

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

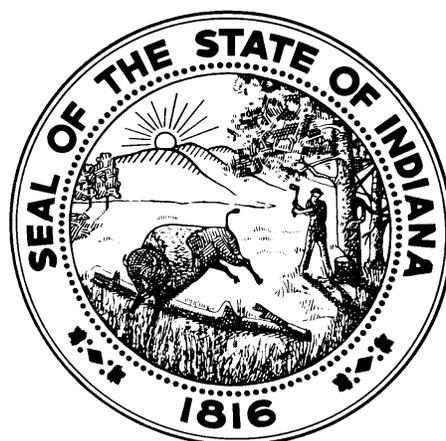
EXAMINATION REPORT

OF

CITY OF HOBART

LAKE COUNTY, INDIANA

January 1, 2007 to December 31, 2007



**FILED**  
01/26/2009



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances .....	4-5
Notes to Financial Information .....	6-11
Supplementary Information:	
Schedules of Funding Progress .....	12
Schedules of Contributions from the Employer and Other Contributing Entities .....	13
Schedule of Capital Assets.....	14
Schedule of Long-Term Debt .....	15
Examination Results and Comments:	
Schedule of Federal Awards .....	16
Bank Reconciliation.....	16-17
Negative Cash Balances .....	17
Overspent Appropriations .....	18
Receipt and Check Controls.....	18
TPA (Third Party Administrator) One Account .....	19
50/50 Sidewalk Fund Not Created By Ordinance.....	19-20
50/50 Sidewalk Program Deficiencies .....	20-21
City Employee Arranged Private Work for Homeowners .....	21
50/50 Sidewalk Construction Contract Not Properly Bid.....	22
Utility Escrow Fund Activity .....	23
Trust Fund Reconciliation (City Court).....	24
Unclaimed Money Over Five Years Old (City Court).....	24
Temporary Electric Service and Deposit Ordinance 94-13 (Building Department).....	24
Building Department Permits.....	24-25
Exit Conference.....	26
Official Response .....	27-29

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah A. Longer	01-01-04 to 12-31-11
Mayor	Linda M. Buzinec Brian K. Snedecor	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Linda M. Buzinec Brian K. Snedecor	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the City Council	Brian Rosenbaum	01-01-07 to 12-31-08
City Judge	William J. Longer	01-01-04 to 12-31-11
Superintendent of Wastewater Utility	John Clemmons	01-01-07 to 12-31-08
Wastewater Utility Manager	Kay Chiabai	01-01-07 to 12-31-08



**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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Hobart (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets, Schedule of Long-Term Debt, Schedules of Funding Progress, and Schedules of Contributions from the Employer and Other Contributing Entities, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 11, 2008

CITY OF HOBART  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ (1,954,801)	\$ 19,929,580	\$ 15,957,027	\$ 2,017,752
Special Revenue Funds:				
Motor Vehicle Highway	245,541	974,694	1,103,293	116,942
Local Road and Street	(718,922)	654,497	604,310	(668,735)
Park and Recreation	174,773	248,683	527,398	(103,942)
DARE (Crime Prevention)	6,495	5,647	4,003	8,139
Adult Probation	68,921	3,066	14,720	57,267
Arbor Lane Park Donations	2,150	-	-	2,150
Police Seizures	46,370	24,069	51,458	18,981
Law Enforcement Continuing Education	45,881	36,273	40,473	41,681
Court Records Perpetuation	24,458	33,256	7,930	49,784
Fire Department Donations	8,393	13,290	16,453	5,230
Donation Park and Recreation	22,622	1,435	13,294	10,763
Pennsy Depot Donation	18,484	-	-	18,484
Park District Program	25,252	29,541	29,661	25,132
Police Department Donations	8,317	7,412	8,027	7,702
Lakefront Festival	9,586	9,616	9,821	9,381
Hobart Entryway Triangle	6,856	-	167	6,689
Public Defender	4,667	6,953	6,000	5,620
Innkeeper's Tax	49,505	5,400	3,375	51,530
Fire Dept EMS Education	1,243	720	466	1,497
DUI Overtime Grant	6,802	31,132	28,111	9,823
County Juvenile Night Light	654	1,151	809	996
COPS to School	(118,856)	-	4,898	(123,754)
Operation Pullover	7,820	22,925	13,981	16,764
Drug Task Force HIDTA	132,482	30,525	42,034	120,973
Barrington Ridge Park Donations	118,928	1,500	5,707	114,721
Pleak Gift	35,077	-	-	35,077
Tax Abatement	44,261	5,475	91	49,645
E 911 Dispatch Center	(29,820)	109,800	79,495	485
Redevelopment Commission	911,907	4,707,909	4,379,200	1,240,616
Riverboat Casino	79,045	339,102	682,540	(264,393)
Park Legacy Fund	2	-	2	-
Fred Rose Park Grant	118,333	33,334	-	151,667
Cemetery Trust	98,328	-	22,558	75,770
Debt Service Funds:				
2006 GO Bonds Debt Service (Paving)	(160)	160	-	-
1995 General Obligation Bond Debt Service	1,129,969	294,013	76,110	1,347,872
Park District General Obligation Bonds Debt Service	(413,336)	787,668	576,060	(201,728)
2002 General Obligation Bond Debt Service	(1,520,199)	-	315,380	(1,835,579)
Park Bond Debt 6 Projects	12,128	51,577	191,221	(127,516)

The accompanying notes are an integral part of the financial information.

CITY OF HOBART  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2007  
(Continued)

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds (continued):				
Capital Projects Funds:				
Park and Recreation Nonreverting Land	12,609	-	-	12,609
City Enhancement and Improvement	224,161	237,633	174,873	286,921
Scout Cabin	(940)	1,300	90	270
2006 General Obligation Bonds (Paving)	1,684,129	-	1,684,129	-
Cumulative Capital Improvement	(103,515)	97,152	366,518	(372,881)
Cumulative Capital Development	721,902	99,016	367,440	453,478
Park Improvement	489,683	33,002	173,285	349,400
Major Moves	605,703	932,949	1,538,652	-
2002 General Obligation Bond Proceeds	2,824,558	-	2,824,558	-
Park District General Obligation Bond Proceeds	4,729	311	5,040	-
Southlake Access Road	126,268	-	126,268	-
2005 Park Bond Proceeds	4,520,043	298,114	1,140,329	3,677,828
50/50 Sidewalk	(97,244)	15,447	-	(81,797)
LWCF Grant	(942,232)	-	44	(942,276)
Future Sewer Lines	21,700	-	-	21,700
Waterline Projects	57,769	-	8,380	49,389
Green Acres Sewer Line	52,733	-	-	52,733
2006 General Obligation Bond Proceeds	-	1,120,076	1,120,076	-
61st Avenue 2007 Bond Proceeds	-	5,061,754	3,083,684	1,978,070
Proprietary Funds:				
Wastewater Utility - Operating	(7,995,667)	12,751,834	4,085,556	670,611
Wastewater Utility - Revenue	13,026,403	5,262,807	17,856,108	433,102
Wastewater Utility - SBSF Sinking	1,430,143	50,975	1,481,118	-
Wastewater Utility - Improvement	(596,211)	8,967,272	2,299,143	6,071,918
Internal Service - Employee Health Benefits	102,793	44,880	-	147,673
Internal Service - TPA (Third Party Administrator) One	7,554	1,398,630	1,236,528	169,656
Fiduciary Funds:				
Firefighters' Pension	541,395	261,429	336,210	466,614
Police Officers' Pension	318,791	370,962	490,923	198,830
Drug Free Community	9,110	32,000	30,950	10,160
County Share Court Costs	16,462	304,865	303,685	17,642
Water Escrow	287,534	421,713	424,545	284,702
Payroll	1,083,076	104,733	101,550	1,086,259
Other Payroll Withholding Accounts (799, 806-810, 820-899)	(325,670)	10,259,487	10,258,907	(325,090)
Civilian PERF	(230,266)	113,085	87,897	(205,078)
NIPSCO Escrow	(194,359)	2,314,675	2,144,019	(23,703)
Cable Escrow	99,674	2,523	2,197	100,000
Fire Pension 1977	(260,665)	134,401	100,533	(226,797)
Police Pension 1977	(291,446)	151,524	113,456	(253,378)
City of Hobart Park District Bond of 2005	272	190,066	189,885	453
City of Hobart Park District Refunding Bonds of 2005	953	547,855	547,250	1,558
Adult Probation	3,451	35,341	32,671	6,121
City Court	291,078	914,563	924,577	281,064
Totals	<u>\$ 16,235,617</u>	<u>\$ 80,932,777</u>	<u>\$ 80,477,147</u>	<u>\$ 16,691,247</u>

The accompanying notes are an integral part of the financial information.

CITY OF HOBART  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, wastewater, urban redevelopment, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance).

However, property tax rates and levies for 2005 payable in 2006 were not established by February 15, 2005, as required by state statute due to the delay in the completion of the reassessment of Lake County. The final settlement of the 2005 payable in 2006 was distributed on January 4, 2007.

Property tax rates and levies for 2006 taxes payable in 2007 were not established by February 15, 2006, as required by state statute due to the delay in the completion of the reassessment of Lake County. The tax bills were mailed to Lake County residents on December 26, 2007. They were due on January 31, 2008. The final settlement of the 2006 taxes payable in 2007 was distributed to the various governmental entities on March 20, 2008.

Note 5. Deposits and Investments

Deposits made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

CITY OF HOBART  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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

Note 6. Restatement and Reclassification

For the year ended December 31, 2006, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by opinion unit. New Funds represents the inclusion of existing funds which were not presented in the prior report.

Opinion Unit	Balance as Reported December 31, 2006	New Funds	Balance as Restated January 1, 2007
Schedule of Receipts, Disbursements, and Cash and Investment Balances	\$ 16,234,392	\$ 1,225	\$ 16,235,617

Note 7. Pension Plans

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

1. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

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

CITY OF HOBART  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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.

2. 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 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.

3. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF HOBART  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 214,365	\$ 609,900	\$ 408,700
Interest on net pension obligation	(6,047)	48,800	42,800
Adjustment to annual required contribution	6,891	(60,600)	(53,200)
Annual pension cost	215,209	598,100	398,300
Contributions made	210,857	306,310	261,429
Increase (decrease) in net pension obligation	4,352	291,790	136,871
Net pension obligation, beginning of year	(83,412)	812,722	714,055
Net pension obligation, end of year	\$ (79,060)	\$ 1,104,512	\$ 850,926

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	6.25%	0%	0%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-07	01-01-07	01-01-07
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years
Amortization period	30 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

Actuarial Assumptions

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

\*2.75% converted members; 4% nonconverted members

CITY OF HOBART  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 185,730	105%	\$ (105,627)
	06-30-06	215,472	90%	(83,412)
	06-30-07	215,209	98%	(79,060)
1925 Police Officers' Pension Plan	12-31-05	488,500	217%	775,760
	12-31-06	572,300	94%	812,722
	12-31-07	598,100	51%	1,104,512
1937 Firefighters' Pension Plan	12-31-05	415,600	130%	777,549
	12-31-06	381,600	117%	714,055
	12-31-07	398,300	66%	850,926

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2007, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	14	24
Current active employees	-	1

B. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

CITY OF HOBART  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2007, 2006, and 2005, were \$995,557, \$931,132, and \$909,146, respectively, equal to the required contributions for each year.

Note 8. Rate Structure – Wastewater Utility

The current rate structure was approved by the City Council on August 7, 2002.

Note 9. Postemployment Benefits

In addition to the pension benefits described above, the City provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City on or after attaining age plus years of service equal to 80 years. Currently, 12 retirees meet these eligibility requirements. The City provides 100% of these postemployment benefits. Disbursements for those benefits are recognized on a pay-as-you-go basis and disbursements for 2007 were \$15,223.

Note 10. Subsequent Event

Property Taxes

Property tax rates and levies were not established by the Indiana Department of Local Government Finance as of February 15, 2008, as required by state statute, due to the continued delay caused by the reassessment of Lake County. Provisional bills for 2007 taxes payable 2008 were sent out September 22, 2008, due October 29, 2008.

Tax Anticipation Warrants

On January 4 and March 24, 2008, \$840,000 and \$7,258,340, respectively, was repaid on tax anticipation warrants outstanding at December 31, 2007. On January 3 and January 31, 2008, \$5,740,970 and \$624,012, respectively, tax anticipation loans was borrowed at a rate of 2.39%. On June 25, 2008, an additional \$3,438,814 was borrowed at a rate of 2.23%. On July 25, 2008, \$525,000 was repaid on the 2008 loans.

CITY OF HOBART  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 2,830,504	\$ 3,533,847	\$ (703,343)	80%	\$ 3,286,978	(21%)
07-01-06	3,261,154	3,550,715	(289,561)	92%	3,365,799	(9%)
07-01-07	3,511,061	3,815,994	(304,933)	92%	3,594,006	(8%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-02	\$ 262,055	\$ 8,215,500	\$ (7,953,445)	3%	\$ 117,500	(6,769%)
01-01-03	214,268	8,203,900	(7,989,632)	3%	156,600	(5,102%)
01-01-04	89,714	7,799,200	(7,709,486)	1%	40,300	(19,130%)
01-01-05	334,259	7,162,200	(6,827,941)	5%	-	No Covered Payroll
01-01-06	376,445	8,154,300	(7,777,855)	5%	-	No Covered Payroll
01-01-07	318,791	8,416,500	(8,097,709)	4%	-	No Covered Payroll

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-02	\$ 181,690	\$ 5,522,600	\$ (5,340,910)	3%	\$ 76,600	(6,972%)
01-01-03	113,891	5,504,500	(5,390,609)	2%	76,600	(7,037%)
01-01-04	7,608	5,855,000	(5,847,392)	0%	78,800	(7,421%)
01-01-05	200,726	5,778,500	(5,577,774)	3%	81,000	(6,886%)
01-01-06	417,900	5,339,000	(4,921,100)	8%	41,700	(11,801%)
01-01-07	541,395	5,485,400	(4,944,005)	10%	44,700	(11,060%)

CITY OF HOBART  
 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
12-31-02	\$ 886,700	*	39%
12-31-03	863,800	*	38%
12-31-04	901,300	*	62%
12-31-05	505,600	*	210%
12-31-06	582,900	53%	51%
12-31-07	609,900	14%	47%

1937 Firefighters' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
		City	State
12-31-02	\$ 595,900	*	35%
12-31-03	654,700	*	51%
12-31-04	688,200	*	64%
12-31-05	427,000	*	126%
12-31-06	392,100	31%	68%
12-31-07	408,700	27%	46%

\*This information is not available.

CITY OF HOBART  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 991,871
Public art	89,356
Capital assets, being depreciated:	
Infrastructure	90,828,810
Buildings	4,293,048
Improvements other than buildings	742,072
Machinery and equipment	<u>10,184,124</u>
Total governmental activities capital assets	<u>\$ 107,129,281</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 17,765
Capital assets, being depreciated:	
Buildings	14,262,269
Infrastructure	17,121,823
Machinery and equipment	<u>43,321</u>
Total business-type activities capital assets	<u>\$ 31,445,178</u>

CITY OF HOBART  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2007

The City has entered into the following debt:

Description of Asset	Ending Balance	Due Within One Year	
Governmental Activities:			
Operating lease:			
Web Hosting Software	\$ 3,750	\$ 1,875	
Capital leases:			
Nipsco Building	14,446	14,446	
Garbage Trucks	129,309	30,077	
Court Computers	6,391	6,391	
Fire Truck and Vehicles	395,475	101,546	
Police Vehicles	214,593	67,557	
Police Equipment	89,085	29,695	
EMS Equipment	78,392	19,598	
Bunker Gear Equipment	52,434	9,710	
Bonds payable:			
General obligation bonds:			
1995 City Improvement Bonds	165,000	60,000	
2002 Special Program Bonds	300,000	300,000	
2005 Park District Refunding Bonds	920,000	530,000	
2005 Park District Bonds	5,200,000	-	**
2006 General Obligation Bonds	1,800,000	-	**
2007 Special Taxing District Bonds	3,400,000	-	***
<b>Total governmental activities long-term debt</b>	<b><u>\$ 12,768,875</u></b>	<b><u>\$ 1,170,895</u></b>	
Business-type Activities:			
Wastewater Utility			
Claims and judgments			
Capital Costs owed to Gary Sanitary District	<u>\$ 1,594,315</u>	<u>\$ 136,908</u>	

\*\* Principal payments begin in 2009

\*\*\* Principal payments begin in 2013

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS

SCHEDULE OF FEDERAL AWARDS

As part of the CTAR (City/Town Annual Report), the City prepares Part 8 and Part 9 (Statement of Federal Grant Receipts and Statement of State Grant Receipts). These statements were incorrect since several grants were omitted. Receipts and disbursements for the grants were not listed. In reviewing grant files and making inquiries, we determined that actual federal grant expenditures for the City for 2007 totaled \$472,000, but on the CTAR only \$9,999 was reported. Grants omitted from the City's report included grants for the Lakefront Phase III project, Ridge Road project, 61st Avenue project, Federal Forfeitures, DUI OT Operation Safe Speed, and Operation Night Light.

The 2006 report disclosed \$424,073 in federal expenditures. However, one grant was omitted. The City received reimbursements in 2007 for expenditures made in 2006 totaling \$131,169 in addition to the expenditures that were reported in 2006. The grant expended and omitted from the City's 2006 report was for the Ridge Road project. Grant files in the Clerk-Treasurer's office were incomplete. Some information was available at various departments in the City upon request. Federal programs, CFDA title and number, award number and year, and Federal agency were not readily available for some grants.

OMB Circular A-133 requirements state:

"Auditee Responsibilities:

New responsibilities are placed on the recipient of federal awards. The unit is required to do the following [Sec.300]:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the unit is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards.
- (e) Follow up and take corrective action on audit findings, including preparation of a Summary Schedule of Prior Action Findings and a Corrective Action Plan."

(City and Towns Bulletin and Uniform Compliance Guidelines, March 2005)

BANK RECONCILEMENT

The Corporation bank account reconciliation for December 31, 2006, had adjustments for "reversal of prior transaction" for \$400,320.79 and for a "June reconciling item" of \$9,492.00. At December 31, 2007, these reconciling adjustments were not corrected, causing the fund balance to be overstated by these amounts. Subsequently, in May 2008, an adjustment was made to the ledgers for these adjustments.

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The water escrow bank reconciliation for December 31, 2007, had reconciling adjustments that were not corrected, causing the fund balance to be overstated by \$276,298. This was due to disbursement adjustments for \$222,291 in 2005 and \$245,899 in 2006. In 2007, there was a deposit adjustment of \$191,890.94. No documentation was presented to support the detail of these adjustments. These adjustments were subsequently posted in March 2008.

The NIPSCO escrow bank reconciliation for December 31, 2007, had reconciling adjustments that were not corrected, causing the fund balance to be understated by \$26,907. This was due to a deposit adjustment for \$204,374 in 2005, and disbursement adjustments for \$24,566 in 2006 and \$152,901 in 2007. No documentation was presented to support the detail of these adjustments. These adjustments were subsequently posted in March 2008.

At all times, the manual and/or 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)

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 Indiana Code 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)

NEGATIVE CASH BALANCES

The following funds had negative cash balances at December 31, 2007:

Fund	Balance
Local Road and Street (202)	\$ 668,735
Park and Recreation (204)	103,942
COPS to School (284)	123,754
Riverboat Casino (446)	264,393
Park District General Obligation Bonds Debt Service (312)	201,728
2002 General Obligation Bond Debt Service (321)	1,835,579
Park Bond Debt 6 Projects (322)	127,516
Cumulative Capital Improvement (401)	372,881
50/50 Sidewalk (473)	81,797
LWCF Grant (475)	942,276
Other Payroll Withholding Accounts	325,090
Civilian PERF (805)	205,078
NIPSCO Escrow (815)	23,703
Fire Pension 1977 (817)	226,797
Police Pension 1977 (819)	253,378

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

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

OVERSPENT APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations for 2007:

<u>Fund</u>	<u>Excess Amount Expended</u>
Local Road and Street	\$ 558,891
Motor Vehicle Highway	179,425
Cumulative Capital Improvement	310,936

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

Indiana Code 6-1.1-18-5 states in part:

"(a) If the proper officers of a political subdivision desire to appropriate more money for a particular year than the amount prescribed in the budget for that year as finally determined under this article, they shall give notice of their proposed additional appropriation. The notice shall state the time and place at which a public hearing will be held on the proposal. The notice shall be given once in accordance with Indiana Code 5-3-1- 2(b)."

RECEIPT AND CHECK CONTROLS

The City has a computer software system for the general ledger. Controls over receipt and check numbers have the following deficiencies:

1. The system cannot generate a report listing all the receipt numbers or check numbers, descriptions and amounts, in numerical order.
2. A receipt number and a check number can be deleted, voided, or "lost in the restoring process."
3. Supporting documentation and complete explanations are not maintained for all deleted or voided receipts and checks.

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

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

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

TPA (THIRD PARTY ADMINISTRATOR) ONE ACCOUNT

The TPA One account statement ending at December 31, 2007, did not include the activity for November and December 2007, which was subsequently posted in 2008. This caused the annual report and fund balance not to reflect the actual activity for the year.

	<u>Beginning</u> <u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u>
Annual Report	\$ 7,554	\$ 1,398,631	\$ 1,236,528	\$ 169,657
November Activity Posted February 27, 2008		100,309	52,853	
December Activity Posted February 27, 2008		26,844	235,445	
All Activity for 2007	7,554	1,525,784	1,524,826	8,512

The unit does not record the outstanding checks but only records the cleared transactions on its ledgers. The ending balance of \$8,512 is composed of: 1) \$8,132 in checks written before December 31, 2007, that have not cleared the bank and were not posted to the ledger; 2) posting errors of \$107 that were not corrected; and 3) an actual balance of \$273 at year end.

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 Indiana Code 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)

At all times, the manual and/or 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)

50/50 SIDEWALK FUND NOT CREATED BY ORDINANCE

The City issued a press release, dated March 16, 2007, that addressed the 50/50 public sidewalk replacement program which stated in part:

"The cost of removing and replacing existing public sidewalks with residential property owners will be shared with the City on a 50% basis. Construction is anticipated to begin in June and completed in August . . . Any Hobart resident interested in participating in this program should pick up an application at the Office of the City Engineer . . . Sidewalk replacement will be done in order of priority based on need for repair until all funds are utilized."

The City Clerk-Treasurer researched back as far as 1993 and did not find an ordinance or any City Council action that created the 50/50 Sidewalk Fund or the program. The Clerk-Treasurer stated that the program began approximately in 1993.

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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. . . ."

The enabling ordinance should provide various types of information:

(1) The ordinance should clearly indicate the type or types of revenue that is to go into the new fund.

(2) The ordinance should list the purpose or purposes for which expenditures can be made from the new fund.

(3) The ordinance should establish the life of the new fund and indicate if the fund balance is nonreverting at year end or perpetual until terminated either by the terms of the current ordinance or if another subsequent ordinance must be enacted.

(4) The ordinance should provide guidance as to disposition of the fund balance on termination of the fund.

(5) The ordinance should include any other terms or conditions the city or town attorney deems necessary.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

50/50 SIDEWALK PROGRAM DEFICIENCIES

The application form entitled "50-50 resident sidewalk replacement participant" stated in part:

"This 50/50 Program is for public sidewalks only . . . Residents and the City will split this cost 50-50 . . . Money from residents will be due to the Clerk-Treasurer's office payable to the City of Hobart."

Although the 50/50 sidewalk program was for residents, the City also paid 50% for sidewalk replacement for businesses.

At the discretion of the City administration, decisions were made for the City to pay 100% to replace sidewalks for some residents.

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The City's share came from Riverboat funds and was limited to \$30,000 each year. In 2007, the City exceeded the \$30,000 limit for city participation in the 50/50 Sidewalk Program. A total of \$36,161 was paid to the contractor from the Riverboat Casino Fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Public funds may not be used to make improvements to property not owned by the governmental unit, unless permitted by statute, federal or state requirements, or safety concerns. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY EMPLOYEE ARRANGED PRIVATE WORK FOR HOMEOWNERS

The Assistant to the City Engineer (City employee), made arrangements with the homeowners to replace private sidewalks. An "extra work form" was prepared on which was recorded measurements of the private sidewalks and the agreement with the homeowner for the private work to be performed by the construction contractor. The City employee collected the payments from the homeowner and, later, when the contractor arrived to do the 50/50 sidewalk work, presented the extra work agreement along with the payment to the contractor. The City employee performed these tasks while on City time. No receipt was issued for the private payments collected. The City did not receive the payments. The payments to the contractor for the private work were not made by the City Clerk-Treasurer. The payments were said to have all been made by check.

In 2007, 64% (7 of 11) of the items tested included extra private work for a total of \$6,737.25.

Indiana Code 35-44-2-4 states in part:

"(a) A public servant who knowingly or intentionally:

- (1) hires an employee for the governmental entity that he serves; and
- (2) fails to assign to the employee any duties, or assigns to the employee any duties not related to the operation of the governmental entity; commits ghost employment.

(b) A public servant who knowingly or intentionally assigns to an employee under his supervision any duties not related to the operation of the governmental entity that he serves commits ghost employment."

The ghost employee statute, IC 35-44-2-4, prohibits payment to city or town employees if they did not properly perform city or town duties assigned and maintain hours as directed by the proper governing body. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Public funds may not be used to make improvements to property not owned by the governmental unit, unless permitted by statute, federal or state requirements, or safety concerns. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

50/50 SIDEWALK CONSTRUCTION CONTRACT NOT PROPERLY BID

Requests for Proposal were received from two contractors for the sidewalk construction, since the amount involved did not warrant a bidding process (\$30,000 in City Funds). On April 4, 2007, the Board of Public Works and Safety awarded the 50/50 sidewalk construction contract to one of the contractors.

The total payments to the contractor exceeded \$50,000. Payments from City Funds in 2007 totaled \$51,608 (\$36,161 from the Riverboat Casino Fund and \$15,447 from the 50/50 Sidewalk Fund) and at least an additional \$6,737 for extra private work arranged by the City for homeowners with the contractor.

The 50/50 sidewalk construction project was not properly bid.

A contract for public work by a political subdivision or agency is void if it is not let in accordance with IC 36-1-12. [IC 36-1-12-16]

Whenever the cost of a public work project will be:

1. At least \$75,000 in:
  - a. A consolidated city or second class city; or
  - b. A county containing a consolidated city or second class city;
  - c. A regional water or sewage district established under IC 13-26; or
2. At least \$50,000 in a political subdivision or an agency not described in subdivision 1, the board must comply with the following procedures:

The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. [IC 36-1-12-4(b)(1)]

The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required. [IC 36-1-12-4(b)(2)]

Upon filing of the plans and specifications, the board shall publish a notice two times, at least one week apart, with the second publication made at least seven days before the date the bids will be received, calling for sealed proposals for the public work. [IC 36-1-12-4(b)(3)] The notice must specify the place where the plans and specifications are on file, the date fixed for receiving bids, and the amount of the bond or certified check to be filed with each bid. [IC 36-1-12-4(b)(4); IC 36-1-12-4.5] The period of time between the date of the first publication and the date of receiving bids may not be more than six weeks. [IC 36-1-12-4(b)(5)]

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

UTILITY ESCROW FUND ACTIVITY

The City collects Indiana-American Water Company, and Northern Indiana Public Service Company, (NIPSCO) utility payments from customers as a courtesy to the public in conjunction with paying their sewage bill. These payments are deposited into separate bank accounts for this purpose. The respective Utilities (Indiana-American Water and NIPSCO) then draw out the collections. As required, the City reported the activity in these agency funds, Water Escrow (Fund 631) and NIPSCO Escrow (Fund 815). Officials recorded the actual activity for these funds on excel spreadsheets. However, as in a similar comment in the prior report, receipts and disbursements posted for these funds in the ledger did not agree to the actual activity (excel spreadsheets), as follows:

	<u>Water Escrow</u>	<u>NIPSCO Escrow</u>
Collections	\$ 416,834	\$ 2,172,226
Interest	89	130
Redeposits	507	896
Commissions	<u>6,993</u>	<u>-</u>
 Total activity	 424,423	 2,173,252
 Receipts reported per fund	 <u>421,713</u>	 <u>2,314,675</u>
 Receipt difference	 <u>\$ 2,710</u>	 <u>\$ (141,423)</u>
 Withdrawals	 \$ 414,834	 \$ 2,172,226
NSF's	352	1,372
Bank fees	<u>147</u>	<u>51</u>
 Total activity	 415,333	 2,173,649
 Disbursements reported per fund	 <u>424,545</u>	 <u>2,144,019</u>
 Disbursement difference	 <u>\$ (9,212)</u>	 <u>\$ 29,630</u>

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

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

TRUST FUND RECONCILEMENT (CITY COURT)

The City Court's official end-of-year Register of Trust Funds (General Form 102) does not reconcile to the Court's Cash Book balance at December 31, 2007. The Cash Book balance was \$270,690 and the Register of Trust Funds was \$282,133, a difference of \$11,443. A similar comment appeared in prior reports.

The total of all unpaid items as shown by the trust fund register must agree with the balance in trust as shown by the court cash book. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

UNCLAIMED MONEY OVER FIVE YEARS OLD (CITY COURT)

The City Court's outstanding check listing as of December 31, 2007, included checks outstanding in excess of five years. The City Court's Trust Register also included restitution and cash bonds which have been unclaimed in excess of five years, in an undetermined amount. In August 2007 and October 2008, the City Court Clerk remitted to the Attorney General \$3,723.49 and \$2,013.50, respectively, for some of the unclaimed items. However, more research is needed to review all old outstanding checks and old case files to determine the amount that should be sent to the Attorney General's office.

All fees and funds over five or more years old, including old outstanding checks, should be scheduled on forms provided by the Attorney General and paid over to the Attorney General as required by Indiana Code 32-34-1-20(c)(7). Items should not be allowed to accumulate beyond the five year anniversary date. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

TEMPORARY ELECTRIC SERVICE AND DEPOSIT ORDINANCE 94-13 (BUILDING DEPARTMENT)

The City's Temporary Electric Service and Deposit Ordinance 94-13 stated in part: "Each owner or contractor shall be required to deposit with the City Clerk-Treasurer, at the time said temporary use permit is issued, the sum of \$200.00 for the first 100 amps of service requested and an additional \$150.00 for each 100 amps of service in excess thereof." All contractors who requested 200 amps of service were charged and the City collected only \$200. The City did not comply with its ordinance to collect a \$350 fee for 200 amps of service.

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)

BUILDING DEPARTMENT PERMITS

The Building Department issued the following permits that were not prenumbered:

- Temporary Electric Service (Use) and Deposit Permits
- Open Lot Selling Permits

Twenty percent (2 of 10) of the Temporary Electric Service (Use) and Deposit Permits tested were not found. This did not allow verification of temporary permission given by the City to the contractor to use electric power for the construction of the structure set out in the permit.

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

All governmental units are required by law to use the forms prescribed by this department; however, if it is desirable to use a different form or to have a prescribed form modified to conform for computer applications, a letter and three copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

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

CITY OF HOBART  
EXIT CONFERENCE

The contents of this report were discussed on December 11, 2008, with Deborah A. Longer, Clerk-Treasurer; Brian K. Snedecor, Mayor; Matt Claussen, Councilman; Sue Laba, Deputy Clerk; and Trish Taylor, Administrative Assistant. The official response has been made a part of this report and may be found on pages 27 through 29.

**Deborah A. Longer**  
Clerk-Treasurer

"The Friendly City"

Telephone:  
(219)942-1940



# The City of Hobart

414 Main Street • Hobart, Indiana 46342

Fax:  
(219)942-0505

December 23, 2008

State Board of Accounts  
302 West Washington St., Room E 418  
Indianapolis, IN 46204-2765

**RE: Official Response to City of Hobart 2007 Audit**

Installation of the new accounting software system took place in mid-2006 with the conversion completed by late 2006. In 2007, many of the details of the conversion were still being worked through while attempting to reconcile information from the old system into the new. Much of this detail work involves looking back into the history of the various funds and the activity of the funds, line item by line item. In some instances, this process has allowed us to reconcile discrepancies while in other areas there is incomplete information available due to the previous software inadequacies. The new system was used exclusively in 2007 with adjustments being made from the prior data as we became aware of old discrepancies. Work continues with every effort being made to address the concerns of the State Board of Accounts as to past reporting issues and reconciling the information to assure the new program affords a clearer picture of the financial reporting for the City of Hobart in the future.

Schedule of Federal Awards: The Clerk-Treasurer's office continues to work with the various departments to coordinate the efforts regarding overseeing and reporting grant receipts and disbursements. The corrective action plan put into place near the end of 2007 has increased the awareness of each department as to the need to keep the information to the Clerk-Treasurer current and timely so more accurate reporting may be accomplished. Individually, all grant requirements were met and status reports were timely and accurately filed by each department overseeing the federal awards. Through a cooperative effort of all departments, all information will be available within the records of the fiscal officer on a regular and ongoing basis as required and the CTAR (City/Town Annual Report) will include the grants previously omitted to assure the accuracy of the Statement of Federal Grant Receipts and Statement of State Grant Receipts.

Bank Reconciliation & Utility Escrow Fund Activity: The Utility Escrow Funds reconciliation was completed in early 2008 with the final adjustments being completed in March 2008, not within the audit period. The adjustments were a result of the inefficiencies and discrepancies found from the prior system, causing reporting errors. The City of Hobart contracted with an outside financial accounting firm, H.J. Umbaugh and Associates, to assist in the conversion and reconciliation of the funds. The corporate bank account was also found to have an additional discrepancy as part of the conversion from the past system and the adjustments were made in May of 2008 as noted in the audit comments. Currently, all funds are reconciled in a timely manner to ensure accurate financial information is available.

Negative Cash Balances / Overspent Appropriations: Many of the funds listed in this category were due to reimbursable fund situations that were not set up properly in the software system, utilizing an appropriation line item rather than designating a reimbursable expenditure. This item continues to be addressed within the new software system with reimbursable expenses being clearly delineated. In addition, due to the continuing reassessment issues over the past six years in Lake County, cash flows for municipalities have been difficult to maintain. The issuance of property tax bills (the main source of revenue for the City) has been running up to a year behind schedule and promises for distributions once the taxes have been received by the County are not always timely met. For this

reason, the City has had to continually borrow and roll-over the loans, adding to the interest expenses while still maintaining all city services for residents. Final distribution of property taxes for 2007 were not disbursed to the City until the spring of 2008, causing the City to pay additional interest on the Tax Anticipation Warrants and to interfund borrow to meet the ongoing expenses in all funds. As a result, at the end of the fiscal year, the interfund borrowing was also paid back to the appropriate funds as required and many funds ended the year with a negative cash balance. Until some normalcy returns within the County regarding the collection and distribution of tax dollars, the City will continue facing this issue.

Receipt Controls / Check Controls: The City continues to work with the software vendor, requesting to have updates made to the software which will address the concerns outlined as to receipt and check controls. Supporting documentation for all deleted and voided checks and receipts are being maintained through internal processes and controls put into place in the Clerk-Treasurer's office.

TPA (Third Party Administrator) One Account: The records for this Health Insurance Claims account were not made available to the City from TPA One for the months of November and December 2007 in a timely manner. The lack of cooperation during the end of 2007 began when the City notified TPA One of their termination beginning in 2008. The records have since been provided and the information is updated and current.

50/50 Sidewalk Program: The City of Hobart began this program in approximately 1993 but the current administration was unaware that an enabling ordinance or policies regarding this program were not clearly set out at that time and only the application form served as the parameters of the program. The City has the responsibility of maintaining the right-of-way, including the sidewalks and the 50/50 program is a way for property owners to donate 50% of the cost for public sidewalk replacement to help the City rehabilitate the sidewalks that are in disrepair. Over many years and at the discretion of the various administrations, the program has been used to assist the property owners in replacing the public sidewalks in front of their homes and businesses. Some of this discretion included additional aid for low-income families or facilitating "extra work" for the owner by the contractor with the City employee serving only as the liaison, not paying for the additional work being done. The public employee coordinated the work so as not to create a public safety hazard as a result of the public sidewalk replacements and to ensure that public safety was maintained. The current Council will be considering an enabling ordinance for this program in early 2009 along with formulating specific policies since, upon review of the records, prior Council action does not appear to have been taken. The estimated costs of the project were based on a 5-year average, which was below the \$50,000 threshold, but required changes during the construction of the new sidewalks pushed the actual amount paid in 2007 over the \$50,000 limit. Should the program be continuing in the future, closer care will be taken to determine the maximum amount to be allocated for the public work project so the City can determine whether the program requires an RFP or a formal bid if over the \$50,000 threshold.

Temporary Electric Service and Building Department Permits: The Building Department's past practices of collecting only a flat refundable deposit of \$200 for any temporary electrical service has been changed to comply with Ordinance 94-13 since the discussion was held regarding this issue during the audit with the State Board of Accounts. The Building Department has also instituted internal controls to track permit numbers until pre-numbered permit books for Temporary Electric Service Deposits permits and Open Lot Selling permits are obtained and put into use. This is anticipated to happen in early 2009.

Conclusion: Due to the 2007 audit taking place in November of 2008, many of the issues discussed during the audit process had been implemented or were being addressed in 2008 but were not reflected in the year 2007. The Clerk-Treasurer's office, with the cooperation of all of the City of Hobart Departments, continues to use every effort to address the concerns in a timely and appropriate manner.

Sincerely,



Deborah A. Longer  
Clerk-Treasurer  
City of Hobart, Indiana

# HOBART CITY COURT

414 Main Street  
Hobart, Indiana 46342

William J. Longer, Judge

Phone: 1-219-942-8218

Fax: 1-219-942-2697

E-mail: [court@city.hobart.in.us](mailto:court@city.hobart.in.us)

December 24, 2008

## Response to 2007 Audit

The Cash Book and the bank balance reconcile. It is believed the difference between the balance in trust shown in the cash book and the trust register balance is a result of omitted entries in the trust register. A case by case review of trust register entries is in progress to identify and correct any missing entries. Stale check and unclaimed funds issues are being addressed as part of this review. Substantial progress has been made in 2008, and it is anticipated that the process will be completed in early 2009. A system of calendaring files with unclaimed fund balances has been implemented to prevent accumulation of unclaimed funds beyond the five year period.

Respectfully submitted,



William J. Longer, Judge  
Hobart City Court