay	-	-	15,797,173	15,797,173
Other purposes	7,075,223	-	-	7,075,223
Unrestricted	<u>167,846</u>	<u>(102,633)</u>	<u>(1,133,272)</u>	<u>(1,068,059)</u>
Total cash and investment fund balance - December 31	<u>\$ 7,243,069</u>	<u>\$ 10,409,164</u>	<u>\$ 14,663,901</u>	<u>\$ 32,316,134</u>

CITY OF HAMMOND
 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, 2006

	River Park Apartments	Motor Vehicle Highway	Local Road and Street	Haz-Mat	Parks and Recreation	Crime Victim Assistance	Project Safe
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,234,348	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	2,967,989	890,769	-	144,366	60,916	-
Charges for services	-	-	-	500	298,209	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	330,207	-	3,500	37,721	-	-
Total receipts	-	3,298,196	890,769	4,000	3,714,644	60,916	-
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	60,916	5,000
Highways and streets	-	2,849,604	843,803	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	3,396,203	-	-
Urban redevelopment and housing	412	-	-	-	-	-	-
Total disbursements	412	2,849,604	843,803	-	3,396,203	60,916	5,000
Excess (deficiency) of receipts over disbursements	(412)	448,592	46,966	4,000	318,441	-	(5,000)
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	55,729	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	55,729	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(412)	448,592	46,966	4,000	374,170	-	(5,000)
Cash basis fund balance - beginning	7,866	324,271	740,676	24,544	(724,188)	-	5,000
Cash basis fund balance - ending	<u>\$ 7,454</u>	<u>\$ 772,863</u>	<u>\$ 787,642</u>	<u>\$ 28,544</u>	<u>\$ (350,018)</u>	<u>\$ -</u>	<u>\$ -</u>
Cash Basis Assets - December 31							
Cash and investments	\$ 7,454	\$ -	\$ -	\$ 28,544	\$ (350,018)	\$ -	\$ -
Restricted assets:							
Cash and investments	-	772,863	787,642	-	-	-	-
Total cash basis assets - December 31	<u>\$ 7,454</u>	<u>\$ 772,863</u>	<u>\$ 787,642</u>	<u>\$ 28,544</u>	<u>\$ (350,018)</u>	<u>\$ -</u>	<u>\$ -</u>
Cash Basis Fund Balance - December 31							
Restricted for:							
Other purposes	\$ -	\$ 772,863	\$ 787,642	\$ -	\$ -	\$ -	\$ -
Unrestricted	7,454	-	-	28,544	(350,018)	-	-
Total cash basis fund balance - December 31	<u>\$ 7,454</u>	<u>\$ 772,863</u>	<u>\$ 787,642</u>	<u>\$ 28,544</u>	<u>\$ (350,018)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HAMMOND
 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, 2006
 (Continued)

	Federally Forfeited Property	UEA Police Grant	Police Donations	Park Activities - Nonreverting	Background Checks	Civil Defense Donations	Lake County Police Grant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	46,192	-	-	-	-	-	7,308
Charges for services	-	-	-	81,499	815	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	147	-	4,844	649	-	-	-
Total receipts	46,339	-	4,844	82,148	815	-	7,308
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	18,022	6,750	6,464	-	-	1,046	7,265
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	71,228	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	18,022	6,750	6,464	71,228	-	1,046	7,265
Excess (deficiency) of receipts over disbursements	28,317	(6,750)	(1,620)	10,920	815	(1,046)	43
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	28,317	(6,750)	(1,620)	10,920	815	(1,046)	43
Cash basis fund balance - beginning	864	6,750	8,756	34,848	350	2,208	-
Cash basis fund balance - ending	\$ 29,181	\$ -	\$ 7,136	\$ 45,768	\$ 1,165	\$ 1,162	\$ 43
<u>Cash Basis Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ 7,136	\$ 45,768	\$ 1,165	\$ 1,162	\$ -
Restricted assets:							
Cash and investments	29,181	-	-	-	-	-	43
Total cash basis assets - December 31	\$ 29,181	\$ -	\$ 7,136	\$ 45,768	\$ 1,165	\$ 1,162	\$ 43
<u>Cash Basis Fund Balance - December 31</u>							
Restricted for:							
Other purposes	\$ 29,181	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43
Unrestricted	-	-	7,136	45,768	1,165	1,162	-
Total cash basis fund balance - December 31	\$ 29,181	\$ -	\$ 7,136	\$ 45,768	\$ 1,165	\$ 1,162	\$ 43

CITY OF HAMMOND
 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, 2006
 (Continued)

	Recycling Grant	State Forfeiture	Clerk's Perpetuation	Federal Prisoners	Garbage Bins	Impaired Driving	Redevelopment Commission General Operating
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 334,804
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,500	22,435	-	-	-	55,657	22,280
Charges for services	-	-	18,057	138,097	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	99	-	-	10,203	-	10,349
Total receipts	2,500	22,534	18,057	138,097	10,203	55,657	367,433
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	15,316	-	85,417	-	61,616	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	88,877	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	433,492
Total disbursements	88,877	15,316	-	85,417	-	61,616	433,492
Excess (deficiency) of receipts over disbursements	(86,377)	7,218	18,057	52,680	10,203	(5,959)	(66,059)
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	8,570
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	8,570
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(86,377)	7,218	18,057	52,680	10,203	(5,959)	(57,489)
Cash basis fund balance - beginning	68,100	8,373	81,383	44,928	7,379	7,273	(50,694)
Cash basis fund balance - ending	<u>\$ (18,277)</u>	<u>\$ 15,591</u>	<u>\$ 99,440</u>	<u>\$ 97,608</u>	<u>\$ 17,582</u>	<u>\$ 1,314</u>	<u>\$ (108,183)</u>
Cash Basis Assets - December 31							
Cash and investments	\$ (18,277)	\$ 15,591	\$ -	\$ 97,608	\$ 17,582	\$ -	\$ (108,183)
Restricted assets:							
Cash and investments	-	-	99,440	-	-	1,314	-
Total cash basis assets - December 31	<u>\$ (18,277)</u>	<u>\$ 15,591</u>	<u>\$ 99,440</u>	<u>\$ 97,608</u>	<u>\$ 17,582</u>	<u>\$ 1,314</u>	<u>\$ (108,183)</u>
Cash Basis Fund Balance - December 31							
Restricted for:							
Other purposes	\$ -	\$ -	\$ 99,440	\$ -	\$ -	\$ 1,314	\$ -
Unrestricted	(18,277)	15,591	-	97,608	17,582	-	(108,183)
Total cash basis fund balance - December 31	<u>\$ (18,277)</u>	<u>\$ 15,591</u>	<u>\$ 99,440</u>	<u>\$ 97,608</u>	<u>\$ 17,582</u>	<u>\$ 1,314</u>	<u>\$ (108,183)</u>

CITY OF HAMMOND
 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, 2006
 (Continued)

	TIF Allocation Columbia Project	TIF Allocation Lear	Park Tourism	Economic Development Tourism	TIF Allocation Downtown	West Point (UEA)	Redevelopment
Receipts:							
Taxes	\$ 173,541	\$ 390,892	\$ 16,020	\$ 10,800	\$ 61,272	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	611,359
Total receipts	173,541	390,892	16,020	10,800	61,272	-	611,359
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	4,286	-	-	-
Culture and recreation	-	-	25,147	-	-	154,559	-
Urban redevelopment and housing	151,008	375	-	-	97,898	-	-
Total disbursements	151,008	375	25,147	4,286	97,898	154,559	-
Excess (deficiency) of receipts over disbursements	22,533	390,517	(9,127)	6,514	(36,626)	(154,559)	611,359
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,533	390,517	(9,127)	6,514	(36,626)	(154,559)	611,359
Cash basis fund balance - beginning	212,186	392,396	28,843	2,538	183,959	154,559	-
Cash basis fund balance - ending	<u>\$ 234,719</u>	<u>\$ 782,913</u>	<u>\$ 19,716</u>	<u>\$ 9,052</u>	<u>\$ 147,333</u>	<u>\$ -</u>	<u>\$ 611,359</u>
Cash Basis Assets - December 31							
Cash and investments	\$ -	\$ -	\$ 19,716	\$ -	\$ -	\$ -	\$ 611,359
Restricted assets:							
Cash and investments	234,719	782,913	-	9,052	147,333	-	-
Total cash basis assets - December 31	<u>\$ 234,719</u>	<u>\$ 782,913</u>	<u>\$ 19,716</u>	<u>\$ 9,052</u>	<u>\$ 147,333</u>	<u>\$ -</u>	<u>\$ 611,359</u>
Cash Basis Fund Balance - December 31							
Restricted for:							
Other purposes	\$ 234,719	\$ 782,913	\$ -	\$ 9,052	\$ 147,333	\$ -	\$ -
Unrestricted	-	-	19,716	-	-	-	611,359
Total cash basis fund balance - December 31	<u>\$ 234,719</u>	<u>\$ 782,913</u>	<u>\$ 19,716</u>	<u>\$ 9,052</u>	<u>\$ 147,333</u>	<u>\$ -</u>	<u>\$ 611,359</u>

CITY OF HAMMOND
 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, 2006
 (Continued)

	Human Relations	Recycling	Public Safety	Enhanced Vapor	Asbestos Program	Water Hydrant Rental	User Fee
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,895	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	795,045	814,701	25,937	20,462	3,026	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	10,100	-	300	-	-	-	-
Total receipts	10,100	795,045	815,001	25,937	20,462	168,921	-
Disbursements:							
General government	4,430	-	-	-	-	-	-
Public safety	-	-	638,015	-	-	349,764	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	507,400	-	-	-	-	-
Health and welfare	-	-	-	-	20,598	-	44,130
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	4,430	507,400	638,015	-	20,598	349,764	44,130
Excess (deficiency) of receipts over disbursements	5,670	287,645	176,986	25,937	(136)	(180,843)	(44,130)
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	180,843	19,785
Transfers out	-	-	(198,000)	-	-	-	-
Total other financing sources (uses)	-	-	(198,000)	-	-	180,843	19,785
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,670	287,645	(21,014)	25,937	(136)	-	(24,345)
Cash basis fund balance - beginning	4,005	(275,402)	(42,406)	(25,937)	(1,238)	-	24,559
Cash basis fund balance - ending	<u>\$ 9,675</u>	<u>\$ 12,243</u>	<u>\$ (63,420)</u>	<u>\$ -</u>	<u>\$ (1,374)</u>	<u>\$ -</u>	<u>\$ 214</u>
Cash Basis Assets - December 31							
Cash and investments	\$ 9,675	\$ 12,243	\$ (63,420)	\$ -	\$ (1,374)	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	214
Total cash basis assets - December 31	<u>\$ 9,675</u>	<u>\$ 12,243</u>	<u>\$ (63,420)</u>	<u>\$ -</u>	<u>\$ (1,374)</u>	<u>\$ -</u>	<u>\$ 214</u>
Cash Basis Fund Balance - December 31							
Restricted for:							
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 214
Unrestricted	9,675	12,243	(63,420)	-	(1,374)	-	-
Total cash basis fund balance - December 31	<u>\$ 9,675</u>	<u>\$ 12,243</u>	<u>\$ (63,420)</u>	<u>\$ -</u>	<u>\$ (1,374)</u>	<u>\$ -</u>	<u>\$ 214</u>

CITY OF HAMMOND
 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, 2006
 (Continued)

	Penalties	Title V Permits	EPA Air Pollution Grant	Human Relations Federal	Transit (Transportation)	Local Seizure	Brownfield Site Assessment
Receipts:							
Taxes	\$ -	\$ 306,609	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	100,098	17,900	805,553	87,567	-
Charges for services	-	-	-	-	377,030	-	-
Fines and forfeits	69,313	-	-	-	-	-	-
Other	-	-	-	-	6,454	15,928	-
Total receipts	69,313	306,609	100,098	17,900	1,189,037	103,495	-
Disbursements:							
General government	-	-	-	73,080	2,361,413	-	-
Public safety	-	-	-	-	-	55,666	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	26,773	325,415	101,410	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	26,773	325,415	101,410	73,080	2,361,413	55,666	-
Excess (deficiency) of receipts over disbursements	42,540	(18,806)	(1,312)	(55,180)	(1,172,376)	47,829	-
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	550,806	-	-
Transfers out	(19,785)	-	-	-	-	(21,000)	-
Total other financing sources (uses)	(19,785)	-	-	-	550,806	(21,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,755	(18,806)	(1,312)	(55,180)	(621,570)	26,829	-
Cash basis fund balance - beginning	1,350,728	55,830	(21,940)	105,480	(274,598)	5,112	29,445
Cash basis fund balance - ending	<u>\$ 1,373,483</u>	<u>\$ 37,024</u>	<u>\$ (23,252)</u>	<u>\$ 50,300</u>	<u>\$ (896,168)</u>	<u>\$ 31,941</u>	<u>\$ 29,445</u>
Cash Basis Assets - December 31							
Cash and investments	\$ -	\$ 37,024	\$ (23,252)	\$ -	\$ (896,168)	\$ 31,941	\$ -
Restricted assets:							
Cash and investments	1,373,483	-	-	50,300	-	-	29,445
Total cash basis assets - December 31	<u>\$ 1,373,483</u>	<u>\$ 37,024</u>	<u>\$ (23,252)</u>	<u>\$ 50,300</u>	<u>\$ (896,168)</u>	<u>\$ 31,941</u>	<u>\$ 29,445</u>
Cash Basis Fund Balance - December 31							
Restricted for:							
Other purposes	\$ 1,373,483	\$ -	\$ -	\$ 50,300	\$ -	\$ -	\$ 29,445
Unrestricted	-	37,024	(23,252)	-	(896,168)	31,941	-
Total cash basis fund balance - December 31	<u>\$ 1,373,483</u>	<u>\$ 37,024</u>	<u>\$ (23,252)</u>	<u>\$ 50,300</u>	<u>\$ (896,168)</u>	<u>\$ 31,941</u>	<u>\$ 29,445</u>

CITY OF HAMMOND
 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, 2006
 (Continued)

	Health Equipment	Scholarship	SEMA Grant	Police Grant	Park Gaming	Twenty-First Century Grant	Community Development Block Grant (CDBG)
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	69,685	-	-	50,072	-	1,216,822	2,203,118
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	25,546	-	77	-	-	-	242,936
Total receipts	95,231	-	77	50,072	-	1,216,822	2,446,054
Disbursements:							
General government	-	-	-	-	-	1,520,153	-
Public safety	-	-	2,025	49,971	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	34,992	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	6,117	-	-
Urban redevelopment and housing	-	-	-	-	-	-	2,358,984
Total disbursements	34,992	-	2,025	49,971	6,117	1,520,153	2,358,984
Excess (deficiency) of receipts over disbursements	60,239	-	(1,948)	101	(6,117)	(303,331)	87,070
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	1,450	-	-	175,000	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	1,450	-	-	175,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	60,239	-	(498)	101	(6,117)	(128,331)	87,070
Cash basis fund balance - beginning	101,302	500	529	(15,657)	19,559	140,691	74,854
Cash basis fund balance - ending	<u>\$ 161,541</u>	<u>\$ 500</u>	<u>\$ 31</u>	<u>\$ (15,556)</u>	<u>\$ 13,442</u>	<u>\$ 12,360</u>	<u>\$ 161,924</u>
Cash Basis Assets - December 31							
Cash and investments	\$ -	\$ 500	\$ -	\$ (15,556)	\$ 13,442	\$ -	\$ -
Restricted assets:							
Cash and investments	161,541	-	31	-	-	12,360	161,924
Total cash basis assets - December 31	<u>\$ 161,541</u>	<u>\$ 500</u>	<u>\$ 31</u>	<u>\$ (15,556)</u>	<u>\$ 13,442</u>	<u>\$ 12,360</u>	<u>\$ 161,924</u>
Cash Basis Fund Balance - December 31							
Restricted for:							
Other purposes	\$ 161,541	\$ -	\$ 31	\$ -	\$ -	\$ 12,360	\$ 161,924
Unrestricted	-	500	-	(15,556)	13,442	-	-
Total cash basis fund balance - December 31	<u>\$ 161,541</u>	<u>\$ 500</u>	<u>\$ 31</u>	<u>\$ (15,556)</u>	<u>\$ 13,442</u>	<u>\$ 12,360</u>	<u>\$ 161,924</u>

CITY OF HAMMOND
 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, 2006
 (Continued)

	Industrial Revenue Bond Fees	Ambulance Fees	CDBG Donations	Health Department State Grant	Vehicle Release	Drug Court	Adult Probation/ User Fees
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	12,019	-	-	-
Charges for services	-	907,697	-	-	76,180	-	159,471
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	19,860	-	-	-	-
Total receipts	-	907,697	19,860	12,019	76,180	-	159,471
Disbursements:							
General government	-	-	-	-	-	25,385	212,060
Public safety	-	782,697	-	-	91,888	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	31,794	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	13,663	-	-	-	-
Total disbursements	-	782,697	13,663	31,794	91,888	25,385	212,060
Excess (deficiency) of receipts over disbursements	-	125,000	6,197	(19,775)	(15,708)	(25,385)	(52,589)
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(125,000)	-	-	-	-	-
Total other financing sources (uses)	-	(125,000)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	6,197	(19,775)	(15,708)	(25,385)	(52,589)
Cash basis fund balance - beginning	11,547	-	4,918	20,397	34,188	25,385	178,412
Cash basis fund balance - ending	<u>\$ 11,547</u>	<u>\$ -</u>	<u>\$ 11,115</u>	<u>\$ 622</u>	<u>\$ 18,480</u>	<u>\$ -</u>	<u>\$ 125,823</u>
Cash Basis Assets - December 31							
Cash and investments	\$ 11,547	\$ -	\$ 11,115	\$ -	\$ 18,480	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	622	-	-	125,823
Total cash basis assets - December 31	\$ 11,547	\$ -	\$ 11,115	\$ 622	\$ 18,480	\$ -	\$ 125,823
Cash Basis Fund Balance - December 31							
Restricted for:							
Other purposes	\$ -	\$ -	\$ -	622	\$ -	\$ -	125,823
Unrestricted	11,547	-	11,115	-	18,480	-	-
Total cash basis fund balance - December 31	\$ 11,547	\$ -	\$ 11,115	\$ 622	\$ 18,480	\$ -	\$ 125,823

CITY OF HAMMOND
 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, 2006
 (Continued)

	Tobacco Education	Local Law Enforcement IX	Task Force	Festival of The Lakes	Youth Golf Academy	Park District Gaming	Affordable Housing
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	501,054
Charges for services	2,875	-	-	336,522	3,913	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	101,000	-	-	55,740	225,402
Total receipts	2,875	-	101,000	336,522	3,913	55,740	726,456
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	2,875	9,664	594,764	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	432,192	-	192,619	-
Urban redevelopment and housing	-	-	-	-	-	-	589,253
Total disbursements	2,875	9,664	594,764	432,192	-	192,619	589,253
Excess (deficiency) of receipts over disbursements	-	(9,664)	(493,764)	(95,670)	3,913	(136,879)	137,203
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	7,892	349,463	-	-	490,061	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	7,892	349,463	-	-	490,061	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,772)	(144,301)	(95,670)	3,913	353,182	137,203
Cash basis fund balance - beginning	10,188	1,772	156,234	172,310	(387,729)	50,000	4,894
Cash basis fund balance - ending	<u>\$ 10,188</u>	<u>\$ -</u>	<u>\$ 11,933</u>	<u>\$ 76,640</u>	<u>\$ (383,816)</u>	<u>\$ 403,182</u>	<u>\$ 142,097</u>
Cash Basis Assets - December 31							
Cash and investments	\$ 10,188	\$ -	\$ 11,933	\$ 76,640	\$ (383,816)	\$ 403,182	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	142,097
Total cash basis assets - December 31	<u>\$ 10,188</u>	<u>\$ -</u>	<u>\$ 11,933</u>	<u>\$ 76,640</u>	<u>\$ (383,816)</u>	<u>\$ 403,182</u>	<u>\$ 142,097</u>
Cash Basis Fund Balance - December 31							
Restricted for:							
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,097
Unrestricted	10,188	-	11,933	76,640	(383,816)	403,182	-
Total cash basis fund balance - December 31	<u>\$ 10,188</u>	<u>\$ -</u>	<u>\$ 11,933</u>	<u>\$ 76,640</u>	<u>\$ (383,816)</u>	<u>\$ 403,182</u>	<u>\$ 142,097</u>

CITY OF HAMMOND
 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, 2006
 (Continued)

	Emergency CDBG	Section 108	Barrett Law Surplus	Law Enforcement Continuing Education	Hammer For Hearts	College Bound
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	12,965	-	-
Intergovernmental	107,422	1,682,968	-	-	-	-
Charges for services	-	-	-	89,105	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	8,337	-	-	577	524
Total receipts	107,422	1,691,305	-	102,070	577	524
Disbursements:						
General government	-	-	-	-	-	273,190
Public safety	-	-	-	19,305	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	107,325	811,040	-	-	-	-
Total disbursements	107,325	811,040	-	19,305	-	273,190
Excess (deficiency) of receipts over disbursements	97	880,265	-	82,765	577	(272,666)
Other financing sources (uses)						
Bond proceeds	-	-	-	-	-	-
Transfers in	-	-	-	-	-	500,000
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	500,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	97	880,265	-	82,765	577	227,334
Cash basis fund balance - beginning	5,666	27,480	90	40,545	-	-
Cash basis fund balance - ending	\$ 5,763	\$ 907,745	\$ 90	\$ 123,310	\$ 577	\$ 227,334
<u>Cash Basis Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 577	\$ 227,334
Restricted assets:						
Cash and investments	5,763	907,745	90	123,310	-	-
Total cash basis assets - December 31	\$ 5,763	\$ 907,745	\$ 90	\$ 123,310	\$ 577	\$ 227,334
<u>Cash Basis Fund Balance - December 31</u>						
Restricted for:						
Other purposes	\$ 5,763	\$ 907,745	\$ 90	\$ 123,310	\$ -	\$ -
Unrestricted	-	-	-	-	577	227,334
Total cash basis fund balance - December 31	\$ 5,763	\$ 907,745	\$ 90	\$ 123,310	\$ 577	\$ 227,334

CITY OF HAMMOND
 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, 2006
 (Continued)

	Demolition	Health	Jail Processing	Home Security	Ambulance Fees For Equipment	TIF Allocation Marina Expansion
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,799
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	2,991	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	75	-	-
Total receipts	-	-	2,991	75	-	259,799
Disbursements:						
General government	38,700	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	675
Total disbursements	38,700	-	-	-	-	675
Excess (deficiency) of receipts over disbursements	(38,700)	-	2,991	75	-	259,124
Other financing sources (uses)						
Bond proceeds	-	-	-	-	-	-
Transfers in	200,000	13,500	-	-	125,000	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	200,000	13,500	-	-	125,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	161,300	13,500	2,991	75	125,000	259,124
Cash basis fund balance - beginning	-	-	-	-	-	-
Cash basis fund balance - ending	<u>\$ 161,300</u>	<u>\$ 13,500</u>	<u>\$ 2,991</u>	<u>\$ 75</u>	<u>\$ 125,000</u>	<u>\$ 259,124</u>
Cash Basis Assets - December 31						
Cash and investments	\$ 161,300	\$ 13,500	\$ 2,991	\$ 75	\$ 125,000	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	259,124
Total cash basis assets - December 31	<u>\$ 161,300</u>	<u>\$ 13,500</u>	<u>\$ 2,991</u>	<u>\$ 75</u>	<u>\$ 125,000</u>	<u>\$ 259,124</u>
Cash Basis Fund Balance - December 31						
Restricted for:						
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,124
Unrestricted	161,300	13,500	2,991	75	125,000	-
Total cash basis fund balance - December 31	<u>\$ 161,300</u>	<u>\$ 13,500</u>	<u>\$ 2,991</u>	<u>\$ 75</u>	<u>\$ 125,000</u>	<u>\$ 259,124</u>

CITY OF HAMMOND
 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, 2006
 (Continued)

	Bioterrorism	TIF Allocation Robertsdale	TIF Allocation Lakefront	Technical Grant	2006 Judgment Bonds	Totals
Receipts:						
Taxes	\$ -	\$ 419,115	\$ 228,578	\$ -	\$ -	\$ 5,601,673
Licenses and permits	-	-	-	-	-	12,965
Intergovernmental	33,344	-	-	129,657	-	12,896,862
Charges for services	-	-	-	-	-	2,492,961
Fines and forfeits	-	-	-	-	-	69,313
Other	-	-	-	-	36,180	1,758,114
Total receipts	33,344	419,115	228,578	129,657	36,180	22,831,888
Disbursements:						
General government	-	-	-	-	3,097,854	7,606,265
Public safety	37,206	-	-	-	-	2,901,652
Highways and streets	-	-	-	-	-	3,693,407
Sanitation	-	-	-	-	-	596,277
Health and welfare	-	-	-	-	-	585,112
Economic development	-	-	-	-	-	4,286
Culture and recreation	-	-	-	-	-	4,278,065
Urban redevelopment and housing	-	375	-	-	-	4,564,500
Total disbursements	37,206	375	-	-	3,097,854	24,229,564
Excess (deficiency) of receipts over disbursements	(3,862)	418,740	228,578	129,657	(3,061,674)	(1,397,676)
Other financing sources (uses)						
Bond proceeds	-	-	-	-	3,141,550	3,141,550
Transfers in	-	-	-	-	-	2,678,099
Transfers out	-	-	-	-	-	(363,785)
Total other financing sources (uses)	-	-	-	-	3,141,550	5,455,864
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,862)	418,740	228,578	129,657	79,876	4,058,188
Cash basis fund balance - beginning	-	-	-	-	-	3,184,881
Cash basis fund balance - ending	<u>\$ (3,862)</u>	<u>\$ 418,740</u>	<u>\$ 228,578</u>	<u>\$ 129,657</u>	<u>\$ 79,876</u>	<u>\$ 7,243,069</u>
Cash Basis Assets - December 31						
Cash and investments	\$ (3,862)	\$ -	\$ -	\$ -	\$ -	\$ 167,846
Restricted assets:						
Cash and investments	-	418,740	228,578	129,657	79,876	7,075,223
Total cash basis assets - December 31	<u>\$ (3,862)</u>	<u>\$ 418,740</u>	<u>\$ 228,578</u>	<u>\$ 129,657</u>	<u>\$ 79,876</u>	<u>\$ 7,243,069</u>
Cash Basis Fund Balance - December 31						
Restricted for:						
Other purposes	\$ -	\$ 418,740	\$ 228,578	\$ 129,657	\$ 79,876	\$ 7,075,223
Unrestricted	(3,862)	-	-	-	-	167,846
Total cash basis fund balance - December 31	<u>\$ (3,862)</u>	<u>\$ 418,740</u>	<u>\$ 228,578</u>	<u>\$ 129,657</u>	<u>\$ 79,876</u>	<u>\$ 7,243,069</u>

CITY OF HAMMOND
 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, 2006

	Civil City Bonds	Park Debt Service	Redevelopment Authority Debt Service	Redevelopment Commission Lease Payment	Redevelopment Commission Custody Rental	Redevelopment Commission 2001 Revenue Bond Debt Service	Redevelopment Commission 2002 Revenue Bond Debt Service	Redevelopment Commission 2003 Revenue Bond Debt Service	River Park Apartments Debt Service	Totals
Receipts:										
Taxes	\$ -	\$ 663,632	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 663,632
Intergovernmental	-	18,814	-	-	-	-	-	-	-	18,814
Other	-	-	69,067	1,072,463	47,522	1,422,484	981,886	154,729	2,484,579	6,232,730
Total receipts	-	682,446	69,067	1,072,463	47,522	1,422,484	981,886	154,729	2,484,579	6,915,176
Disbursements:										
Principal	1,765,000	585,000	980,000	-	-	1,180,000	650,000	-	-	5,160,000
Interest	128,963	31,413	463,958	-	-	219,987	307,004	150,554	3,908	1,305,787
Total disbursements	1,893,963	616,413	1,443,958	-	-	1,399,987	957,004	150,554	3,908	6,465,787
Excess (deficiency) of receipts over disbursements	(1,893,963)	66,033	(1,374,891)	1,072,463	47,522	22,497	24,882	4,175	2,480,671	449,389
Other financing sources (uses)										
Transfers in	2,000,000	11,265	2,905,000	547,496	-	-	-	-	-	5,463,761
Transfers out	-	-	(3,486,368)	(3,037,589)	-	-	-	-	(722,484)	(7,246,441)
Total other financing sources (uses)	2,000,000	11,265	(581,368)	(2,490,093)	-	-	-	-	(722,484)	(1,782,680)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	106,037	77,298	(1,956,259)	(1,417,630)	47,522	22,497	24,882	4,175	1,758,187	(1,333,291)
Cash and investment fund balance - beginning	32,860	(179,931)	1,958,169	3,075,311	1,142,280	1,470,781	978,376	375,003	2,889,606	11,742,455
Cash and investment fund balance - ending	\$ 138,897	\$ (102,633)	\$ 1,910	\$ 1,657,681	\$ 1,189,802	\$ 1,493,278	\$ 1,003,258	\$ 379,178	\$ 4,647,793	\$ 10,409,164
Cash and Investment Assets - December 31										
Cash and investments	\$ -	\$ (102,633)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (102,633)
Restricted assets:										
Cash and investments	138,897	-	1,910	1,657,681	1,189,802	1,493,278	1,003,258	379,178	4,647,793	10,511,797
Total cash and investment assets - December 31	\$ 138,897	\$ (102,633)	\$ 1,910	\$ 1,657,681	\$ 1,189,802	\$ 1,493,278	\$ 1,003,258	\$ 379,178	\$ 4,647,793	\$ 10,409,164
Cash and Investment Fund Balance - December 31										
Restricted for:										
Debt service	\$ 138,897	\$ -	\$ 1,910	\$ 1,657,681	\$ 1,189,802	\$ 1,493,278	\$ 1,003,258	\$ 379,178	\$ 4,647,793	\$ 10,511,797
Unrestricted	-	(102,633)	-	-	-	-	-	-	-	(102,633)
Total cash and investment fund balance - December 31	\$ 138,897	\$ (102,633)	\$ 1,910	\$ 1,657,681	\$ 1,189,802	\$ 1,493,278	\$ 1,003,258	\$ 379,178	\$ 4,647,793	\$ 10,409,164

CITY OF HAMMOND
 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, 2006

	Cumulative Capital Improvement	Cumulative Capital Development	VOC Detector	Golf Course	Redevelopment Commission Reinstallation	Redevelopment Commission Repair and Replacement	TIF 2002 Capital Improvement Fund	River Park Capital	Redevelopment Authority Marina Project	Major Moves	Totals
Receipts:											
Taxes	\$ -	\$ 429,952	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 429,952
Intergovernmental	296,690	11,963	9,240	-	-	-	-	-	-	1,974,827	2,292,720
Other	-	-	-	-	45,211	115,249	1,137	48,572	25,089	-	235,258
Total receipts	296,690	441,915	9,240	-	45,211	115,249	1,137	48,572	25,089	1,974,827	2,957,930
Disbursements:											
Debt service:											
Interest	-	-	-	-	-	-	-	692,435	-	-	692,435
Bond issuance costs	-	-	-	-	-	-	-	-	161,249	-	161,249
Capital outlay	296,690	335,118	30,240	-	-	-	-	309,178	-	-	971,226
Total disbursements	296,690	335,118	30,240	-	-	-	-	1,001,613	161,249	-	1,824,910
Excess (deficiency) of receipts over disbursements	-	106,797	(21,000)	-	45,211	115,249	1,137	(953,041)	(136,160)	1,974,827	1,133,020
Other financing sources (uses)											
Bond proceeds	-	-	-	-	-	-	-	-	6,280,505	-	6,280,505
Transfers in	-	7,360	-	-	-	1,543,314	-	722,484	2,985,147	-	5,258,305
Transfers out	-	-	-	-	-	(1,457,000)	-	-	-	-	(1,457,000)
Total other financing sources (uses)	-	7,360	-	-	-	86,314	-	722,484	9,265,652	-	10,081,810
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	114,157	(21,000)	-	45,211	201,563	1,137	(230,557)	9,129,492	1,974,827	11,214,830
Cash and investment fund balance - beginning	-	239,538	-	(1,112,272)	1,086,718	1,981,587	25,229	1,228,271	-	-	3,449,071
Cash and investment fund balance - ending	\$ -	\$ 353,695	\$ (21,000)	\$ (1,112,272)	\$ 1,131,929	\$ 2,183,150	\$ 26,366	\$ 997,714	\$ 9,129,492	\$ 1,974,827	\$ 14,663,901
<u>Cash and Investment Assets - December 31</u>											
Cash and investments	\$ -	\$ -	\$ (21,000)	\$ (1,112,272)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,133,272)
Restricted assets:											
Cash and investments	-	353,695	-	-	1,131,929	2,183,150	26,366	997,714	9,129,492	1,974,827	15,797,173
Total cash and investment assets - December 31	\$ -	\$ 353,695	\$ (21,000)	\$ (1,112,272)	\$ 1,131,929	\$ 2,183,150	\$ 26,366	\$ 997,714	\$ 9,129,492	\$ 1,974,827	\$ 14,663,901
<u>Cash and Investment Fund Balance - December 31</u>											
Restricted for:											
Capital projects	\$ -	\$ 353,695	\$ -	\$ -	\$ 1,131,929	\$ 2,183,150	\$ 26,366	\$ 997,714	\$ 9,129,492	\$ 1,974,827	\$ 15,797,173
Unrestricted	-	-	(21,000)	(1,112,272)	-	-	-	-	-	-	(1,133,272)
Total cash and investment fund balance - December 31	\$ -	\$ 353,695	\$ (21,000)	\$ (1,112,272)	\$ 1,131,929	\$ 2,183,150	\$ 26,366	\$ 997,714	\$ 9,129,492	\$ 1,974,827	\$ 14,663,901

CITY OF HAMMOND
 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, 2006

	Centrex	Diesel Fuel Tax	Self-Insurance	City Unemployment Compensation	Total
Operating receipts:					
Charges for services - internal	\$ 12,250	\$ 13,457	\$ 17,209,662	\$ 63,458	\$ 17,298,827
Charges for services - other	890	-	1,673,826	-	1,674,716
Other	-	-	14,270	-	14,270
 Total operating receipts	 <u>13,140</u>	 <u>13,457</u>	 <u>18,897,758</u>	 <u>63,458</u>	 <u>18,987,813</u>
Operating disbursements:					
Administrative and general	17,339	10,330	1,653,327	-	1,680,996
Insurance claims and premiums	-	-	17,957,689	71,716	18,029,405
 Total operating disbursements	 <u>17,339</u>	 <u>10,330</u>	 <u>19,611,016</u>	 <u>71,716</u>	 <u>19,710,401</u>
 Excess (deficiency) of receipts over disbursements	 <u>(4,199)</u>	 <u>3,127</u>	 <u>(713,258)</u>	 <u>(8,258)</u>	 <u>(722,588)</u>
Nonoperating receipts:					
Interest and investment receipts	-	-	10,355	-	10,355
 Excess (deficiency) of receipts over disbursements and nonoperating receipts	 <u>(4,199)</u>	 <u>3,127</u>	 <u>(702,903)</u>	 <u>(8,258)</u>	 <u>(712,233)</u>
Transfers in	-	-	1,500,000	-	1,500,000
 Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	 <u>(4,199)</u>	 <u>3,127</u>	 <u>797,097</u>	 <u>(8,258)</u>	 <u>787,767</u>
Cash and investment fund balance - beginning	<u>7,917</u>	<u>(8,761)</u>	<u>32,476</u>	<u>14,974</u>	<u>46,606</u>
Cash and investment fund balance - ending	<u>\$ 3,718</u>	<u>\$ (5,634)</u>	<u>\$ 829,573</u>	<u>\$ 6,716</u>	<u>\$ 834,373</u>
 <u>Cash and Investment Assets - December 31</u>					
Cash and investments	<u>\$ 3,718</u>	<u>\$ (5,634)</u>	<u>\$ 829,573</u>	<u>\$ 6,716</u>	<u>\$ 834,373</u>
 <u>Cash and Investment Fund Balance - December 31</u>					
Unrestricted	<u>\$ 3,718</u>	<u>\$ (5,634)</u>	<u>\$ 829,573</u>	<u>\$ 6,716</u>	<u>\$ 834,373</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2006

	1925 Police Pension	1937 Firefighters' Pension	Total
Additions:			
Contributions:			
Employer	\$ 3,242,637	\$ 3,018,028	\$ 6,260,665
Plan members	14,872	7,774	22,646
State	3,205,441	3,074,599	6,280,040
Total contributions	6,462,950	6,100,401	12,563,351
Investment receipts:			
Interest	14,633	-	14,633
Total additions	6,477,583	6,100,401	12,577,984
Deductions:			
Benefits	5,321,486	5,273,597	10,595,083
Administrative and general	47,988	53,395	101,383
Total deductions	5,369,474	5,326,992	10,696,466
Excess of total additions over total deductions	1,108,109	773,409	1,881,518
Cash and investment fund balance - beginning	(834,662)	(470,127)	(1,304,789)
Cash and investment fund balance - ending	\$ 273,447	\$ 303,282	\$ 576,729

CITY OF HAMMOND
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006

	Barrett Law	Payroll Withholdings	Court Costs Due County	Deferral Program	City Clerk	Adult Probation Department	Coroner	Evidence Money	Total
Additions:									
Agency fund additions	\$ -	\$ 13,908,492	\$ 117,445	\$ 74,937	\$ 3,936,318	\$ 21,119	\$ 7,209	\$ 92,785	\$ 18,158,305
Deductions:									
Agency fund deductions	-	13,908,492	216,070	74,937	3,471,191	20,427	7,209	82,698	17,781,024
Excess (deficiency) of total additions over total deductions	-	-	(98,625)	-	465,127	692	-	10,087	377,281
Cash and investment fund balance - beginning	56,768	-	98,625	-	1,498,912	2,000	18	49,556	1,705,879
Cash and investment fund balance - ending	\$ 56,768	\$ -	\$ -	\$ -	\$ 1,964,039	\$ 2,692	\$ 18	\$ 59,643	\$ 2,083,160

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

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the 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	\$ 78,677,778
Infrastructure	141,899,909
Buildings	48,432,999
Improvements other than buildings	219,347
Machinery and equipment	27,875,077
Construction in progress	<u>54,386,921</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 351,492,031</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 134,466
Construction in progress	448,446
Capital assets, being depreciated (net of depreciation):	
Source and supply	868,908
Distribution lines	15,109,904
Machinery and equipment	9,078,038
General building	<u>402,723</u>
 Total Water Utility capital assets	 <u>26,042,485</u>

Sanitary District :	
Capital assets, not being depreciated:	
Land	497,919
Construction in progress	4,294,344
Capital assets, being depreciated (net of depreciation):	
Land improvements	58,665,914
Buildings	23,588,983
Building improvements	2,689,849
Machinery and equipment	<u>24,709,528</u>
 Total Sanitary District capital assets	 <u>114,446,537</u>

Total business-type activities capital assets	<u>\$ 140,489,022</u>
--	-----------------------

Discretely presented component unit:	
Port Authority:	
Capital assets, not being depreciated:	
Land	\$ 203,415
Construction in progress	327,546
Capital assets, being depreciated (net of depreciation):	
Buildings	4,429,133
Improvements other than buildings	8,847,936
Machinery and equipment	<u>1,746,389</u>
 Total discretely presented component unit capital assets	 <u>\$ 15,554,419</u>

CITY OF HAMMOND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

CAPITAL LEASES

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

Description of Asset	Present Value of Net Minimum Lease Payments	Ending Balance	Due Within One Year
Various golf course equipment	\$ 1,264,768	\$ 1,411,289	\$ 366,052
Golf carts	35,969	37,468	26,448
Total discretely presented component unit	<u>\$ 1,300,737</u>	<u>\$ 1,448,757</u>	<u>\$ 392,500</u>

The City has entered into the following capital leases and other long-term debt:

Description of Asset	Ending Balance	Due Within One Year
Governmental activities:		
Capital leases:		
Marina	\$ 6,420,000	\$ 275,500
Fire truck	629,482	334,227
Notes and loans payable	5,689,114	682,432
Advance From Property Tax Replacement Fd	1,724,819	474,836
Horseshoe \$7.5 million advance	7,096,469	-
Bonds payable:		
General obligation bonds:		
River Park Redevelopment District and Judgment Bonds, 2005	22,000,000	1,610,000
Home Depot Econ Dev Rev Bond 2006B	1,220,000	
Hud Series 2003 - A	1,729,000	325,000
Hud Series 2006 - A	2,370,000	325,000
Park Dist Bonds Series 2001	305,000	305,000
Police Facility Bonds of 2001	870,000	870,000
Judgment Funding Series 2006	3,115,000	-
Revenue bonds:		
Redevelopment Dist Rev Bonds of 2001B	2,660,000	1,255,000
Unilever TIF Increment Revenue Bonds of 2002	2,150,000	325,000
Lost Marsh Project Revenue Bonds of 2003	2,950,000	-
Marina TIF Increment Revenue Bonds of 2002	4,395,000	655,000
Total governmental activities long-term debt	<u>\$ 65,323,884</u>	<u>\$ 7,436,995</u>
Business-type activities:		
Sanitary District		
General obligation bonds:		
2003 Special Taxing District Refunding Bonds	\$ 1,835,000	\$ 220,000
Notes and loans:		
State Revolving Loan Fund	29,754,480	2,460,000
Total Sanitary District	<u>31,589,480</u>	<u>2,680,000</u>
Total business-type activities	<u>\$ 31,589,480</u>	<u>\$ 2,680,000</u>

CITY OF HAMMOND
OTHER REPORTS

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

Hammond Water Utility
Hammond Sanitary District
Hammond Port Authority

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS

OFFICIAL BONDS

Official bonds were not filed in the Office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

OVERDRAWN CASH BALANCES

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

Fund Name	Amount
General (101)	\$ 2,436,439
Special revenue funds:	
Parks and Recreation (204)	350,018
Redevelopment Commission General Operation (228)	108,183
Recycling Grant (238)	18,277
Public Safety (239)	63,420
Asbestos Program (245)	1,374
EPA Air Pollution Grant (250)	23,252
Transit (Transportation) (252)	896,168
Police Grant (259)	15,556
Youth Golf Academy (278)	383,816
Bioterrorism (281)	3,862
Debt service fund:	
Park Debt Service (312)	102,633
Capital projects funds:	
Golf Course (461)	1,112,272
VOC Detector (274)	21,000
Internal service fund:	
Diesel Fuel Tax (6)	5,634

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)

FUNDS ESTABLISHED WITHOUT AN ORDINANCE

The Demolition, Health, and Cut and Clean Funds were established by the City without an ordinance. (The Cut and Clean Fund was inactive during 2006.)

Indiana Code 36-1-3-6 states: "(a) If there is a constitutional or statutory provision requiring a specific manner for exercising a power, a unit wanting to exercise the power must do so in that manner. (b) If there is no constitutional or statutory provision requiring a specific manner for exercising a power, a unit wanting to exercise the power must either: (1) adopt an ordinance prescribing a specific manner for exercising the power; or (2) comply with a statutory provision permitting a specific manner for exercising the power. (c) An ordinance under subsection (b) (1) must be adopted as follows: (1) In a municipality, by the legislative body of the municipality. . . ."

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

The powers granted by various statutes authorize the common council of a city or the town council of a town to create, by ordinance, as many funds as they feel necessary to operate their particular city or town. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE – CITY CLERK

The City Clerk did not issue receipts in numerical order. The City Clerk's staff removed receipts from the books for use but held them until the related case was finalized before actually issuing them. The receipts in the same numerical series were not chronologically issued and deposited. This did not allow for numerical continuity of receipts issued and recorded.

The City/Town Court Receipt (Form No. 214CT) . . . is to be printed in duplicate, prenumbered by the printer. The form shall be issued and recorded at the time of each receipt transaction. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

CLAIMS - ITEMIZATION

Claims submitted for the payment of tutoring of students with a contractual tutoring agency were not properly itemized. The claims did not denote the dates of service rendered, by whom, number of hours tutored, or who was tutored.

A claim to be properly itemized should show the kind of service, where performed, date service rendered, by whom, rate per day, number of hours, rate per hour, price per foot, per yard, per hundred, per pound, per ton, etc. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UNTIMELY PAYMENT OF CLAIMS

Approximately 44% of claims tested were paid 38 to 128 days after the invoice date. These claims were not paid in a timely manner.

Timely payment is defined, to occur if ". . . a check or warrant is mailed or delivered on the date specified for the amount specified in the applicable contract documents, or, if no date is specified, within thirty-five (35) days of receipt of goods or services, or receipt of a properly completed claim . . ." (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SELF-INSURANCE CHECKS NOT ISSUED TIMELY

The City used an outside contractor to manage its self-insurance claims and write the related checks. The City Controller received the checks from the contractor, signed and filed them in a cabinet. The checks were held approximately 60 days from the original date of the checks before being entered on the records and mailed to the vendors. The record transaction date used by the City was the check mailing date rather than the date on the check. In some instances when a vendor complained, checks were mailed and recorded more timely.

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

At December 31, 2006, the total amount of unmailed and unrecorded self-insurance checks on hand was \$1,649,002. On March 27, 2007, the total amount of unmailed and unrecorded self-insurance checks on hand was \$1,373,105.

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

DELINQUENT REVENUE BOND PAYMENTS

The City has not made principal or interest payments due on the City of Hammond Redevelopment District Taxable Tax Increment Revenue Bonds Series 2002 C (Unilever Project). The total principal and interest of \$350,000 and \$426,960, respectively, were due from July 15, 2004 through December 31, 2006.

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

PAYROLL REGISTER

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

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

PAYROLL ADVANCE PAYMENTS

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

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

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

NONCOMPLIANCE WITH PAYROLL ORDINANCE

Ordinance Number 8695 "2006 Civil City Salary Ordinance" sets the salaries and wages due to employees of the City of Hammond. This ordinance also stipulates that: "No employee may be paid for two or more separate jobs or for contractual services for the City, the Water Department, the Sanitary District, the Port Authority, or U.E.A., or other City agencies, boards or commissions, except for elected officials or unless specifically authorized by ordinance of City Council." This ordinance further states: "The position of City Attorney shall be filled by an experienced attorney licensed to practice law in Indiana who shall be and is hereby prohibited from engaging in any outside practice of law while drawing compensation from the City of Hammond."

Of the 29 employees tested, 6 were in conflict with this ordinance. These included: the City Attorney who is also the City Judge for the City of Lake Station; an employee of the Judge's office who is also compensated for being a member of the Redevelopment Commission; a Park Department employee who holds a contract with the City to produce a monthly television show; a fireman who is the secretary/treasurer of the Port Authority Board; the President of the Water Board who is also the Financial Consultant to the City; and the Superintendent of the Street Department who is a commissioner on the Hammond Human Relations Commission.

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)

EMPLOYEE SERVICE RECORDS

Employee service records are maintained on all employees of the City by each department. Many do not have proper leave balances maintained and do not record leave time earned or used. For example, an employee service record may show a beginning balance which includes the leave earned for that year instead of showing the leave earned in the "earn" column of the record. For personal leave, some departments are showing the leave and balances, while others are not accounting for it at all. Thus, we were unable to determine compliance with leave policies for all employees. Other problems noted with Employee Service Records included proper leave earned not being credited to the employee, not stating hire dates or recording conflicting hire dates. Additionally, one record reviewed did not record hours worked and two records from the Fire Department were not prescribed or approved forms.

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

RECEIPT ISSUANCE – CITY CLERK

The City Clerk issued receipts out of numerical order. The City Clerk's staff pulled receipts for use but held them until the related case was finalized before actually issuing them. The receipts in the same numerical series were not chronologically issued and deposited. This did not allow for numerical continuity of receipts issued and recorded.

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

The City/Town Court Receipt (Form No. 214CT) . . . is to be printed in duplicate, prenumbered by the printer. The form shall be issued and recorded at the time of each receipt transaction. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

OLD TRUST ITEMS – CITY CLERK

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

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

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

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

This form (Report of Unclaimed Funds and Escheated Estates Due the State) which is furnished by the Office of the Attorney General, is to be used when reporting and paying to the Attorney General all unclaimed fees and funds five or more years old, escheated estates, and forfeited bail bonds. The form is to be prepared in triplicate. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

TRAFFIC SCHOOL – CITY COURT

Defendants convicted of moving violations who are being sentenced to attend traffic school are not paying the court cost or deferral fees.

Indiana Code 36-1-6-3 states: "An ordinance defining a moving traffic violation may not be enforced under IC 33-36. It must be enforced in accordance with IC 34-28-5."

Indiana Code 34-28-5 -5(a) states in part: "A defendant against whom a judgment is entered is liable for cost. Costs are part of the judgment and may not be suspended except under IC 9-30-3-12."

Indiana Code 9-30-3-12(a) states in part: "If during any twelve (12) month period a person has committed moving traffic violations for which the person has . . . (3) been convicted of at least one (1) traffic misdemeanor and has had at least one (1) traffic judgment entered against the person; the bureau may require the person to attend and satisfactorily complete a defensive driving school program. The person shall pay all applicable fees required by the bureau."

GRANT DISBURSEMENTS

The City has been awarded two Twenty-First Century Community Learning Grants. The City maintains both awards in Fund 261. The expenditures for each Grant Award cannot be identified.

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

34 CFR Subpart C 80.20 (a)(2)(b) states:

"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.
- (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."

COUNTY TREASURER'S LIST

The list of city employees required to be submitted to the County Treasurer was not provided for audit.

Indiana Code 6-1.1-22-14 Sec. 14. states in part: "(b) On or before June 1 and December 1 of each year (or more frequently if the county legislative body adopts an ordinance requiring additional certifications), the disbursing officer . . . shall certify the name and address of each person who is employed by the governmental entity to the county treasurer for the county where the employee works."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

Compliance

We have audited the compliance of the City of Hammond (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2006. 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 of America; 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 2006-1, 2006-2, and 2006-3, in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Special Tests and Provisions – School Bus Operation, Cash Management and Reporting that are applicable to its Federal Transit Formula Grants and its Twenty-First Century Community Learning Centers, respectively. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to 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, 2006

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

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)

auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2006-1, 2006-2, and 2006-3 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2006-3, to be a material weakness.

The City's response to the findings identified in our audit are described in the accompanying Official Response and Corrective Action Plan section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 19, 2007

CITY OF HAMMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006

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 HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG - Entitlement and Small Cities Cluster			
Community Development Block Grants/Entitlement Grants	14.218		
Entitlement		B-05-MC-180006	\$ 1,848,159
Entitlement		B-06-MC-180006	350,146
Emergency Shelter		S-05-MC-180006	87,444
Section 108		B-00-MC-180006	<u>1,682,968</u>
Total for cluster			<u>3,968,717</u>
HOME Investment Partnerships Program			
	14.239		
		M-03-MC-180204	429,567
		M-04-MC-180204	70,207
		M-05-MC-180204	<u>27,885</u>
Total for program			<u>527,659</u>
Fair Housing Assistance Program - State and Local			
	14.401		
		FF205K045024	33,120
		FF205K025024	<u>6,360</u>
Total for program			<u>39,480</u>
Total for federal grantor agency			<u>4,535,856</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Local Law Enforcement Block Grant Program			
	16.592	2004-LB-BX-0900	<u>1,393</u>
Edward Byrne Memorial Justice Assistance Grant Program			
	16.738		<u>18,022</u>
Pass-Through Indiana Criminal Justice Institute			
Crime Victim Assistance			
	16.575		
		05-VA-066	27,828
		06-VA-071	<u>28,281</u>
Total for program			<u>56,109</u>
Motor Vehicle Theft Protection Act Program			
Project Safe Neighborhood Grant			
	16.597		
		03-GP-015	<u>2,105</u>
Total for federal grantor agency			<u>77,629</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Northwest Indiana Regional Planning Commission			
Federal Transit Cluster			
Federal Transit - Formula Grants			
	20.507	9006HMDO	<u>755,672</u>

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

CITY OF HAMMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION (continued)</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety Impaired Driver	20.600	PT-06-04-07-29	<u>51,657</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	PT-07-04-01-35	<u>9,415</u>
Total for cluster			<u>61,072</u>
Total for federal grantor agency			<u>816,744</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management Air Pollution Control Program Support Section 105 Diesel Oxidation Datalysts Project Purchase and Installation of Diesel Oxidation Catalysts Project	66.001	A305-5-177 A305-5-167	60,875 9,240 <u>21,000</u>
Total for program			<u>91,115</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>868,846</u>
Total for federal grantor agency			<u>959,961</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-Through Indiana Department of Education Twenty-First Century Community Learning Centers Grant I Grant II	84.287		675,214 <u>669,308</u>
Total for federal grantor agency			<u>1,344,522</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance Public Health Preparedness and Emergency Response	93.283	U90/CCU517024-07	<u>8,241</u>
Total federal awards expended			<u>\$ 7,742,953</u>

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

CITY OF HAMMOND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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, 2006:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/Entitlement Grants	14.218	<u>\$ 209,365</u>

III. Loans Outstanding

The City had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2006. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Loans Outstanding</u>
Community Development Block Grants/Entitlement Grants	14.218	<u>\$ 4,081,968</u>

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

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 Twenty-First Century Community Learning Centers and Federal Transit-Formula Grants

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
20.507	Federal Transit-Formula Grants
66.458	Capitalization Grants for Clean Water State Revolving Funds
84.287	Twenty-First Century Community Learning Centers

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-1, CASH MANAGEMENT

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

We reviewed the Twenty-First Century Community Learning Centers program's cash management. We determined that month end cash balances exceeded the following month's disbursements for 8 out of 12 months. In June 2006, procedures were implemented that reduced the number of incidents of noncompliance with cash management requirements.

34 CFR 80.20 states in part: "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the grantees and subgrantees must be followed whenever advance payment procedures are used . . . Grantees must monitor cash draw downs by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

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

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

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

FINDING 2006-2, REPORTING

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

The Hammond Department of Planning and Development maintains ledgers for their grants. The City of Hammond pays the claims for all of these grants and also maintains a ledger. The Department of Planning and Development's ledger and the City's ledgers do not agree. The grant final reports are based on supporting ledgers maintained by the Program Director which do not agree to either of the Department's ledger or the City's ledger.

34 CFR 80.20(b) states:

"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 HAMMOND
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."

The auditee should maintain accurate ledgers for the preparation of grant financial reports. Failure to comply with grant reporting requirements may jeopardize the City's ability to obtain federal awards in the future.

We recommended that the City implement procedures that will ensure the accurate financial reporting on the grant reports.

FINDING 2006-3, SCHOOL BUS OPERATION

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

The Hammond Transit Department has an agreement with the School City of Hammond for pupil transportation services. During 2005, the marquis on the bus used for transporting Clark School students was blank; however, a "SPECIAL" sign was placed in the window. The bus was used only during school transportation times although anyone could ride it. The "SPECIAL" bus designation was contrary to the Federal Transit Grant requirements. The Northwest Indiana Regional Planning Commission (NIRPC) has not released any federal transit grant funds to the City of Hammond for 2006 due to this noncompliance. NIRPC concurs that the Hammond Transit Department has corrected the marquis issue, but they are still waiting for compilation by the Hammond Transit Department of these questioned costs from operating the bus during the non-compliant period. Until these costs are provided to NIRPC, the grant continues to be noncompliant and the City of Hammond will not receive any federal funds from NIRPC.

As part of the annual certifications and assurances required by FTA, the Transit Department entered into an agreement with the FTA Administrator stating that, in accordance with 49 CFR 605.1, the recipient "will not engage in school bus operations exclusively for the transportation of students and school personnel, in competition with private school bus operators," unless it demonstrates to the FTA Administrator any one of the exceptions listed in 49 CFR 605.11 and the Administrator concurs. However, all recipients can operate 'Tripper Service,' which is defined in 49 CFR 605.3 as "regularly scheduled mass transportation service that is open to the public, and which is designed or modified to accommodate the needs of school students and personnel, using various fare collections or subsidy systems. Buses used in 'Tripper Service' must be clearly marked as open to the public and may not carry designations such as 'school bus' or 'school special.'"

Failure to provide required costs of operation attributable to the noncompliant bus has resulted in the delay of Federal funding and could result in the loss of future Federal funding.

We recommended that the Hammond Transit Department implement procedures to ensure compliance with the program requirements.



CITY OF HAMMOND, INDIANA 46320

5925 CALUMET AVENUE

PHONE (219) 853-6324

February 5, 2007

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

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

Status of Finding 2005-2, School Bus Operation

In 2005 the Indiana State Board of accounts sanctioned The Hammond Transit System for a "Tripper" route bus, having a marquis that was blank and a placard reading "Special" in the window. This situation has been remedied by removing all placards from those buses. When operating as a "Tripper Service" the marquis now reads 1- North or 1- South, whichever is applicable.

All buses and places where schedules are displayed have copies of our "Tripper" route schedules. They have been modified in accordance with NIRPC specifications showing that all "Tripper Service" buses are available to all passengers.

The Hammond Transit System has been crafted to be in full compliance with Federal Transportation Authority (FTA) Rules and Regulations. The FTA and NIRPC are monitored our program carefully. They agree that we are in compliance with (49 CFR part 605).

Status of Finding 2005-3, Cash Management

In 2005 The Indiana State Board of accounts sanctioned The City of Hammond for exceeding cash balances in Federal Fund Grant, (21st Century One Program). Procedures have been activated to eliminate the problem.



Prior to the submission of any claim for payment, the Community Development Director inspects each claim to ensure both accuracy and complete rendering of services. When all criteria are met the Community Development Director signs the claims and submits to Finance Manager for payment.

The Community Development Director compiles a report ledger detailing the net cash available at end of month. This report includes both funds received from the State Treasury and claims for payment against this balance. The Executive Director then examines the report for accuracy. If available cash balances exceed ten percent of total grant allotment the Community Development Director notifies the State of Indiana to adjust the amount of the next payment. After this finding was reported to the City of Hammond in our exit audit, for year 2005, this procedure was introduced June of 2006.

Finding 2005-4, Internal Controls

In 2006 The State Board of Accounts sanctioned the City of Hammond for pre-paying Contractual services pertaining to payroll expenses. Although Ordinance #8091 and # 8763 was enacted to allow prepayment of some costs this type of payment was not specifically included. Ordinance #8772 has been amendment to the previous Ordinance # 8763 allowing Prepayment of Vendors for payroll expenses. Local Statues now permit the prepayment of these claims.

Barbara Cardwell



City Controller



Thomas M. McDermott, Jr.
Mayor

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND

RICK CALINSKI
Executive Director

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

SUBJECT: Audit Report for the period ending 12/31/2006 Plan of Correction

FINDING 2006-1. CASH MANAGEMENT

CFDA 84.287

Corrective Action(s):

The City of Hammond has implemented a policy and procedure for identifying and expending grant awards for the Twenty-First Century Community Learning Centers Grants. In order to more effectively monitor cash receipts and balances per Circular A-102 subpart C20(b)(7), Community Development Director shall, on a monthly basis, compile a report ledger detailing expected expenditures for the following month and proposed cash receipts from the U.S. Treasury. This report shall be submitted to the Director of Finance in the Department of Planning and Development for analysis and assessment. Should the Director of Finance determine that the available cash balance will exceed ten percent of the total grant allotment, or ten percent of the following month's disbursements, whichever is less, Community Development Director shall notify U.S. Treasury and decrease the following monthly award accordingly.

FINDING 2006-2. REPORTING

CFDA 84.287

Corrective Action(s):

The Department of Planning and Development shall maintain one ledger balance in the Finance Office. This balance shall be reconciled with the Controller's Office ledger no less than one time per month. Community Development Director shall compile grant reports only from reconciled statements received either from the Controller's Office or the Finance Office. This process will ensure compliance with 34 CFR Subpart C 80.20 (a)(2)(b).

Name Richard Calinski, Executive Director Date 07/31/07

Signed 

Thomas M. McDermott, Jr., Mayor

Hammond Transit System

Dan Rabin Transit Plaza

425 Sibley Street

Hammond, IN 46320

Phone 219.853.6513

Fax 219.853.6407

Keith E. Matasovsky, Director



May 2, 2007

OFFICIAL RESPONSE

State Board of Accounts and To Whom It May Concern:

RE: (Finding No. 2006-3 School Bus Operation)

The Hammond Transit Department has tried in vain to try to resolve this on going problem with NIRPC regarding the "School Tripper Buses". We have worked to try to answer the demands of NIRPC each and every time they have asked us for further information. Yet each time they give us a list of questions and problems to remedy it seems as though it just leads to another list. None of the current list of requests by NIRPC is the same as the original requests. We do have another page of six additional requests that NIRPC has asked for. We are working on that list and we will have the information that they are asking for by Friday, May 11, 2007.

Reasons that we have not been able to answer their questions sooner are because of our lack of personnel (Only three full-time employees) and the necessity to deliver the day to day expectations. We just completed our 1st quarter reports for NIRPC by the deadline as well as the annual reports required by the FTA. Mary Jane Shkroba has further complicated our effort by insisting that everything pertaining to this issue be communicated between Hammond Attorney Ed Fontanez and NIRPC Attorney Dave Hollenbeck. Hammond's Attorney has been very busy with many other cases as well as I am sure has Mr. Hollenbeck.

I am attaching a copy of an e-mail that was received by me from our Attorney, Ed Fontanez that gives me a list of six locations where Hammond was told a "Tripper Route Schedule" was needed per NIRPC Compliance Officer Allen Hammond. The e-mail states that Attorney Hollenbeck says that by so doing all issues will have been satisfied. After notifying NIRPC that these were completed and after receiving confirmation from Allen the current list of demands was presented to us.

Sincerely,

Keith E. Matasovsky

Keith E. Matasovsky, HTS Director

Attachments (1)

Cc: Barbara Cardwell
Attorney Ed Fontanez

www.gohammond.com

Equal Opportunity Employer

email: transit@gohammond.com

Keith

From: <edfontanez@aol.com>
To: <matasovskyk@gohammond.com>
Sent: Thursday, March 15, 2007 12:45 PM
Subject: Re: Compliance Needs

Keith,

I received a letter from Mr. Hollenbeck which indicated to me that the only things that appear to be outstanding are tripper schedules which were not placed at the following places:

1. 137th and Sheffield
2. Michigan Street (in front of Humphrey apartments)
3. 169th & Alexander (in front of Strack & Van Tils)

Allan also stated that there were missing tripper route schedules at the following places:

1. Purdue Calumet (Information Center)
2. Kaplan College (Student Lounge)
3. South Shore Train Station (in East Chicago)

I think that this covers all the remaining issues. If you could please get the signage up at those places and let me know when they are completed so I may inform Mr. Hollenbeck.

Thanks,

Eddie

Eduardo Fontanez
Law Office of Eduardo Fontanez, P.C.
7135 Indianapolis Blvd.
Hammond, Indiana 46324
Phone: (219) 554-0282
Fax: (219) 554-0122
email: edfontanez@aol.com

AOL now offers free email to everyone. Find out more about what's free from AOL at AOL.com.

CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on June 19, 2007, with Barbara Cardwell, City Controller; Marty Wielgos, Chief of Staff; Linda Sheets, Deputy Controller; and Ramona Campbell, Office Manager. The official response has been made a part of this report and may be found on pages 76 through 78.



CITY OF HAMMOND, INDIANA 46320

5925 CALUMET AVENUE

PHONE (219) 853-6324

State Board of Accounts
302 West Washington Street Room E418
Indianapolis, IN. 46204-2765

SUBJECT: Audit Report for the period ending 12/31/2006 Plan of Correction

INTERNAL CONTROLS OVER RECEIPT BOOKS

The City will record the official Criminal bonds at the County Recorder when we obtain updated bonds from our insurance consultant. The City tried to record the bonds. The County Auditor would not accept the bonds. When we renew our bonds we only have invoices that show we have renewed them the County maintains that they have to be for the year that we record them.

OVERDRAWN CASH BALANCES

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

FUNDS ESTABLISHED WITHOUT AN ORDINANCE

All funds have now been created by ordinance. The ordinance to create the funds cited by the State Board of Accounts is #8833.

CURRENT YEAR APPROPRIATION USED FOR NEXT YEAR OPERATION

We concur with the State Board on this comment and will follow the guideline set forth by the Uniform Compliance Guidelines Manual for Cities and Towns.



CLAIMS ITEMIZATION

The City has made arrangements to have the lead tutor for each school submit payroll summaries detailing the tutor, hours worked and student tutored.

UNTIMELY PAYMENT OF CLAIMS SELF INSURANCE CHECKS NOT ISSUED TIMELY

We concur with this comment, the untimely distributions from the State in 2006 causing a cash flow problem is the reason for this situation. The City has yet to be certified for year 2007 this will be a continuing problem.

DELINQUENT REVENUE BOND PAYMENTS

In the contract for these bonds specific reference regarding insufficiency of tax increment for debt service is found in section 4C of the Bond purchase agreement dated December 20, 2002. No payments were due or made during 2006 due to delay generated by the March 1, 2002 reassessment and also the relief provided for in the Bond Purchase Agreement.

PAYROLL REGISTER

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

PAYROLL ADVANCE PAYMENTS

We concur with this comment. However the checks are not released to the employee before the end of their work day.

NONCOMPLIANCE WITH PAYROLL ORDINANCE

We concur with this comment.

EMPLOYEE SERVICE RECORDS

The City has contacted the departments that have shown to be in error and informed them of the mistakes in the service records.

GRANT DISBURSEMENTS

The City has set up individual Account line items within fund 261 to identify expenses associated with each grant.

COUNTY TREASURER'S LIST

The City was unaware of this requirement and will comply in the future.

Barbara Cardwell

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

City Controller