

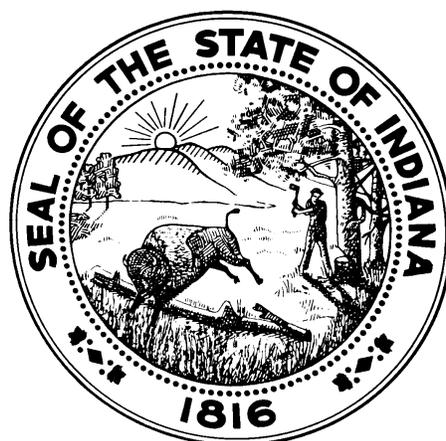
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2008

CITY OF GARY

LAKE COUNTY, INDIANA



FILED
09/03/2009

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| Schedule of Officials | 3 |
| Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards | 4-5 |
| 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 | 6-7 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Activities and Net Assets – Cash and Investment Basis | 8 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds | 9-10 |
| Proprietary Funds: | |
| Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds..... | 11 |
| Fiduciary Funds: | |
| Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds | 12 |
| Notes to Financial Statements | 13-36 |
| Required Supplementary Information: | |
| Schedules of Funding Progress | 37 |
| Schedule of Contributions From the Employer and Other Contributing Entities | 38 |
| Budgetary Comparison Schedules | 39-44 |
| Supplementary Information: | |
| Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds..... | 45-60 |
| Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Sanitary District Funds | 61-63 |
| Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Internal Service Funds | 64 |
| Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds | 65 |
| Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds..... | 66-68 |
| Schedule of Capital Assets..... | 69 |
| Schedule of Long-Term Debt | 70 |
| Other Reports..... | 71 |

TABLE OF CONTENTS
(Continued)

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| Audit Results and Comments: | |
| Overdrawn Cash Balances | 72 |
| Budgets and Appropriations | 72-74 |
| Accounts Payable Vouchers (Claims) | 74-77 |
| Credit Cards and Travel | 77-79 |
| Public Works Project – General Services Building | 79-80 |
| Pay Rate Changes | 80 |
| Salary Ordinance | 80-83 |
| Payroll Reports | 83 |
| Employee Service Records | 83-85 |
| Capital Asset Records | 85-86 |
| Official Bonds | 86 |
| Temporary Transfer of Funds | 87 |
| Temporary Transfers of Funds at the Sanitary District | 87-89 |
| Garbage Collection Contract and Fees | 89-90 |
| Gary Sanitary District Contracts | 90-91 |
| Gary Sanitary District Collection of Amounts Due | 91 |
| Gary Sanitary District Emergency Public Works Projects | 91-92 |
| Gary Sanitary District Travel Expense | 92 |
| Gary Sanitary District Video Recording Contract | 92-93 |
| Police Department Deposits | 93 |
| Overpayment of Severance Pay | 93-94 |
| Park Department Fees | 94 |
| Park Department Untimely Deposits | 95 |
| Park Department Internal Controls | 95 |
| Park Department Lack of Contract | 95 |
| Emergency Medical Services No Write-Off Policy | 95-96 |
| Economic Development Commission and Redevelopment Authority Did Not Organize | 96 |
| Lease Rentals at the Redevelopment Department | 96-97 |
| Metro Center Ledger of Receipts, Disbursements, and Balances | 97 |
| Metro Center Bank Account Reconciliations | 97 |
| Metro Center Receipt Activities | 97-98 |
| Metro Center Leases | 98 |
| Police and Fire Pension Death Benefit | 98 |
| Lack of Information in Fire Pension Board Minutes | 99 |
| Summary of Travel Expenses of Elected Officials | 100-101 |
| Supplemental Audit of Federal Awards: | |
| 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 | 104-105 |
| Schedule of Expenditures of Federal Awards | 106-109 |
| Notes to Schedule of Expenditures of Federal Awards | 110 |
| Schedule of Findings and Questioned Costs | 111-117 |
| Auditee Prepared Schedules: | |
| Summary Schedule of Prior Audit Findings | 118-126 |
| Corrective Action Plan | 127-134 |
| Exit Conference | 135 |
| Official Response | 136-157 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|----------------------|----------------------|
| Controller | M. Celita Green | 01-01-08 to 12-31-09 |
| Mayor | Rudolph Clay, Sr. | 01-01-08 to 12-31-11 |
| President of the Board of Public Works and Safety | Geraldine B. Tousant | 01-01-08 to 12-31-09 |
| President of the Common Council | Ronier Scott | 01-01-08 to 12-31-09 |
| President of the Board of Sanitary Commissioners | Richard Comer | 01-01-08 to 12-31-09 |



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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gary (City), as of and for the year ended December 31, 2008, 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, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note IV.K. to the financial statements, the City has been forced to drastically reduce budgets and expenditures due to legislative tax caps. The amount of budget reductions that would be required for the City to fully implement the current tax legislation raises substantial doubt about the City's ability to continue as a going concern. The City's plans in regards to these matters are also discussed in Note IV.K. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

In accordance with Government Auditing Standards, we have also issued a report dated August 4, 2009, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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.

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

August 4, 2009



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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 GARY, LAKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gary (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 4, 2009. 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.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and Corrective Action Plan. 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, the Common Council, the Board of Public Works and Safety, the Board of Sanitary Commissioners, 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

August 4, 2009

CITY OF GARY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

| Functions/Programs | Program Receipts | | | | Net (Disbursement) Receipt and Changes in Net Assets | | |
|--|------------------|-------------------------|--|--|---|-----------------------------|-----------------|
| | Disbursements | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Totals |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 36,305,010 | \$ 1,420,361 | \$ 180,229 | \$ - | \$ (34,704,420) | \$ - | \$ (34,704,420) |
| Public safety | 36,623,243 | 1,311,328 | 724,266 | - | (34,587,649) | - | (34,587,649) |
| Highways and streets | 4,534,917 | 79,105 | 2,883,759 | 1,128,086 | (443,967) | - | (443,967) |
| Sanitation | 4,141,546 | 765,262 | - | - | (3,376,284) | - | (3,376,284) |
| Health and welfare | 2,820,590 | 246,222 | 1,685,395 | - | (888,973) | - | (888,973) |
| Economic development | 1,311,898 | 654,540 | 856,436 | - | 199,078 | - | 199,078 |
| Culture and recreation | 4,891,629 | 1,445,587 | - | - | (3,446,042) | - | (3,446,042) |
| Urban redevelopment and housing | 5,830,167 | 9,505 | 5,170,334 | - | (650,328) | - | (650,328) |
| Principal and interest on indebtedness | 9,512,301 | - | - | - | (9,512,301) | - | (9,512,301) |
| Total governmental activities | 105,971,301 | 5,931,910 | 11,500,419 | 1,128,086 | (87,410,886) | - | (87,410,886) |
| Business-type activities: | | | | | | | |
| Sanitary District | 31,526,449 | 18,359,654 | - | - | - | (13,166,795) | (13,166,795) |
| Total primary government | \$ 137,497,750 | \$ 24,291,564 | \$ 11,662,882 | \$ 1,128,086 | (87,410,886) | (13,166,795) | (100,577,681) |
| General receipts: | | | | | | | |
| Property taxes | | | | | 69,531,753 | 13,675,574 | 83,207,327 |
| Intergovernmental | | | | | 24,184,152 | 471,938 | 24,656,090 |
| Other local sources | | | | | 4,655,114 | 249,667 | 4,904,781 |
| Net proceeds from borrowings | | | | | - | 112,559 | 112,559 |
| Grants and contributions not restricted to specific programs | | | | | 185,146 | 162,463 | 347,609 |
| Investment earnings | | | | | 319,788 | 164,742 | 484,530 |
| Net tax anticipation warrant proceeds (repayments) | | | | | (18,546,673) | 615,235 | (17,931,438) |
| Interfund loans - internal activities | | | | | (2,000,000) | 2,000,000 | - |
| Total general receipts and interfund loans - internal activities | | | | | 78,329,280 | 17,452,178 | 95,781,458 |
| Change in net assets | | | | | (9,081,606) | 4,285,383 | (4,796,223) |
| Net assets - beginning | | | | | 17,305,942 | 13,601,614 | 30,907,556 |
| Net assets - ending | | | | | \$ 8,224,336 | \$ 17,886,997 | \$ 26,111,333 |
| <u>Assets</u> | | | | | | | |
| Cash and investments | | | | | \$ (6,544,057) | \$ 9,043,750 | \$ 2,499,693 |
| Restricted assets: | | | | | | | |
| Cash and investments | | | | | 14,768,393 | 8,843,247 | 23,611,640 |
| Total assets | | | | | \$ 8,224,336 | \$ 17,886,997 | \$ 26,111,333 |
| <u>Net Assets</u> | | | | | | | |
| Restricted for: | | | | | | | |
| General government | | | | | \$ 236,741 | \$ - | \$ 236,741 |
| Public safety | | | | | 706,730 | - | 706,730 |
| Highways and streets | | | | | 1,072,046 | - | 1,072,046 |
| Sanitation | | | | | 1,592,820 | - | 1,592,820 |
| Health and welfare | | | | | 55,073 | - | 55,073 |
| Economic development | | | | | 804,690 | - | 804,690 |
| Urban redevelopment and housing | | | | | 389,938 | - | 389,938 |
| Debt service | | | | | 5,083,916 | 5,242,331 | 10,326,247 |
| Capital outlay | | | | | 4,826,439 | - | 4,826,439 |
| Other purposes | | | | | - | 3,600,916 | 3,600,916 |
| Unrestricted | | | | | (6,544,057) | 9,043,750 | 2,499,693 |
| Total net assets | | | | | \$ 8,224,336 | \$ 17,886,997 | \$ 26,111,333 |

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

CITY OF GARY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

| | General | Gaming Revenues | Redevelopment Bond | 2007 Multi Purpose Revenue Bonds | Other Governmental Funds | Totals |
|--|--------------------|---------------------|-----------------------|--|--------------------------------|---------------------|
| Receipts: | | | | | | |
| Taxes | \$ 60,748,097 | \$ - | \$ - | \$ - | \$ 8,783,656 | \$ 69,531,753 |
| Licenses and permits | 765,872 | - | - | - | 31,895 | 797,767 |
| Intergovernmental | 2,710,510 | 21,071,624 | - | - | 13,030,523 | 36,812,657 |
| Charges for services | 726,119 | - | - | - | 2,918,860 | 3,644,979 |
| Fines and forfeits | 265,836 | - | - | - | 516,270 | 782,106 |
| Interfund loans | 4,000,000 | 3,345,000 | - | - | 4,649,857 | 11,994,857 |
| Other | 2,404,839 | 90,651 | 7,022 | 33,775 | 968,637 | 3,504,924 |
| Total receipts | 71,621,273 | 24,507,275 | 7,022 | 33,775 | 30,899,698 | 127,069,043 |
| Disbursements: | | | | | | |
| General government | 28,282,866 | 2,923,581 | 1,289 | 195,430 | 661,235 | 32,064,401 |
| Public safety | 35,814,263 | - | - | - | 977,775 | 36,792,038 |
| Highways and streets | - | - | - | - | 4,546,811 | 4,546,811 |
| Sanitation | 3,512,633 | - | - | - | 666,268 | 4,178,901 |
| Health and welfare | 1,076,797 | - | - | - | 1,890,279 | 2,967,076 |
| Economic development | 165,656 | - | - | - | 1,150,184 | 1,315,840 |
| Culture and recreation | 2,497 | - | - | - | 4,929,818 | 4,932,315 |
| Urban redevelopment and housing | - | - | - | - | 5,664,631 | 5,664,631 |
| Interfund loans | 8,434,857 | 880,000 | - | - | 4,680,000 | 13,994,857 |
| Debt service: | | | | | | |
| Principal | - | 1,343,617 | 4,745,236 | - | 1,566,477 | 7,655,330 |
| Interest | - | 81,324 | 749,068 | - | 1,026,579 | 1,856,971 |
| Capital outlay: | | | | | | |
| General government | 52,151 | 516,563 | - | 1,041,355 | 436,037 | 2,046,106 |
| Public safety | - | - | - | - | 128,072 | 128,072 |
| Highways and streets | - | - | - | - | 21,000 | 21,000 |
| Sanitation | - | - | - | - | 66,953 | 66,953 |
| Health and welfare | - | - | - | - | 44,211 | 44,211 |
| Culture and recreation | - | - | - | - | 3,791 | 3,791 |
| Urban redevelopment and housing | - | - | - | - | 444,184 | 444,184 |
| Total disbursements | 77,341,720 | 5,745,085 | 5,495,593 | 1,236,785 | 28,904,305 | 118,723,488 |
| Excess (deficiency) of receipts over disbursements | (5,720,447) | 18,762,190 | (5,488,571) | (1,203,010) | 1,995,393 | 8,345,555 |
| Other financing sources (uses): | | | | | | |
| Tax anticipation warrant proceeds | 50,072,942 | - | - | - | 2,459,482 | 52,532,424 |
| Tax anticipation warrant repayments | (67,356,636) | - | - | - | (3,722,461) | (71,079,097) |
| Transfers in | 11,413,158 | 201,434 | 6,411,808 | - | 1,144,375 | 19,170,775 |
| Transfers out | - | (18,969,341) | (617) | (200,000) | (817) | (19,170,775) |
| Other receipts | 255,486 | 5,928 | - | - | 789,579 | 1,050,993 |
| Total other financing sources (uses) | (5,615,050) | (18,761,979) | 6,411,191 | (200,000) | 670,158 | (17,495,680) |

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

CITY OF GARY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008
(Continued)

| | General | Gaming Revenues | Redevelopment Bond | 2007 Multi Purpose Revenue Bonds | Other Governmental Funds | Totals |
|--|-----------------------|--------------------|-----------------------|--|--------------------------------|---------------------|
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (11,335,497) | 211 | 922,620 | (1,403,010) | 2,665,551 | (9,150,125) |
| Cash and investment fund balance - beginning | <u>4,961,266</u> | <u>27,116</u> | <u>2,662,382</u> | <u>2,556,233</u> | <u>8,675,299</u> | <u>18,882,296</u> |
| Cash and investment fund balance - ending | <u>\$ (6,374,231)</u> | <u>\$ 27,327</u> | <u>\$ 3,585,002</u> | <u>\$ 1,153,223</u> | <u>\$ 11,340,850</u> | <u>9,732,171</u> |
| 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. | | | | | | <u>(1,507,835)</u> |
| Net assets of governmental activities | | | | | | <u>\$ 8,224,336</u> |
| <u>Cash and Investment Assets - Ending</u> | | | | | | |
| Cash and investments | \$ (6,374,231) | \$ 27,327 | \$ - | \$ - | \$ 1,310,682 | \$ (5,036,222) |
| Restricted assets: | | | | | | |
| Cash and investments | <u>-</u> | <u>-</u> | <u>3,585,002</u> | <u>1,153,223</u> | <u>10,030,168</u> | <u>14,768,393</u> |
| Total cash and investment assets - ending | <u>\$ (6,374,231)</u> | <u>\$ 27,327</u> | <u>\$ 3,585,002</u> | <u>\$ 1,153,223</u> | <u>\$ 11,340,850</u> | <u>\$ 9,732,171</u> |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ 236,741 | \$ 236,741 |
| Public safety | - | - | - | - | 706,730 | 706,730 |
| Highways and streets | - | - | - | - | 1,072,046 | 1,072,046 |
| Sanitation | - | - | - | - | 1,592,820 | 1,592,820 |
| Health and welfare | - | - | - | - | 55,073 | 55,073 |
| Economic development | - | - | - | - | 804,690 | 804,690 |
| Urban redevelopment and housing | - | - | - | - | 389,938 | 389,938 |
| Debt service | - | - | 3,585,002 | 1,153,223 | 345,691 | 5,083,916 |
| Capital outlay | - | - | - | - | 4,826,439 | 4,826,439 |
| Unrestricted | <u>(6,374,231)</u> | <u>27,327</u> | <u>-</u> | <u>-</u> | <u>1,310,682</u> | <u>(5,036,222)</u> |
| Total cash and investment fund balance - ending | <u>\$ (6,374,231)</u> | <u>\$ 27,327</u> | <u>\$ 3,585,002</u> | <u>\$ 1,153,223</u> | <u>\$ 11,340,850</u> | <u>\$ 9,732,171</u> |

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

CITY OF GARY
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2008

| | Sanitary District | Internal Service Funds |
|---|----------------------|------------------------------|
| Operating receipts: | | |
| Unmetered/flat rate | \$ 51,225 | \$ - |
| Residential | 5,756,850 | - |
| Commercial | 7,904,560 | - |
| Industrial | 4,536,524 | - |
| Employer contributions | - | 9,724,414 |
| Employee contributions | - | 783,558 |
| Interfund loan proceeds | 13,365,000 | - |
| Miscellaneous | 110,495 | 527,631 |
| | <u>31,724,654</u> | <u>11,035,603</u> |
| | | |
| Operating disbursements: | | |
| Operations and maintenance | 10,715,888 | - |
| Transmission and distribution | 542,308 | - |
| Customer accounts | 524,292 | - |
| Administration and general | 14,634,384 | - |
| Refunds | 56,630 | - |
| Equipment and capital improvements | 1,121,307 | - |
| Interfund loans | 11,365,000 | - |
| Insurance claims and premiums | - | 10,856,683 |
| Administrative and general | - | 110,401 |
| | <u>38,959,809</u> | <u>10,967,084</u> |
| | | |
| Excess (deficiency) of operating receipts over operating disbursements | <u>(7,235,155)</u> | <u>68,519</u> |
| | | |
| Nonoperating receipts (disbursements): | | |
| Property taxes | 13,675,574 | - |
| Intergovernmental | 471,938 | - |
| Investment income | 164,742 | - |
| Net proceeds from borrowings | 112,559 | - |
| Tax anticipation warrant proceeds | 4,985,000 | - |
| Tax anticipation warrant repayments | (4,369,765) | - |
| Refunds | 249,667 | - |
| Grants | 162,463 | - |
| Debt service of principal | (3,119,227) | - |
| Interest disbursements | (812,413) | - |
| | <u>11,520,538</u> | <u>-</u> |
| | | |
| Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements) | <u>4,285,383</u> | <u>68,519</u> |
| | | |
| Transfers in | 3,234,927 | - |
| Transfers out | (3,234,927) | - |
| | <u>-</u> | <u>-</u> |
| | | |
| Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out | <u>4,285,383</u> | <u>68,519</u> |
| | | |
| Cash and investment fund balance - beginning | <u>13,601,614</u> | <u>(1,576,354)</u> |
| | | |
| Cash and investment fund balance - ending | <u>\$ 17,886,997</u> | <u>\$ (1,507,835)</u> |
| | | |
| <u>Cash and Investment Assets - December 31</u> | | |
| Cash and investments | \$ 9,043,750 | \$ (1,507,835) |
| Restricted assets: | | |
| Cash and investments | <u>8,843,247</u> | <u>-</u> |
| | <u>\$ 17,886,997</u> | <u>\$ (1,507,835)</u> |
| | | |
| <u>Cash and Investment Fund Balance - December 31</u> | | |
| Restricted for: | | |
| Debt service | \$ 5,242,331 | \$ - |
| Other purposes | 3,600,916 | - |
| Unrestricted | <u>9,043,750</u> | <u>(1,507,835)</u> |
| | <u>\$ 17,886,997</u> | <u>\$ (1,507,835)</u> |

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

CITY OF GARY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

| | Pension Trust Funds | Agency Funds |
|--|------------------------|-----------------|
| Additions: | | |
| Contributions: | | |
| Employer | \$ 3,656,971 | |
| State | 7,745,312 | |
| Interfund loans | 980,000 | |
| Total contributions | 12,382,283 | |
| Investment earnings: | | |
| Interest | 482 | |
| Total additions | 12,382,765 | |
| Deductions: | | |
| Benefits | 11,015,309 | |
| Administrative and general | 278,875 | |
| Interfund loans | 980,000 | |
| Total deductions | 12,274,184 | |
| Excess (deficiency) of total additions over total deductions | 108,581 | |
| Other financing sources (uses): | | |
| Tax anticipation warrants received | 3,320,677 | |
| Tax anticipation warrants paid | (3,876,683) | |
| Other receipts | 12,113 | |
| Total other financing sources (uses) | (543,893) | |
| Excess (deficiency) of total additions and other financing sources over (under) total deductions and other financing uses | (435,312) | |
| Cash and investment fund balance - beginning | 1,323,701 | |
| Cash and investment fund balance - ending | \$ 888,389 | \$ 3,787,632 |

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

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Primary Government: City of Gary
Blended Component Unit: Gary Building Corporation
Gary Redevelopment Authority
Gary Economic Development Corporation

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

Blended Component Units

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

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

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

| Component Unit | Description/Inclusion Criteria | Fund Included In |
|---------------------------------------|---|--------------------|
| Gary Economic Development Corporation | The primary government appoints a voting majority of the Gary Economic Development Corporation's board and a financial benefit/burden relationship exists between the City and the Gary Economic Development Corporation. Although it is legally separate from the City, the Gary Economic Development Corporation is reported as if it were a part of the City because it provides services entirely or almost entirely to the City. | Governmental Funds |

Joint Venture

The City is a participant with the Cities of Hammond and East Chicago in a joint venture to operate the Gary/Hammond/East Chicago Empowerment Zone (Empowerment Zone) which was created to provide new jobs empowering low-income persons and families to become economically self-sufficient. The City is obligated by contract to be the lead entity to administer all federal grant funds provided for use in the Empowerment Zone. The Empowerment Zone uses its surplus resources to undertake special projects for the City. The Empowerment Zone's continued existence depends on the Empowerment Zone's ability to be awarded continued federal funding. The Empowerment Zone's financial activities are included as agency funds of the City of Gary. The Empowerment Zone's audit report, performed in compliance with OMB Circular A-133, can be obtained from their administrative offices at 839 Broadway, Gary, Indiana 46402.

The City is a participant with Lake, Porter, and LaPorte Counties and all municipalities in the three counties in a joint venture to operate the Northwestern Indiana Regional Planning Commission (NIRPC) which was created as a multi-purpose area-wide planning agency for such fields as economic development, transportation, environmental protection, and comprehensive planning. NIRPC's enabling legislation (Indiana Code 36-7) provides that participating counties must provide an annual appropriation at a minimum level of thirty cents per capita. Complete financial statements for the NIRPC can be obtained from their administrative offices at 6100 Southport Road, Portage, Indiana 46368.

The City is a participant with the State of Indiana, Lake and Porter Counties, certain cities in Lake and Porter Counties, and federal agencies in a joint venture to operate the Regional Development Authority (RDA), which was created to assist in funding and developing of all transportation services including Gary/Chicago International Airport expansion and other airport authority projects, commuter transportation districts, rail projects and services, bus projects and services, shoreline development projects and activities, and economic development projects. Complete financial statements for the RDA can be obtained from their administrative offices at 9800 Connecticut Drive, Crown Point, Indiana 46307.

The City is a participant with Lake and Porter Counties, and certain cities in Lake and Porter Counties in a joint venture to operate the Regional Bus Authority (RBA), which was created to enhance the quality of life in Northwest Indiana by assuring the availability of a customer responsive regional bus transportation system. Complete financial statements for the RBA can be obtained from their administrative offices at 6100 Southport Road, Portage, Indiana 46368.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints the board members of the Gary Housing Authority, Gary Public Transportation Corporation, and Gary/Chicago Regional Airport Authority.

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 assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The gaming revenues fund accounts for the financial resources received from the State of Indiana as gaming admissions and wagering taxes.

The redevelopment bond fund accounts for the financial resources to be used to retire the redevelopment general obligation bonds.

The 2007 multipurpose revenue bonds fund accounts for the financial resources received from bond proceeds secured to finance several major improvement projects within the City.

The City reports the following major proprietary fund:

The sanitary district fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems as well as the operation of the storm water collection system.

Additionally, the City reports the following fund types:

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

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's sanitary district and various other functions of government. 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.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2008. Significant delays in the reassessment process have resulted in delays in billing taxes in 2008. Lake County 2007 pay 2008 tax rates were approved on November 14, 2008. Provisional bills for 50% of 2006 pay 2007 taxes were due October 29, 2008. The City received advance draws on their 2008 taxes from the provisional billing during 2008. Lake County sent the final reconciliation bill for taxes payable in 2008 in January 2009 with payment due by February 6, 2009. The City received their final settlement on April 3, 2009.

3. 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.

4. 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.

5. Equity Classification

Government-Wide Statements

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Disbursements in Excess of Appropriations

For the year ended December 31, 2008, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

| Fund | 2008 |
|--------------------------------|--------------|
| General Fund | \$ 3,074,949 |
| Motor Vehicle Highway | 42,942 |
| Cumulative Capital Improvement | 136,727 |
| Fire Pension | 1,312,039 |
| Total | \$ 4,566,657 |

These disbursements were funded by available fund balances.

C. Cash and Investment Balance Deficits

At December 31, 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

| Fund | 2008 |
|---|--------------|
| Major fund: | |
| General | \$ 6,374,231 |
| Other governmental funds: | |
| Protective Services Grant I | 1,044,251 |
| Emergency Shelter | 166,705 * |
| Health and Human Services | 42,200 * |
| Leased Properties - Gary Building Corporation | 736,963 |
| Fifth Third lease | 733,680 |
| Internal service funds: | |
| Self-Insurance | 1,014,835 |
| WCI/UCI Benefits | 493,000 |

*Reimbursement type grant funds; the cash deficits are due to grant disbursements not yet reimbursed by the grantor.

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 City does not have a deposit policy for custodial credit risk. At December 31, 2008, the City had deposit balances in the amount of \$30,787,354. Of this amount, the following was exposed to custodial credit risk:

| | |
|--|-------------------|
| | 2008 |
| Uninsured deposits collateralized with securities held by the pledging financial institution's trust department or agent, but not in the depositor-government's name | \$ <u>549,388</u> |

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

2. Investments

As of December 31, 2008, the City had the following investments:

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

| Investment Type | Market Value |
|--------------------------------|-----------------|
| U.S. treasuries and securities | \$ 720,964 |
| U.S. agencies | 1,073,793 |
| Total | \$ 1,794,757 |

Statutory Authorization for Investments

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 City 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.

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 City'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.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following investments held by the City were exposed to custodial credit risks because they are uninsured and unregistered with securities held by the counterparty, or the counterparty's trust department or agent, either in the government's name or not in the government's name:

| Investment Type | Not in the Government's Name |
|--------------------|------------------------------------|
| U.S. agencies | \$ 549,388 |

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. The City does not have a formal investment policy for interest rate risk for investments.

| Investment Type | Investment Maturities (in Years) | | |
|--------------------------------|----------------------------------|------------|----------------|
| | Less Than 1 | 1-2 | More Than 2 |
| U.S. treasuries and securities | \$ - | \$ 329,456 | \$ 391,508 |
| U.S. agencies | 722,490 | 98,270 | 253,033 |
| Totals | \$ 722,490 | \$ 427,726 | \$ 644,541 |

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. The City does not have a formal investment policy for credit risk for investments.

| Standard and Poor's Rating | City's Investments | |
|----------------------------------|--------------------|--------------------|
| | Mutual Funds | Corporate Bonds |
| AAA | \$ 720,964 | \$ 1,073,793 |

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.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, were as follows:

| Transfer From | Transfer To | 2008 |
|----------------------------------|--------------------------|-----------------------------|
| Gaming Revenues | General | \$ 11,413,158 |
| Gaming Revenues | Redevelopment Bond | 6,411,808 |
| Redevelopment Bond | Gaming Revenues | 617 |
| 2007 Multi Purpose Revenue Bonds | Gaming Revenues | 200,000 |
| Gaming Revenues | Other governmental funds | 1,144,375 |
| Other governmental funds | Gaming Revenues | 817 |
| Total | | <u>\$ 19,170,775</u> |

The City typically uses transfers for cash flow purposes as provided by various statutory provisions, to fund ongoing operating subsidies, and to transfer the portion state-shared revenues from the Gaming Revenues Fund to the debt service funds for current-year debt service requirements.

C. Tax Anticipation Warrants

The Gary Common Council passed two ordinances and the Sanitary District Board of Commissioners passed one ordinance authorizing the issuance of tax anticipation warrants in January and May for property taxes payable in 2008. Because property taxes were not billed or collected by the County in May and November as required by state statute, the original repayment date of December 31, 2008, was ultimately extended to June 30, 2009. Tax anticipation warrant transactions for 2008 and the balance outstanding at December 31, 2008, are detailed in the following schedule:

| Fund | Principal Outstanding January 1, 2008 | Warrant Proceeds | Warrant Repayments | Principal Outstanding December 31, 2008 |
|--------------------------------------|--|-----------------------------|-----------------------------|--|
| Governmental activities: | | | | |
| General | \$ 46,485,586 | \$ 50,072,942 | \$ 67,356,636 | \$ 29,201,892 |
| Park and Recreation | 1,352,094 | 1,573,049 | 2,007,706 | 917,437 |
| Genesis Civic Center | 1,271,538 | 886,433 | 1,714,755 | 443,216 |
| Firefighters' Pension | 1,351,261 | 1,958,961 | 2,333,940 | 976,282 |
| Police Pension | 887,352 | 1,361,716 | 1,542,743 | 706,325 |
| Total governmental activities | <u>\$ 51,347,831</u> | <u>\$ 55,853,101</u> | <u>\$ 74,955,780</u> | <u>\$ 32,245,152</u> |
| Business activities: | | | | |
| Sanitary District: | | | | |
| Solid Waste Disposal | \$ 2,635,000 | \$ 4,015,000 | \$ 4,035,279 | \$ 2,614,721 |
| Debt Service | - | 970,000 | 334,486 | 635,514 |
| Total business activities | <u>\$ 2,635,000</u> | <u>\$ 4,985,000</u> | <u>\$ 4,369,765</u> | <u>\$ 3,250,235</u> |

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Temporary Interfund Loans

Temporary interfund loans for the year ended December 31, 2008, were as follows:

| Loan To | Loan From | Loans Outstanding January 1, 2008 | Loans | Repayments | Loans Outstanding December 31, 2008 |
|-----------------------------|--------------------------|--|---------------------|----------------------|--|
| General | Gaming Revenues | \$ 3,245,000 | \$ - | \$ 3,245,000 | \$ - |
| | Other governmental funds | 3,244,857 | 4,000,000 | 3,189,857 | 4,055,000 |
| | Proprietary funds | 14,497,127 | - | 2,000,000 | 12,497,127 |
| Other governmental funds | Gaming Revenues | 100,000 | 880,000 | 100,000 | 880,000 |
| | Other governmental funds | 290,000 | - | - | 290,000 |
| | All others | 37,500 | - | - | 37,500 |
| | | | | | |
| Pension trust funds | Other governmental funds | - | 580,000 | 580,000 | - |
| | Pension trust funds | - | 400,000 | - | 400,000 |
| Proprietary funds | Proprietary funds | 8,965,000 | 2,575,000 | 8,790,000 | 2,750,000 |
| Totals | | <u>\$ 30,379,484</u> | <u>\$ 8,435,000</u> | <u>\$ 17,904,857</u> | <u>\$ 20,909,627</u> |

The City typically uses interfund loans for cash flow purposes to fund ongoing operations in anticipation of current revenues.

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. The risks of job related illnesses or injuries to employees and medical benefits to employees, retirees, and dependents (excluding postemployment benefits) are covered by commercial insurance from independent third parties for the Sanitary District only. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Group Health Insurance

The City, excluding the Sanitary District, has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. 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 \$175,000 and an aggregate of \$1,250,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. A premium is charged to each fund that accounts for employee payroll, based upon the number of covered employees and their respective coverage. Interfund premiums are reported as quasi-external interfund transactions.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

As of December 31, 2008, the City was holding \$2,524,298 of medical claims. These claims are to be paid in 2009 as cash becomes available.

Job Related Illnesses or Injuries and Unemployment Insurance

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

Vehicle and Liability Insurance

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

B. Subsequent Events

State Pension Relief Fund

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

Tax Anticipation Warrants

On December 18, 2008, and June 3, 2009, the Gary Common Council passed ordinances authorizing the issuance of tax anticipation warrants totaling \$46,420,444. Tax anticipation warrants were received on January 30, March 26, and June 26, 2009, with a due date of December 31, 2009.

On January 13, 2009, the Sanitary District Board of Commissioners approved Resolution 09-02 authorizing the issuance of tax anticipation warrants totaling \$2,077,860 for the Solid Waste Disposal Fund. The amount was received on January 30, 2009, and is due on December 31, 2009.

The following schedule details the transactions and remaining balances at July 16, 2009:

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

| Fund | Principal Outstanding January 1, 2009 | Warrant Proceeds | Warrant Repayments | Principal Outstanding July 16, 2009 |
|--------------------------------------|--|----------------------|-----------------------|--|
| Governmental activities: | | | | |
| General | \$ 29,201,892 | \$ 43,606,032 | \$ 32,801,892 | \$ 40,006,032 |
| Park and Recreation | 917,437 | 1,088,566 | 917,437 | 1,088,566 |
| Genesis Civic Center | 443,216 | 325,846 | 443,216 | 325,846 |
| Firefighters' Pension | 976,282 | 2,500,000 | 976,282 | 2,500,000 |
| Police Pension | 706,325 | 2,500,000 | 706,325 | 2,500,000 |
| Total governmental activities | \$ 32,245,152 | \$ 50,020,444 | \$ 35,845,152 | \$ 46,420,444 |
| Business activities: | | | | |
| Sanitary District: | | | | |
| Solid Waste Disposal | \$ 2,614,721 | \$ 2,077,860 | \$ - | \$ 4,692,581 |
| Debt Service | 635,514 | - | - | 635,514 |
| Total business activities | \$ 3,250,235 | \$ 2,077,860 | \$ - | \$ 5,328,095 |

Temporary Interfund Loans

The Common Council passed various ordinances authorizing interfund loans. Interfund loan transactions for 2009 and the outstanding balance of interfund loans at July 16, 2009, are detailed in the following schedule:

| Loan To | Loan From | Loans Outstanding January 1, 2009 | Loans | Repayments | Loans Outstanding July 16, 2009 |
|-----------------------------|--------------------------|--|-------------|-------------|--|
| General | Other governmental funds | \$ 4,055,000 | \$ - | \$ - | \$ 4,055,000 |
| | Proprietary funds | 12,497,127 | - | - | 12,497,127 |
| Other governmental funds | Gaming Revenues | 880,000 | - | - | 880,000 |
| | Other governmental funds | 290,000 | - | - | 290,000 |
| | All others | 37,500 | - | - | 37,500 |
| Pension trust funds | Pension trust funds | 400,000 | - | - | 400,000 |
| Proprietary funds | Proprietary funds | 2,750,000 | - | - | 2,750,000 |
| Totals | | \$ 20,909,627 | \$ - | \$ - | \$ 20,909,627 |

Loans from Sanitary District

In 2005 and 2006, the City borrowed a total of \$15,497,127 from the Gary Sanitary District. The loans were used to meet short-term financial obligations such as payroll and vendor expenses. The need for these loans was attributed to property tax reassessment in prior years which reduced the percentage of property tax collections as well as the delayed distribution of the

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

property taxes. Also, officials underestimated current requirements. The City repaid \$1,000,000 and \$2,000,000 in 2007 and 2008, respectively. The remaining balance of \$12,497,127 will be repaid over a period of several years.

Revenue Bonds

On August 1, 2006, the Common Council passed an ordinance to issue multipurpose revenue bonds in an amount not to exceed \$25,000,000. In 2007, the City drew \$4,800,000 in bond proceeds to finance various capital improvement projects and to purchase equipment. The bonds will be repaid over five years from casino revenue. None of the remaining \$20,200,000 available debt has been issued as of July 16, 2009.

Reassessment and Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2009. Taxes are normally billed in two installments, the first is due in May, and the second in November. Significant delays in the reassessment process have resulted in delays in billing taxes in 2009. Lake County 2008 pay 2009 tax rates have not yet been approved as of July 16, 2009, and the status of the billing is unknown. A similar situation occurred in 2008. This has hampered the City's ability to appropriately budget and expend funds and has forced the City to borrow extensively in anticipation of tax revenues. The result of this borrowing has been additional interest costs to the City in excess of \$1,900,000 during 2008.

Circuit Breaker Tax Credit

In 2008, the Indiana General Assembly passed House Enrolled Act 1001 (HEA 1001) which provides a property tax credit (the Circuit Breaker Tax Credit) when the taxes on any property exceed a certain percentage of the property's assessed value. The credit is phased in over two years. For taxes payable in 2009 and 2010, the applicable percentages are as follows:

| | <u>2009</u> | <u>2010</u> |
|---|-------------|-------------|
| Homestead (owner-occupied) residential property | 1.5% | 1% |
| Other residential property | 2.5% | 2% |
| Commercial and industrial property | 3.5% | 3% |

The Circuit Breaker Tax Credit will result in a reduction of property tax collections for each political subdivision in which the Circuit Breaker Tax Credit is applied. A political subdivision may not increase its property tax levy or borrow funds to offset the effects of the Circuit Breaker Tax Credit.

Circuit Breaker Loan

The City owed Lake County \$949,662 for the Circuit Breaker Loan payments which were due in January and April 2009 with the State. The City has been paying the loan since its inception in 2005 based upon invoices provided by the County, but was late making payments in 2008. The City had not paid any of the amounts owed in 2009 because the County had not invoiced for any amounts due. On July 22, 2009, the City remitted the \$949,622 owed on the Circuit Breaker Loan, and on July 29, 2009, the City also remitted \$474,980 for the payment due in July 2009.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Accounts Payables

Due to the lack of available cash, the City is delinquent in making payments to certain vendors.

The City is currently holding checks payable to various vendors for medical claims from April 2009 through the date of this report. As of December 31, 2008, \$2,524,298 in checks had been held for claims due from June through December 2008. These held checks are not recorded until they are released for payment.

As of December 31, 2008, the City owed \$1,187,845 to NIPSCO and SBC for utility and phone services, respectively. The amounts owed were for services provided from June through December, 2008. These checks are not processed or recorded until they are ready for payment. As of this report date, the City is current in its payments for utility and phone services.

Outsourcing of Solid Waste Collection Services

As of August 26, 2008, the Sanitary District contracted with Allied Waste Services for solid waste collections and disposal services. On October 14, 2008, the Sanitary District adopted a residential rate for the garbage collection system, with an effective date of January 1, 2009. All residential property and multi-family units with less than four units were to be charged \$12 per month per residential unit. Senior Citizens and disabled homeowners were to be charged \$7 per month. This fee was to be included on the Sanitary District bills and it was through the May 2009 billing period.

On February 3, 2009, a Superior Court Judge declared null and void the contract for solid waste collections and disposal between the Sanitary District and Allied Waste Services since the Sanitary District did not advertise for bids. The Sanitary District has appealed the Judge's ruling. For the benefit of the citizens, Allied Waste Services continued to pick up the garbage as scheduled until July 12, 2009, when the City Council voted to stop garbage pickup.

On March 25, 2009, the Judge also ruled that the garbage collection fee should stand if it is approved by the Gary Common Council. The Indiana Utility Regulatory Commission (IURC) issued an emergency order in April 2009 to prevent any water shut-offs until it can investigate the situation.

On July 21, 2009, the Common Council approved an Ordinance establishing the garbage collection fee retroactive to January 1, 2009. Additionally, the contract for garbage collection was approved.

C. Contingent Liabilities

The City has a few outstanding unpaid judgments totaling \$573,487.64.

The City has pending lawsuits of which the outcomes cannot be reasonably determined; however, unfavorable outcomes could result in damages to the City approximating from \$461,700 to \$1,245,000.

The City is also a defendant in lawsuit filed by Barden and Majestic Star, whereby the casino operator alleges that the City of Gary has failed to abide by several agreements allegedly entered into under the prior administration, including failing to build a necessary access road to his facilities. As a result, Mr. Barden claims "millions" in lost profits. City officials indicated Barden and Majestic Star are seeking the ability to move their casino license to another location as

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

settlement. In an effort to resolve the issue, the City has received a grant through the Indiana Department of Transportation (INDOT), which will pay for 80% of the cost of the access road. The City anticipates receiving bids for the project in August 2009. The case will be heard in Marion County due to the issuance of a change in venue. The City also has certain immediate financial issues pending review in front of the Indiana Supreme Court regarding this case.

Miller Citizens' Corporation filed suit against the Gary Sanitary District regarding the outsourcing of solid waste collection services. The judge is allowing the case to go forward as a class action suit, and has awarded payment to Miller Citizen's Corporation thus far for litigation fees in the approximate amount of \$30,000; however, this case is still being litigated.

D. Conduit Debt Obligation

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

As of December 31, 2008, there were two series of Special Facility Revenue Bonds, two series of Mortgage Revenue Bonds, two series of Economic Development Revenue Bonds and one series of Multifamily Housing Revenue Bonds outstanding. The aggregate principal amount payable for the seven series issued after July 1, 1995, was \$48,758,000.

E. Termination Benefits

Police officers and firefighters who retire from the City on or after attaining age 52 with at least 20 years of service are provided health benefits as authorized by Indiana Code 5-10-8. Currently, 52 police and 44 fire pensioners meet these eligibility requirements. Disbursements for the termination benefits are recognized on a pay-as-you-go basis. As of the year ended December 31, 2008, disbursements for these termination benefits totaled \$867,900.

F. Advance Refunding

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the City's Supplementary Information: Schedule of Long-Term Debt. At December 31, 2008, \$590,000 of bonds outstanding are considered defeased.

G. Rate Structure – Enterprise Funds

Sanitary District

Wastewater: The current rate structure was approved by the Sanitary District Board of Commissioners on March 11, 2008, with an effective date of May 31, 2008.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Storm Water: The current rate structure was approved by the Common Council on February 25, 2002.

Solid Waste: The current rate structure was approved by the Sanitary District Board of Commissioners on October 14, 2008, and the City Council on July 21, 2009, with an effective date of January 1, 2009.

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

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

The City is required by state and federal laws and regulations to make contributions to a trust to finance closure and post-closure care, to obtain a line of credit, obtain a bond in an amount sufficient to finance the estimated closure and post-closure care costs, obtain insurance, or fulfill the financial requirements set forth in 329 IAC 2-12. The City has chosen to make contributions to a trust. At December 31, 2008, investments of \$1,392,838 (\$1,392,838 market value) are held for these purposes. These are reported as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by future tax revenue.

I. Environmental Protection Agency Consent Decree

The United States District Court issued a Consent Decree initiated by the Environmental Protection Agency (EPA) in 2002, whereby the Gary Sanitary District (District) was required to accumulate funds for the Grand Calumet Sedimentation Fund. A limit will be placed on the costs the District will have to incur for the study and remediation of river sediments. This limit was set at \$2,500,000. In addition, a special administrator will be required to certify, on January 31 of each year, whether or not the District is complying with the terms of the Decree. The Modified Consent Decree Semi-Annual Progress Report, dated February 27, 2009, certified that the District has deposited all required funds into its Grant Calumet River Remediation Fund. The balance of this fund at December 31, 2008, is \$3,460,170. The District is awaiting further instructions from the EPA as to how to proceed in the use of those funds.

On April 7, 2009, the United States Environmental Protection Agency (EPA) issued its Final Decision for a Proposed Remedy under the 2002 Modified Consent Decree and Judgment regarding the disposal and clean-up alternative for the Ralston Street Lagoon (RSL). The EPA selected Alternative 8, filling the lagoon. The site shall be prepared for construction by September 30, 2010. Within 54 months of EPA approval of the Detailed Design, the construction shall be completed.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

J. Privatized Operations

On April 10, 1998, the Sanitary District (District) entered into an agreement with White River Environmental Partnership (WREP) for the operation, maintenance, and management of the District's wastewater treatment and collection system, with an effective date of July 1, 1998. As part of the agreement, WREP agreed to pay the District \$10,000,000 as an upfront payment of savings to the District resulting from this ten year contract. In accordance with the agreement, the District pays WREP a base amount per year of \$9,500,000, which is adjusted annually for changes in the Consumer Price Index (CPI). The original agreement expired on May 31, 2008. In 2004, WREP changed its name to United Water SUEZ (United Water). On May 13, 2008, the agreement with United Water was extended until May 31, 2013. The agreement extension requires a base payment of \$10,800,000 per year effective June 1, 2008. Payments for 2008 under the adjusted base amount totaled \$11,340,944.

If the District cancels the contract prior to its expiration, the District would be liable for an early termination fee in an amount ranging from a high of \$600,000 to a low of \$150,000 if cancelled in the fourteenth year of the contract. The District does not anticipate terminating the contract prior to its expiration on May 31, 2013.

United Water shall contribute at least \$200,000 on an annual basis at any time during each agreement year in support of charitable contributions and community development in the City of Gary.

K. Current and Future Financial Considerations

The City of Gary sought assistance from the Distressed Unit Appeals Board (Board) pursuant to state statute. Indiana Code 6-1.1-20.6 and House Enrolled Act 1001 have, and will, significantly reduce the amount of taxes that the City is able to collect. If the City had been required to immediately comply with this tax legislation, they would have needed to reduce their 2009 budget by over \$30 million and their 2010 budget by an additional \$6 million. These reductions would have reduced their tax levy to levels prior to 1996. The City proposed to the Board a four-year phase-in plan for implementation of this legislation.

The City reduced their budget for 2008 by \$12.5 million. In 2008, the City implemented several cost-saving measures. The City reduced their civilian employees' work week 20% for the final four months of the year and laid off 23 public safety personnel for 30 days. They also appropriated \$4.4 million from casino contributions meant for capital improvements to the General Fund for operating expenses.

In May 2009, the Board provided tax relief to the City by increasing the tax caps imposed by Indiana Code 6-1.1-20.6. The tax caps for homeowners across the State are set at 1.5%, 2.5%, and 3.5% for homeowners, landlords, and commercial properties, respectively. The tax caps for Gary residents will be 2%, 3.27%, and 4.55%. The City estimates a cash shortfall of approximately \$7,000,000 when considering this relief combined with steps already taken by the City to reduce the budget. A condition imposed by the Board for providing the relief is that the City is required to hire a fiscal monitor to assist in identifying new cuts as the City prepares for 2010 when the tax caps will be set to increase again. The monitor will be hired and paid by the City, but must be approved by the Board. The Board prefers the City hire a monitor who has not had a prior business relationship with the City. Proposals, from a minimum of \$300,000 to a maximum of \$670,000, have been received by the City for the fiscal monitor for a 90-day contract.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

To reduce costs for 2009, the City has outsourced their solid waste collection and has instituted a Garbage Collection Fee effective January 1, 2009. The City eliminated another 100 civilian employee positions in June in an effort to reduce the 2009 \$7,000,000 cash shortfall. This brings the total number of layoffs this year to 350. The City is currently negotiating new cost saving agreements with the labor unions representing police officers, firefighters, and other City employees. The City is also considering, among other things, additional outsourcing of services, consolidation and/or elimination of many City departments, instituting new fees and increasing current fees for various services, closing several parks and pools, and leasing out park operations and the Genesis Convention Center.

L. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Sanitary District is not available.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

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

c. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

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

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

| | <u>PERF</u> | <u>1925 Police Officers' Pension</u> | <u>1937 Firefighters' Pension</u> |
|---|---------------------|--|---|
| Annual required contribution | \$ 1,083,607 | \$ 4,570,100 | \$ 4,525,700 |
| Interest on net pension obligation | 129,095 | 1,946,400 | 1,803,200 |
| Adjustment to annual required contribution | <u>(147,114)</u> | <u>(2,455,700)</u> | <u>(2,275,000)</u> |
| Annual pension cost | 1,065,588 | 4,060,800 | 4,053,900 |
| Contributions made | <u>993,973</u> | <u>5,619,276</u> | <u>5,783,007</u> |
| Increase (decrease) in net pension obligation | 71,615 | (1,558,476) | (1,729,107) |
| Net pension obligation, beginning of year | <u>1,780,619</u> | <u>32,440,372</u> | <u>30,052,691</u> |
| Net pension obligation, end of year | <u>\$ 1,852,234</u> | <u>\$ 30,881,896</u> | <u>\$ 28,323,584</u> |

| | <u>PERF</u> | <u>1925 Police Officers' Pension</u> | <u>1937 Firefighters' Pension</u> |
|---------------------------------|--|--|--|
| Contribution rates: | | | |
| City | 5.25% | 2,787% | 1,104% |
| Plan members | 3% | 6% | 6% |
| Actuarial valuation date | 07-01-08 | 01-01-08 | 01-01-08 |
| Actuarial cost method | Entry age | Entry age | Entry age |
| Amortization method | Level percentage of projected payroll, closed | Level percentage of projected payroll, closed | Level percentage of projected payroll, closed |
| Amortization period | 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 |

CITY OF GARY
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 | 06-30-06 | \$ 832,219 | 90% | \$ 1,660,878 |
| | 06-30-07 | 999,447 | 88% | 1,780,619 |
| | 06-30-08 | 1,065,588 | 93% | 1,852,234 |
| 1925 Police Officers' Pension Plan | 12-31-06 | 4,915,100 | 143% | 32,956,987 |
| | 12-31-07 | 4,337,900 | 112% | 32,440,372 |
| | 12-31-08 | 4,060,800 | 138% | 30,881,896 |
| 1937 Firefighters' Pension Plan | 12-31-06 | 4,264,500 | 156% | 30,216,899 |
| | 12-31-07 | 4,326,100 | 104% | 30,052,691 |
| | 12-31-08 | 4,053,900 | 143% | 28,323,584 |

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2008, was comprised of the following:

| | 1925 Police Officers' Pension | 1937 Firefighters' Pension |
|---|-------------------------------------|----------------------------------|
| Retirees and beneficiaries currently receiving benefits | 263 | 243 |
| Terminated employees entitled to but not yet receiving benefits | - | - |
| Current active employees | 1 | - |

CITY OF GARY
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, 2008, 2007, and 2006, were \$5,371,319, \$5,697,927, and \$5,416,653, respectively, equal to the required contributions for each year.

CITY OF GARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Excess of Assets Over AAL (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | Excess AAL as a Percentage of Covered Payroll ((a-b)/c) |
|--------------------------|-------------------------------|---------------------------------------|---------------------------------|--------------------|---------------------|---|
| 07-01-06 | \$ 24,719,172 | \$ 23,334,431 | \$ 1,384,741 | 106% | \$ 18,182,141 | 8% |
| 07-01-07 | 27,420,802 | 26,092,127 | 1,328,675 | 105% | 19,076,601 | 7% |
| 07-01-08 | 29,775,079 | 29,400,607 | 374,472 | 101% | 20,168,863 | 2% |

1925 Police Officers' 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) |
|--------------------------|-------------------------------|---------------------------------------|--------------------|--------------------|---------------------|---|
| 01-01-03 | \$ 4,023,585 | \$ 77,916,200 | \$ (73,892,615) | 5% | \$ 2,091,400 | (3,533%) |
| 01-01-04 | 4,388,057 | 79,307,600 | (74,919,543) | 6% | 1,605,800 | (4,666%) |
| 01-01-05 | (69,322) | 74,346,900 | (74,416,222) | 0% | 1,493,900 | (4,981%) |
| 01-01-06 | 365,043 | 71,772,300 | (71,407,257) | 1% | 1,056,600 | (6,758%) |
| 01-01-07 | 81,232 | 65,525,800 | (65,444,568) | 0% | 410,000 | (15,962%) |
| 01-01-08 | 295,629 | 61,805,500 | (61,509,871) | 0% | 164,000 | (37,506%) |

1937 Firefighters' 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) |
|--------------------------|-------------------------------|---------------------------------------|--------------------|--------------------|---------------------|---|
| 01-01-03 | \$ 3,273,035 | \$ 68,127,700 | \$ (64,854,665) | 5% | \$ 1,904,700 | (3,405%) |
| 01-01-04 | 1,662,060 | 70,580,700 | (68,918,640) | 2% | 1,493,800 | (4,614%) |
| 01-01-05 | (58,685) | 66,035,900 | (66,094,585) | 0% | 1,344,500 | (4,916%) |
| 01-01-06 | 502,264 | 62,487,000 | (61,984,736) | 1% | 896,300 | (6,916%) |
| 01-01-07 | 595,264 | 63,185,300 | (62,590,036) | 1% | 656,000 | (9,541%) |
| 01-01-08 | 1,028,072 | 60,112,500 | (59,084,428) | 2% | 410,000 | (14,411%) |

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

| | Year Ending | Annual Required Contribution (ARC) | Percentage of ARC Contributed | |
|------------------------------------|----------------|---|----------------------------------|-------|
| | | | City | State |
| 1925 Police Officers' Pension Plan | 12-31-03 | \$ 9,424,900 | 28% | 25% |
| | 12-31-04 | 9,448,900 | 0% | 34% |
| | 12-31-05 | 5,621,800 | 13% | 61% |
| | 12-31-06 | 5,391,700 | 54% | 77% |
| | 12-31-07 | 4,818,100 | 12% | 89% |
| | 12-31-08 | 4,570,100 | 36% | 87% |
| 1937 Firefighters' Pension Plan | 12-31-03 | 8,463,500 | 8% | 27% |
| | 12-31-04 | 8,431,300 | 1% | 36% |
| | 12-31-05 | 5,015,700 | 12% | 64% |
| | 12-31-06 | 4,707,600 | 53% | 88% |
| | 12-31-07 | 4,766,400 | 18% | 77% |
| | 12-31-08 | 4,525,700 | 45% | 83% |

CITY OF GARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
For the Year Ended December 31, 2008

| | General Fund | | | |
|-----------------------------|--------------------|-------------------|-------------------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Taxes | \$ 62,111,489 | \$ 62,111,489 | \$ 60,748,097 | \$ (1,363,392) |
| Licenses and permits | 1,021,561 | 1,021,561 | 765,872 | (255,689) |
| Intergovernmental | 10,225,652 | 10,225,652 | 2,710,510 | (7,515,142) |
| Charges for services | 629,500 | 629,500 | 726,119 | 96,619 |
| Fines and forfeits | 556,907 | 556,907 | 265,836 | (291,071) |
| Interfund loans | - | - | 4,000,000 | 4,000,000 |
| Other | 6,983,733 | 6,983,733 | 2,404,839 | (4,578,894) |
| Total revenues | 81,528,842 | 81,528,842 | 71,621,273 | (9,907,569) |
| Expenditures: | | | | |
| General government: | | | | |
| Dept 10 Mayor: | | | | |
| Personal services | 373,693 | 346,321 | 343,684 | 2,637 |
| Other services and charges | 309,000 | 204,498 | 225,189 | (20,691) |
| Total Mayor | 682,693 | 550,819 | 568,873 | (18,054) |
| Dept 20 Common Council: | | | | |
| Personal services | 673,467 | 673,467 | 655,715 | 17,752 |
| Supplies | 48,641 | 22,905 | 21,544 | 1,361 |
| Other services and charges | 681,700 | 547,986 | 525,816 | 22,170 |
| Capital outlay | 75,000 | 6,945 | 6,671 | 274 |
| Total Common Council | 1,478,808 | 1,251,303 | 1,209,746 | 41,557 |
| Dept 30 City Court: | | | | |
| Personal services | 1,656,575 | 1,646,575 | 1,544,168 | 102,407 |
| Supplies | 70,000 | 78,186 | 67,750 | 10,436 |
| Other services and charges | 240,000 | 262,334 | 145,660 | 116,674 |
| Capital outlay | 6,500 | 30,108 | 1,500 | 28,608 |
| Total City Court | 1,973,075 | 2,017,203 | 1,759,078 | 258,125 |
| Dept 40 City Clerk: | | | | |
| Personal services | 1,401,786 | 1,233,956 | 1,160,549 | 73,407 |
| Supplies | 60,000 | 61,934 | 4,217 | 57,717 |
| Other services and charges | 258,000 | 323,897 | 344,395 | (20,498) |
| Capital outlay | 75,000 | 115,414 | 43,980 | 71,434 |
| Total City Clerk | 1,794,786 | 1,735,201 | 1,553,141 | 182,060 |
| Dept 50 Law: | | | | |
| Personal services | 203,497 | 191,337 | 186,719 | 4,618 |
| Other services and charges | 807,500 | 768,805 | 825,927 | (57,122) |
| Total Law | 1,010,997 | 960,142 | 1,012,646 | (52,504) |
| Dept 80 MIS: | | | | |
| Personal services | 190,231 | 156,642 | 155,315 | 1,327 |
| Supplies | 5,000 | 5,000 | 3,984 | 1,016 |
| Other services and charges | 362,000 | 212,280 | 188,261 | 24,019 |
| Total MIS | 557,231 | 373,922 | 347,560 | 26,362 |
| Dept 90 Public Works: | | | | |
| Personal services | 343,294 | 322,469 | 316,029 | 6,440 |
| Other services and charges | 128,000 | 90,850 | 82,699 | 8,151 |
| Total Public Works | 471,294 | 413,319 | 398,728 | 14,591 |

CITY OF GARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
For the Year Ended December 31, 2008
(Continued)

| | General Fund | | | |
|------------------------------------|--------------------|------------------|------------------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
| | Original Budget | Final Budget | | |
| Expenditures (continued): | | | | |
| General government (continued): | | | | |
| Dept 100 City Hall Maintenance: | | | | |
| Supplies | 48,250 | 33,250 | 24,951 | 8,299 |
| Other services and charges | <u>675,500</u> | <u>535,500</u> | <u>521,482</u> | <u>14,018</u> |
| Total City Hall Maintenance | <u>723,750</u> | <u>568,750</u> | <u>546,433</u> | <u>22,317</u> |
| Dept 120 Building: | | | | |
| Personal services | 450,854 | 410,489 | 394,225 | 16,264 |
| Other services and charges | <u>16,700</u> | <u>8,200</u> | <u>6,908</u> | <u>1,292</u> |
| Total Building | <u>467,554</u> | <u>418,689</u> | <u>401,133</u> | <u>17,556</u> |
| Dept 160 Human Relations: | | | | |
| Personal services | 147,718 | 142,318 | 143,361 | (1,043) |
| Other services and charges | <u>10,750</u> | <u>6,775</u> | <u>4,670</u> | <u>2,105</u> |
| Total Human Relations | <u>158,468</u> | <u>149,093</u> | <u>148,031</u> | <u>1,062</u> |
| Dept 170 Human Resources: | | | | |
| Personal services | 324,234 | 304,617 | 303,934 | 683 |
| Other services and charges | <u>115,000</u> | <u>67,650</u> | <u>44,372</u> | <u>23,278</u> |
| Total Human Resources | <u>439,234</u> | <u>372,267</u> | <u>348,306</u> | <u>23,961</u> |
| Dept 171 Labor Relations: | | | | |
| Personal services | <u>7,584</u> | <u>7,584</u> | <u>4,066</u> | <u>3,518</u> |
| Dept 190 Status of Women: | | | | |
| Personal services | 86,968 | 78,105 | 53,776 | 24,329 |
| Other services and charges | <u>7,500</u> | <u>2,500</u> | <u>-</u> | <u>2,500</u> |
| Total Status of Women | <u>94,468</u> | <u>80,605</u> | <u>53,776</u> | <u>26,829</u> |
| Dept 226 Demolition: | | | | |
| Personal services | 331,342 | 298,234 | 299,372 | (1,138) |
| Supplies | 10,000 | 10,000 | 756 | 9,244 |
| Other services and charges | <u>10,000</u> | <u>6,000</u> | <u>2,158</u> | <u>3,842</u> |
| Total Demolition | <u>351,342</u> | <u>314,234</u> | <u>302,286</u> | <u>11,948</u> |
| Dept 330 City Operations Division: | | | | |
| Personal services | 163,346 | 138,294 | 147,668 | (9,374) |
| Other services and charges | <u>52,000</u> | <u>46,789</u> | <u>24,969</u> | <u>21,820</u> |
| Total City Operations Division | <u>215,346</u> | <u>185,083</u> | <u>172,637</u> | <u>12,446</u> |
| Dept 410 Public Information: | | | | |
| Personal services | 146,054 | 137,270 | 136,586 | 684 |
| Other services and charges | <u>113,500</u> | <u>56,967</u> | <u>30,955</u> | <u>26,012</u> |
| Total Public Information | <u>259,554</u> | <u>194,237</u> | <u>167,541</u> | <u>26,696</u> |
| Dept 430 Vehicle Maintenance: | | | | |
| Personal services | 678,395 | 615,192 | 614,779 | 413 |
| Supplies | 1,500,100 | 1,450,100 | 1,541,582 | (91,482) |
| Other services and charges | <u>866,000</u> | <u>678,500</u> | <u>429,943</u> | <u>248,557</u> |
| Total Vehicle Maintenance | <u>3,044,495</u> | <u>2,743,792</u> | <u>2,586,304</u> | <u>157,488</u> |

CITY OF GARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
For the Year Ended December 31, 2008
(Continued)

| | General Fund | | | |
|-----------------------------------|--------------------|-------------------|-------------------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
| | Original Budget | Final Budget | | |
| Expenditures (continued): | | | | |
| General government (continued): | | | | |
| Dept 600 Controller: | | | | |
| Personal services | 774,187 | 713,271 | 665,810 | 47,461 |
| Supplies | 255,000 | 219,144 | 181,679 | 37,465 |
| Other services and charges | <u>5,684,622</u> | <u>5,231,252</u> | <u>9,274,243</u> | <u>(4,042,991)</u> |
| Total Controller | <u>6,713,809</u> | <u>6,163,667</u> | <u>10,121,732</u> | <u>(3,958,065)</u> |
| Dept 601 Miscellaneous/Insurance: | | | | |
| Personal services | 7,154,124 | 5,074,124 | 5,511,370 | (437,246) |
| Other services and charges | - | - | 18 | (18) |
| Total Miscellaneous/Insurance | <u>7,154,124</u> | <u>5,074,124</u> | <u>5,511,388</u> | <u>(437,264)</u> |
| Total general government | <u>27,598,612</u> | <u>23,574,034</u> | <u>27,213,405</u> | <u>(3,639,371)</u> |
| Public Safety: | | | | |
| Dept 240 Police Commission: | | | | |
| Personal services | 57,793 | 54,898 | 57,601 | (2,703) |
| Other services and charges | <u>124,500</u> | <u>48,500</u> | <u>47,245</u> | <u>1,255</u> |
| Total Police Commission | <u>182,293</u> | <u>103,398</u> | <u>104,846</u> | <u>(1,448)</u> |
| Dept 250 Police: | | | | |
| Personal services | 15,692,782 | 14,928,811 | 14,998,253 | (69,442) |
| Supplies | 15,500 | 9,500 | 5,913 | 3,587 |
| Other services and charges | <u>327,500</u> | <u>447,059</u> | <u>275,643</u> | <u>171,416</u> |
| Total Police | <u>16,035,782</u> | <u>15,385,370</u> | <u>15,279,809</u> | <u>105,561</u> |
| Dept 258 Police Support Services: | | | | |
| Personal services | 2,418,062 | 2,170,077 | 2,173,370 | (3,293) |
| Supplies | 73,500 | 54,238 | 50,224 | 4,014 |
| Other services and charges | 267,700 | 223,404 | - | 223,404 |
| Capital outlay | - | - | 212,532 | (212,532) |
| Total Police Support Services | <u>2,759,262</u> | <u>2,447,719</u> | <u>2,436,126</u> | <u>11,593</u> |
| Dept 280 Fire Commission: | | | | |
| Personal services | 50,915 | 50,915 | 49,094 | 1,821 |
| Supplies | 3,000 | 1,000 | 999 | 1 |
| Other services and charges | <u>82,000</u> | <u>43,501</u> | <u>37,268</u> | <u>6,233</u> |
| Total Fire Commission | <u>135,915</u> | <u>95,416</u> | <u>87,361</u> | <u>8,055</u> |
| Dept 290 Fire: | | | | |
| Personal services | 16,394,130 | 15,444,630 | 15,311,542 | 133,088 |
| Supplies | 15,000 | 12,652 | 10,174 | 2,478 |
| Other services and charges | <u>52,000</u> | <u>20,848</u> | <u>13,392</u> | <u>7,456</u> |
| Total Fire | <u>16,461,130</u> | <u>15,478,130</u> | <u>15,335,108</u> | <u>143,022</u> |
| Dept 300 Ambulance: | | | | |
| Personal services | 2,939,580 | 2,547,580 | 2,546,004 | 1,576 |
| Other services and charges | <u>8,000</u> | <u>1,000</u> | <u>-</u> | <u>1,000</u> |
| Total Ambulance | <u>2,947,580</u> | <u>2,548,580</u> | <u>2,546,004</u> | <u>2,576</u> |

CITY OF GARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
For the Year Ended December 31, 2008
(Continued)

| | General Fund | | | |
|--------------------------------------|---------------------|----------------------|-----------------------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
| | Original Budget | Final Budget | | |
| Expenditures (continued): | | | | |
| Public Safety (continued): | | | | |
| Dept 310 Civil Defense: | | | | |
| Personal services | 26,422 | 26,422 | 25,009 | 1,413 |
| Total Public Safety | <u>38,548,384</u> | <u>36,085,035</u> | <u>35,814,263</u> | <u>270,772</u> |
| Sanitation: | | | | |
| Dept 220 General Services: | | | | |
| Personal services | 3,810,375 | 3,689,662 | 3,478,230 | 211,432 |
| Supplies | 6,000 | 6,000 | 1,671 | 4,329 |
| Other services and charges | 72,500 | 49,175 | 32,732 | 16,443 |
| Total Sanitation | <u>3,888,875</u> | <u>3,744,837</u> | <u>3,512,633</u> | <u>232,204</u> |
| Health and Welfare: | | | | |
| Dept 200 Health: | | | | |
| Personal services | 490,936 | 427,345 | 441,311 | (13,966) |
| Supplies | 60,000 | 37,269 | 36,944 | 325 |
| Other services and charges | 57,000 | 37,847 | 28,748 | 9,099 |
| Total Health | <u>607,936</u> | <u>502,461</u> | <u>507,003</u> | <u>(4,542)</u> |
| Dept 210 Environmental Affairs: | | | | |
| Personal services | 284,176 | 254,818 | 240,986 | 13,832 |
| Other services and charges | 144,000 | 73,815 | 52,534 | 21,281 |
| Total Environmental Affairs | <u>428,176</u> | <u>328,633</u> | <u>293,520</u> | <u>35,113</u> |
| Dept 350 Community Services | | | | |
| Personal services | 238,097 | 220,946 | 224,864 | (3,918) |
| Other services and charges | 223,200 | 81,090 | 51,410 | 29,680 |
| Total Community Services | <u>461,297</u> | <u>302,036</u> | <u>276,274</u> | <u>25,762</u> |
| Total Health and Welfare | <u>1,497,409</u> | <u>1,133,130</u> | <u>1,076,797</u> | <u>56,333</u> |
| Economic Development: | | | | |
| Dept 130 Planning & Development: | | | | |
| Personal services | 180,342 | 164,948 | 164,138 | 810 |
| Other services and charges | 18,500 | 5,818 | 1,518 | 4,300 |
| Total Economic Development | <u>198,842</u> | <u>170,766</u> | <u>165,656</u> | <u>5,110</u> |
| Culture and Recreation: | | | | |
| Dept 420 Youth Services: | | | | |
| Other services and charges | 7,500 | 2,500 | 2,497 | 3 |
| Unappropriated | - | - | 9,556,469 | (9,556,469) |
| Total expenditures | <u>71,739,622</u> | <u>64,710,302</u> | <u>77,341,720</u> | <u>(12,631,418)</u> |
| Other financing sources (uses): | | | | |
| Tax anticipation warrant proceeds | - | - | 50,072,942 | 50,072,942 |
| Tax anticipation warrant repayments | - | - | (67,356,636) | (67,356,636) |
| Transfers in | - | - | 11,413,158 | 11,413,158 |
| Other receipts | - | - | 255,486 | 255,486 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(5,615,050)</u> | <u>(5,615,050)</u> |
| Net change in fund balance | 9,789,220 | 16,818,540 | (11,335,497) | (2,891,201) |
| Fund balances - beginning | - | - | 4,961,266 | 4,961,266 |
| Fund balances - December 31 | <u>\$ 9,789,220</u> | <u>\$ 16,818,540</u> | <u>\$ (6,374,231)</u> | <u>\$ 2,070,065</u> |

CITY OF GARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
For the Year Ended December 31, 2008
(Continued)

| | Gaming Revenues Fund | | | |
|-------------------------------------|----------------------|-----------------|-------------------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Intergovernmental | \$ - | \$ - | \$ 21,071,624 | \$ 21,071,624 |
| Interfund loans | - | - | 3,345,000 | 3,345,000 |
| Other | - | - | 90,651 | 90,651 |
| | <u>-</u> | <u>-</u> | <u>24,507,275</u> | <u>24,507,275</u> |
| Total revenues | | | | |
| Expenditures: | | | | |
| General government: | | | | |
| Infrastructure Dept 2711: | | | | |
| Other services and charges | - | - | 2,625,000 | (2,625,000) |
| Clark Road Shelter Dept 2712: | | | | |
| Other services and charges | - | 55,054 | - | 55,054 |
| Council Community Action Dept 2713: | | | | |
| Other services and charges | 36,717 | 44,288 | 37,217 | 7,071 |
| District One Dept 2714: | | | | |
| Other services and charges | 50,000 | 50,000 | - | 50,000 |
| District Two Dept 2715: | | | | |
| Other services and charges | 39,655 | 24,140 | 23,932 | 208 |
| District Three Dept 2716: | | | | |
| Other services and charges | - | 57,893 | 22,893 | 35,000 |
| District Four Dept 2717: | | | | |
| Other services and charges | - | 66,883 | 66,874 | 9 |
| District Five Dept 2718: | | | | |
| Other services and charges | 29,871 | 29,871 | - | 29,871 |
| District Six Dept 2719: | | | | |
| Other services and charges | 18,000 | 58,111 | 17,291 | 40,820 |
| City General Dept 2770: | | | | |
| Other services and charges | 8,989,922 | 2,031,616 | 1,511,501 | 520,115 |
| Repaving Dept 2771: | | | | |
| Other services and charges | - | 2,495 | - | 2,495 |
| Public Safety - Comp Dept 2772: | | | | |
| Capital outlay | - | 24,160 | - | 24,160 |
| Demolition Dept 2773: | | | | |
| Other services and charges | - | 204,546 | 6,572 | 197,974 |
| Tank Project Dept 2774: | | | | |
| Capital outlay | - | 53,692 | - | 53,692 |

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
 For the Year Ended December 31, 2008
 (Continued)

| | Gaming Revenues Fund | | | |
|--|-----------------------|-----------------------|------------------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
| | Original Budget | Final Budget | | |
| Expenditures (continued): | | | | |
| General government (continued): | | | | |
| City Equipment Dept 2776: | | | | |
| Capital outlay | 339,940 | 2,416,311 | 232,949 | 2,183,362 |
| Fire Station #4 Dept 2779: | | | | |
| Other services and charges | 42,000 | 49,961 | 37,243 | 12,718 |
| Golf Course Dept 2781: | | | | |
| Other services and charges | - | 10 | - | 10 |
| Tellestn Dept 2782: | | | | |
| Capital outlay | - | 9,113 | - | 9,113 |
| Youth Service Bureau - JCP Dept 2789: | | | | |
| Other services and charges | - | 499 | - | 499 |
| Energy Assistance Dept 2796: | | | | |
| Other services and charges | - | 2,352 | - | 2,352 |
| Legal Professional Services Dept 2806: | | | | |
| Other services and charges | - | 1,497 | - | 1,497 |
| Mayor Advisory Commission Dept 2809: | | | | |
| Other services and charges | - | 40,169 | - | 40,169 |
| 25th and Grant Dept 2873: | | | | |
| Other services and charges | - | 245,398 | - | 245,398 |
| Little Calument River Project Dept 4797: | | | | |
| Capital outlay | - | 269,885 | 283,613 | (13,728) |
| Total General Government | 9,546,105 | 5,737,944 | 4,865,085 | 872,859 |
| Interfund loans | - | - | 880,000 | (880,000) |
| Total expenditures | 9,546,105 | 5,737,944 | 5,745,085 | (7,141) |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 201,434 | 201,434 |
| Transfers out | - | - | (18,969,341) | (18,969,341) |
| Other receipts | - | - | 5,928 | 5,928 |
| Total other financing sources (uses) | - | - | (18,761,979) | (18,761,979) |
| Net change in fund balance | (9,546,105) | (5,737,944) | 211 | 5,752,437 |
| Fund balances - beginning | - | - | 27,116 | 27,116 |
| Fund balances - December 31 | <u>\$ (9,546,105)</u> | <u>\$ (5,737,944)</u> | <u>\$ 27,327</u> | <u>\$ 5,779,553</u> |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

| | Motor Vehicle Highway | Local Road And Street | Law Enforcement Continuing Education | Unsafe Building | Protective Services Grant I | Protective Services Grant II | Equal Opportunity Commission Human Relations |
|---|-----------------------------|--------------------------------|---|--------------------|--------------------------------------|---------------------------------------|--|
| Receipts: | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | 24,570 | - | - | - | - |
| Intergovernmental | 2,883,759 | 1,128,086 | - | - | 41,366 | 5,000 | 35,405 |
| Charges for services | - | - | 21,362 | - | - | - | - |
| Fines and forfeits | - | - | 13,843 | - | - | 356,173 | - |
| Interfund loans | 589,857 | - | - | - | - | - | - |
| Other | - | - | 7,500 | 1,200 | - | - | - |
| Total receipts | 3,473,616 | 1,128,086 | 67,275 | 1,200 | 41,366 | 361,173 | 35,405 |
| Disbursements: | | | | | | | |
| General government | - | - | - | - | - | - | 35,152 |
| Public safety | - | - | 82,242 | - | 50,142 | 69,351 | - |
| Highways and streets | 3,532,472 | 916,428 | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - |
| Capital outlay: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | - | - | 454 | - | - | 91,347 | - |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - | - |
| Total disbursements | 3,532,472 | 916,428 | 82,696 | - | 50,142 | 160,698 | 35,152 |
| Excess (deficiency) of receipts over disbursements | (58,856) | 211,658 | (15,421) | 1,200 | (8,776) | 200,475 | 253 |
| Other financing sources (uses): | | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | - | - | - |
| Tax anticipation warrant repayments | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Other receipts | 2,411 | 205 | 2,088 | - | - | 60 | - |
| Total other financing sources (uses) | 2,411 | 205 | 2,088 | - | - | 60 | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (56,445) | 211,863 | (13,333) | 1,200 | (8,776) | 200,535 | 253 |
| Cash and investment fund balance - beginning | 464,430 | 452,198 | 109,700 | 143,290 | (1,035,475) | 397,912 | 14,399 |
| Cash and investment fund balance - ending | <u>\$ 407,985</u> | <u>\$ 664,061</u> | <u>\$ 96,367</u> | <u>\$ 144,490</u> | <u>\$ (1,044,251)</u> | <u>\$ 598,447</u> | <u>\$ 14,652</u> |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and investments | \$ - | \$ - | \$ 96,367 | \$ 144,490 | \$ (1,044,251) | \$ - | \$ - |
| Restricted assets: | | | | | | | |
| Cash and investments | 407,985 | 664,061 | - | - | - | 598,447 | 14,652 |
| Total cash and investment assets - ending | <u>\$ 407,985</u> | <u>\$ 664,061</u> | <u>\$ 96,367</u> | <u>\$ 144,490</u> | <u>\$ (1,044,251)</u> | <u>\$ 598,447</u> | <u>\$ 14,652</u> |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Restricted for: | | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 14,652 |
| Public safety | - | - | - | - | - | 598,447 | - |
| Highways and streets | 407,985 | 664,061 | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Unrestricted | - | - | 96,367 | 144,490 | (1,044,251) | - | - |
| Total cash and investment fund balance - ending | <u>\$ 407,985</u> | <u>\$ 664,061</u> | <u>\$ 96,367</u> | <u>\$ 144,490</u> | <u>\$ (1,044,251)</u> | <u>\$ 598,447</u> | <u>\$ 14,652</u> |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Tourism Project | Local Law Enforcement Block Grant | Youth Services Bureau | HOME Program | Emergency Shelter Grant | Brownfield | Healthy Families |
|---|--------------------|---|-----------------------------|------------------|-------------------------------|-------------------|---------------------|
| Receipts: | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | 7,325 | - |
| Intergovernmental | - | 30,438 | 237,740 | 881,470 | 193,413 | 856,436 | - |
| Charges for services | - | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Other | - | - | - | 1,797 | - | 107,000 | 2,737 |
| Total receipts | - | 30,438 | 237,740 | 883,267 | 193,413 | 970,761 | 2,737 |
| Disbursements: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | - | 80,018 | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Health and welfare | - | - | 242,326 | - | 193,413 | - | 5,495 |
| Economic development | - | - | - | - | - | 854,432 | - |
| Culture and recreation | - | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | 928,971 | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - |
| Capital outlay: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | 11,636 |
| Culture and recreation | - | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - | - |
| Total disbursements | - | 80,018 | 242,326 | 928,971 | 193,413 | 854,432 | 17,131 |
| Excess (deficiency) of receipts over disbursements | - | (49,580) | (4,586) | (45,704) | - | 116,329 | (14,394) |
| Other financing sources (uses): | | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | - | - | - |
| Tax anticipation warrant repayments | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Other receipts | - | 79 | - | - | - | - | - |
| Total other financing sources (uses) | - | 79 | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | (49,501) | (4,586) | (45,704) | - | 116,329 | (14,394) |
| Cash and investment fund balance - beginning | 49,801 | 49,580 | 259,955 | 77,914 | 888 | 22,224 | 30,873 |
| Cash and investment fund balance - ending | <u>\$ 49,801</u> | <u>\$ 79</u> | <u>\$ 255,369</u> | <u>\$ 32,210</u> | <u>\$ 888</u> | <u>\$ 138,553</u> | <u>\$ 16,479</u> |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and investments | \$ - | \$ - | \$ 255,369 | \$ - | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | | | |
| Cash and investments | 49,801 | 79 | - | 32,210 | 888 | 138,553 | 16,479 |
| Total cash and investment assets - ending | <u>\$ 49,801</u> | <u>\$ 79</u> | <u>\$ 255,369</u> | <u>\$ 32,210</u> | <u>\$ 888</u> | <u>\$ 138,553</u> | <u>\$ 16,479</u> |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Restricted for: | | | | | | | |
| General government | \$ 49,801 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | 79 | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | 888 | - | 16,479 |
| Economic development | - | - | - | - | - | 138,553 | - |
| Urban redevelopment and housing | - | - | - | 32,210 | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Unrestricted | - | - | 255,369 | - | - | - | - |
| Total cash and investment fund balance - ending | <u>\$ 49,801</u> | <u>\$ 79</u> | <u>\$ 255,369</u> | <u>\$ 32,210</u> | <u>\$ 888</u> | <u>\$ 138,553</u> | <u>\$ 16,479</u> |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Marquette Park | Gleason Golf Course | Emergency Shelter | Comprehensive Community Program | Homeownership | Landfill Closure | Landfill Trust |
|---|-------------------|---------------------------|----------------------|---------------------------------------|-----------------|---------------------|---------------------|
| Receipts: | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - |
| Intergovernmental | - | - | 402,825 | - | - | - | - |
| Charges for services | 101,843 | 175,195 | - | 9,770 | - | - | - |
| Fines and forfeits | - | 28 | - | 19,048 | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Other | 125 | 8,139 | 5,709 | 22,647 | 2,500 | - | 52,001 |
| Total receipts | 101,968 | 183,362 | 408,534 | 51,465 | 2,500 | - | 52,001 |
| Disbursements: | | | | | | | |
| General government | - | - | - | 22,943 | - | - | - |
| Public safety | - | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | 125,704 | 75,063 |
| Health and welfare | - | - | 545,961 | - | - | - | - |
| Economic development | - | - | - | - | - | - | - |
| Culture and recreation | 138,485 | 206,362 | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | 2,202 | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - |
| Capital outlay: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | - |
| Culture and recreation | 112 | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - | - |
| Total disbursements | 138,597 | 206,362 | 545,961 | 22,943 | 2,202 | 125,704 | 75,063 |
| Excess (deficiency) of receipts over disbursements | (36,629) | (23,000) | (137,427) | 28,522 | 298 | (125,704) | (23,062) |
| Other financing sources (uses): | | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | - | - | - |
| Tax anticipation warrant repayments | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Other receipts | - | 303 | 53,491 | 726 | - | 98,276 | 38,177 |
| Total other financing sources (uses) | - | 303 | 53,491 | 726 | - | 98,276 | 38,177 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (36,629) | (22,697) | (83,936) | 29,248 | 298 | (27,428) | 15,115 |
| Cash and investment fund balance - beginning | 48,625 | 36,226 | (82,769) | 385 | 3,190 | 227,410 | 1,377,723 |
| Cash and investment fund balance - ending | \$ 11,996 | \$ 13,529 | \$ (166,705) | \$ 29,633 | \$ 3,488 | \$ 199,982 | \$ 1,392,838 |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and investments | \$ 11,996 | \$ 13,529 | \$ (166,705) | \$ 29,633 | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | | | |
| Cash and investments | - | - | - | - | 3,488 | 199,982 | 1,392,838 |
| Total cash and investment assets - ending | \$ 11,996 | \$ 13,529 | \$ (166,705) | \$ 29,633 | \$ 3,488 | \$ 199,982 | \$ 1,392,838 |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Restricted for: | | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | 199,982 | 1,392,838 |
| Health and welfare | - | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | 3,488 | - | - |
| Debt service | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Unrestricted | 11,996 | 13,529 | (166,705) | 29,633 | - | - | - |
| Total cash and investment fund balance - ending | \$ 11,996 | \$ 13,529 | \$ (166,705) | \$ 29,633 | \$ 3,488 | \$ 199,982 | \$ 1,392,838 |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Solid Waste Recycling Project | Environmental Management | PGCI Project Grant | Health And Human Services | Supplemental Adult Probation Services | Gary Health Department Rental | HIV Substance Abuse Prevention |
|---|--|-----------------------------|--------------------------|------------------------------------|--|--|---|
| Receipts: | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - |
| Intergovernmental | - | 6,122 | - | 851,417 | - | - | - |
| Charges for services | 765,262 | - | - | 45,687 | - | - | - |
| Fines and forfeits | - | - | - | - | 107,295 | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Other | 8,290 | - | - | - | - | 56 | - |
| Total receipts | 773,552 | 6,122 | - | 897,104 | 107,295 | 56 | - |
| Disbursements: | | | | | | | |
| General government | - | 27,803 | - | - | - | - | - |
| Public safety | - | - | - | - | 76,175 | - | - |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | 465,501 | - | - | - | - | - | - |
| Health and welfare | - | - | - | 870,643 | - | 111 | - |
| Economic development | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Debt service: | | | | | | | |
| Principal | 78,184 | - | - | - | - | - | - |
| Interest | 731 | - | - | - | - | - | - |
| Capital outlay: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | 66,953 | - | - | - | - | - | - |
| Health and welfare | - | - | - | 32,575 | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - | - |
| Total disbursements | 611,369 | 27,803 | - | 903,218 | 76,175 | 111 | - |
| Excess (deficiency) of receipts over disbursements | 162,183 | (21,681) | - | (6,114) | 31,120 | (55) | - |
| Other financing sources (uses): | | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | - | - | - |
| Tax anticipation warrant repayments | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Other receipts | 358,727 | 19,294 | - | 3,830 | - | - | - |
| Total other financing sources (uses) | 358,727 | 19,294 | - | 3,830 | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 520,910 | (2,387) | - | (2,284) | 31,120 | (55) | - |
| Cash and investment fund balance - beginning | 232,268 | 9,682 | 18,659 | (39,916) | 53,595 | 5,571 | 8,523 |
| Cash and investment fund balance - ending | <u>\$ 753,178</u> | <u>\$ 7,295</u> | <u>\$ 18,659</u> | <u>\$ (42,200)</u> | <u>\$ 84,715</u> | <u>\$ 5,516</u> | <u>\$ 8,523</u> |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and investments | \$ 753,178 | \$ - | \$ - | \$ (42,200) | \$ - | \$ 5,516 | \$ - |
| Restricted assets: | | | | | | | |
| Cash and investments | - | 7,295 | 18,659 | - | 84,715 | - | 8,523 |
| Total cash and investment assets - ending | <u>\$ 753,178</u> | <u>\$ 7,295</u> | <u>\$ 18,659</u> | <u>\$ (42,200)</u> | <u>\$ 84,715</u> | <u>\$ 5,516</u> | <u>\$ 8,523</u> |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Restricted for: | | | | | | | |
| General government | \$ - | \$ 7,295 | \$ 18,659 | \$ - | \$ - | \$ - | \$ 8,523 |
| Public safety | - | - | - | - | 84,715 | - | - |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Unrestricted | 753,178 | - | - | (42,200) | - | 5,516 | - |
| Total cash and investment fund balance - ending | <u>\$ 753,178</u> | <u>\$ 7,295</u> | <u>\$ 18,659</u> | <u>\$ (42,200)</u> | <u>\$ 84,715</u> | <u>\$ 5,516</u> | <u>\$ 8,523</u> |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | COPS In School | Park Nonreverting | Park Pavilion | National Park Service | Vehicle Auction | Bioterrorism | COPS Technology |
|---|----------------------|----------------------|------------------|-----------------------------|--------------------|------------------|--------------------|
| Receipts: | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - |
| Intergovernmental | 461,191 | - | - | - | - | 62,549 | 98,722 |
| Charges for services | - | 112,585 | 1,175 | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Other | - | 18,756 | - | - | 64,475 | - | - |
| Total receipts | 461,191 | 131,341 | 1,175 | - | 64,475 | 62,549 | 98,722 |
| Disbursements: | | | | | | | |
| General government | - | - | - | - | 40,028 | - | - |
| Public safety | 294,000 | - | - | - | - | 50,283 | 98,722 |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - | - |
| Culture and recreation | - | 167,391 | 220 | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - |
| Capital outlay: | | | | | | | |
| General government | - | - | - | - | 3,890 | - | - |
| Public safety | - | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - | - |
| Total disbursements | 294,000 | 167,391 | 220 | - | 43,918 | 50,283 | 98,722 |
| Excess (deficiency) of receipts over disbursements | 167,191 | (36,050) | 955 | - | 20,557 | 12,266 | - |
| Other financing sources (uses): | | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | - | - | - |
| Tax anticipation warrant repayments | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Other receipts | 504 | 99 | - | - | - | - | - |
| Total other financing sources (uses) | 504 | 99 | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 167,695 | (35,951) | 955 | - | 20,557 | 12,266 | - |
| Cash and investment fund balance - beginning | (167,191) | 40,711 | 1,809 | 802 | 214,853 | 275 | 2 |
| Cash and investment fund balance - ending | <u>\$ 504</u> | <u>\$ 4,760</u> | <u>\$ 2,764</u> | <u>\$ 802</u> | <u>\$ 235,410</u> | <u>\$ 12,541</u> | <u>\$ 2</u> |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and investments | \$ - | \$ 4,760 | \$ 2,764 | \$ 802 | \$ 235,410 | \$ - | \$ - |
| Restricted assets: | | | | | | | |
| Cash and investments | 504 | - | - | - | - | 12,541 | 2 |
| Total cash and investment assets - ending | <u>\$ 504</u> | <u>\$ 4,760</u> | <u>\$ 2,764</u> | <u>\$ 802</u> | <u>\$ 235,410</u> | <u>\$ 12,541</u> | <u>\$ 2</u> |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Restricted for: | | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | 504 | - | - | - | - | 12,541 | 2 |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Unrestricted | - | 4,760 | 2,764 | 802 | 235,410 | - | - |
| Total cash and investment fund balance - ending | <u>\$ 504</u> | <u>\$ 4,760</u> | <u>\$ 2,764</u> | <u>\$ 802</u> | <u>\$ 235,410</u> | <u>\$ 12,541</u> | <u>\$ 2</u> |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Community Development Block Grant | Redevelopment Operating | Summer Jobs Training Program | Fair Housing Project | Genesis Civic Center | Media | Clerk Perpetuation |
|---|--|----------------------------|---------------------------------------|----------------------------|----------------------------|---------------------|-----------------------|
| Receipts: | | | | | | | |
| Taxes | \$ - | \$ 177,723 | \$ - | \$ - | \$ 1,415,546 | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - |
| Intergovernmental | 3,946,282 | 10,464 | - | 59,767 | 33,604 | - | - |
| Charges for services | - | 5,551 | - | - | - | 299,504 | - |
| Fines and forfeits | - | - | - | - | - | - | 9,933 |
| Interfund loans | - | - | - | - | 530,000 | - | - |
| Other | 9,148 | - | 100,000 | - | 21 | - | - |
| Total receipts | 3,955,430 | 193,738 | 100,000 | 59,767 | 1,979,171 | 299,504 | 9,933 |
| Disbursements: | | | | | | | |
| General government | - | - | 189,604 | - | - | 92,691 | - |
| Public safety | - | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | 1,494,063 | - | - |
| Urban redevelopment and housing | 3,893,853 | 225,591 | - | 114,345 | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - |
| Capital outlay: | | | | | | | |
| General government | - | - | - | - | - | 38,733 | - |
| Public safety | - | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - |
| Urban redevelopment and housing | 81,077 | - | - | - | - | - | - |
| Total disbursements | 3,974,930 | 225,591 | 189,604 | 114,345 | 1,494,063 | 131,424 | - |
| Excess (deficiency) of receipts over disbursements | (19,500) | (31,853) | (89,604) | (54,578) | 485,108 | 168,080 | 9,933 |
| Other financing sources (uses): | | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | 886,433 | - | - |
| Tax anticipation warrant repayments | - | - | - | - | (1,714,755) | - | - |
| Transfers in | - | - | 100,000 | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Other receipts | 25,041 | 123,312 | - | - | 437 | - | - |
| Total other financing sources (uses) | 25,041 | 123,312 | 100,000 | - | (827,885) | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 5,541 | 91,459 | 10,396 | (54,578) | (342,777) | 168,080 | 9,933 |
| Cash and investment fund balance - beginning | 182,278 | 92,395 | 116 | 204,967 | 377,630 | 846,287 | 122,278 |
| Cash and investment fund balance - ending | \$ 187,819 | \$ 183,854 | \$ 10,512 | \$ 150,389 | \$ 34,853 | \$ 1,014,367 | \$ 132,211 |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and investments | \$ - | \$ 183,854 | \$ 10,512 | \$ - | \$ 34,853 | \$ 1,014,367 | \$ - |
| Restricted assets: | | | | | | | |
| Cash and investments | 187,819 | - | - | 150,389 | - | - | 132,211 |
| Total cash and investment assets - ending | \$ 187,819 | \$ 183,854 | \$ 10,512 | \$ 150,389 | \$ 34,853 | \$ 1,014,367 | \$ 132,211 |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Restricted for: | | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 132,211 |
| Public safety | - | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - | - |
| Urban redevelopment and housing | 187,819 | - | - | 150,389 | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Unrestricted | - | 183,854 | 10,512 | - | 34,853 | 1,014,367 | - |
| Total cash and investment fund balance - ending | \$ 187,819 | \$ 183,854 | \$ 10,512 | \$ 150,389 | \$ 34,853 | \$ 1,014,367 | \$ 132,211 |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Genesis Center Operating | Leased Properties - Gary Building Corporation | State Air Grant | Hazardous Material | Lead Base Training | Dusable Apartments |
|---|--------------------------------|--|-----------------------|-----------------------|--------------------------|-----------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | 13,287 | - | - | - |
| Charges for services | 826,836 | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - |
| Other | 180 | 67,541 | - | - | - | - |
| Total receipts | 827,016 | 67,541 | 13,287 | - | - | - |
| Disbursements: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | 21,206 | - | - | - |
| Economic development | - | - | - | - | - | - |
| Culture and recreation | 762,151 | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | 1,000 | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Culture and recreation | 3,679 | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Total disbursements | 765,830 | - | 21,206 | 1,000 | - | - |
| Excess (deficiency) of receipts over disbursements | 61,186 | 67,541 | (7,919) | (1,000) | - | - |
| Other financing sources (uses): | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | - | - |
| Tax anticipation warrant repayments | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Other receipts | 2,735 | - | - | - | - | - |
| Total other financing sources (uses) | 2,735 | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 63,921 | 67,541 | (7,919) | (1,000) | - | - |
| Cash and investment fund balance - beginning | 26,441 | (804,504) | 45,625 | 6,969 | 3 | 5,240 |
| Cash and investment fund balance - ending | <u>\$ 90,362</u> | <u>\$ (736,963)</u> | <u>\$ 37,706</u> | <u>\$ 5,969</u> | <u>\$ 3</u> | <u>\$ 5,240</u> |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ 90,362 | \$ (736,963) | \$ - | \$ 5,969 | \$ 3 | \$ 5,240 |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | 37,706 | - | - | - |
| Total cash and investment assets - ending | <u>\$ 90,362</u> | <u>\$ (736,963)</u> | <u>\$ 37,706</u> | <u>\$ 5,969</u> | <u>\$ 3</u> | <u>\$ 5,240</u> |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | 37,706 | - | - | - |
| Economic development | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Unrestricted | 90,362 | (736,963) | - | 5,969 | 3 | 5,240 |
| Total cash and investment fund balance - ending | <u>\$ 90,362</u> | <u>\$ (736,963)</u> | <u>\$ 37,706</u> | <u>\$ 5,969</u> | <u>\$ 3</u> | <u>\$ 5,240</u> |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Economic Development Bond Commission | Crime Victim Assistance | Park And Recreation | Alcohol And Drug Treatment | New Birth Grant | Neighborhood Revitalization |
|---|---|-------------------------------|---------------------------|-------------------------------------|-----------------------|--------------------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ 1,902,679 | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | 76,845 | - | - | 282,815 |
| Charges for services | - | - | 29,646 | - | - | - |
| Fines and forfeits | 7,000 | - | - | - | - | - |
| Interfund loans | - | - | 450,000 | - | - | - |
| Other | 126 | - | 129 | - | - | - |
| Total receipts | 7,126 | - | 2,459,299 | - | - | 282,815 |
| Disbursements: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | 1,784 | - |
| Economic development | - | - | - | - | - | - |
| Culture and recreation | - | - | 1,997,429 | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | 190,389 |
| Interfund loans | - | - | 100,000 | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Total disbursements | - | - | 2,097,429 | - | 1,784 | 190,389 |
| Excess (deficiency) of receipts over disbursements | 7,126 | - | 361,870 | - | (1,784) | 92,426 |
| Other financing sources (uses): | | | | | | |
| Tax anticipation warrant proceeds | - | - | 1,573,049 | - | - | - |
| Tax anticipation warrant repayments | - | - | (2,007,706) | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Other receipts | - | - | 427 | - | - | - |
| Total other financing sources (uses) | - | - | (434,230) | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 7,126 | - | (72,360) | - | (1,784) | 92,426 |
| Cash and investment fund balance - beginning | 37,018 | 5,600 | 186,439 | 256,674 | 1,806 | - |
| Cash and investment fund balance - ending | <u>\$ 44,144</u> | <u>\$ 5,600</u> | <u>\$ 114,079</u> | <u>\$ 256,674</u> | <u>\$ 22</u> | <u>\$ 92,426</u> |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ 44,144 | \$ - | \$ 114,079 | \$ 256,674 | \$ 22 | \$ 92,426 |
| Restricted assets: | | | | | | |
| Cash and investments | - | 5,600 | - | - | - | - |
| Total cash and investment assets - ending | <u>\$ 44,144</u> | <u>\$ 5,600</u> | <u>\$ 114,079</u> | <u>\$ 256,674</u> | <u>\$ 22</u> | <u>\$ 92,426</u> |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ 5,600 | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Unrestricted | 44,144 | - | 114,079 | 256,674 | 22 | 92,426 |
| Total cash and investment fund balance - ending | <u>\$ 44,144</u> | <u>\$ 5,600</u> | <u>\$ 114,079</u> | <u>\$ 256,674</u> | <u>\$ 22</u> | <u>\$ 92,426</u> |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Boy Scouts | Remote Encoding Center | EDI Bar Code Center | Mayor Donations | Lakefront Development | Social Services |
|--|---------------|------------------------------|------------------------------|--------------------|--------------------------|--------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | 28 |
| Interfund loans | - | - | - | - | - | - |
| Other | - | 172,934 | - | - | - | 13,186 |
| Total receipts | - | 172,934 | - | - | - | 13,214 |
| Disbursements: | | | | | | |
| General government | - | - | - | 18,889 | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | 9,340 |
| Economic development | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Total disbursements | - | - | - | 18,889 | - | 9,340 |
| Excess (deficiency) of receipts over disbursements | - | 172,934 | - | (18,889) | - | 3,874 |
| Other financing sources (uses): | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | - | - |
| Tax anticipation warrant repayments | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | 172,934 | - | (18,889) | - | 3,874 |
| Cash and investment fund balance - beginning | 500 | 176,556 | 8,296 | 31,125 | 789 | 1,606 |
| Cash and investment fund balance - ending | <u>500</u> | <u>349,490</u> | <u>8,296</u> | <u>12,236</u> | <u>789</u> | <u>5,480</u> |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ 500 | \$ 349,490 | \$ 8,296 | \$ 12,236 | \$ 789 | \$ 5,480 |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | - | - | - | - |
| Total cash and investment assets - ending | <u>\$ 500</u> | <u>\$ 349,490</u> | <u>\$ 8,296</u> | <u>\$ 12,236</u> | <u>\$ 789</u> | <u>\$ 5,480</u> |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Unrestricted | 500 | 349,490 | 8,296 | 12,236 | 789 | 5,480 |
| Total cash and investment fund balance - ending | <u>\$ 500</u> | <u>\$ 349,490</u> | <u>\$ 8,296</u> | <u>\$ 12,236</u> | <u>\$ 789</u> | <u>\$ 5,480</u> |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Special Events | City Council Donations | Ambulance Nonreverting | Special Project Donations | Economic Development Trust | Community Development Loan Program |
|---|-------------------|------------------------------|---------------------------|---------------------------------|----------------------------------|---|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | 386,033 | - | - | - |
| Fines and forfeits | - | - | - | - | 2,790 | 105 |
| Interfund loans | - | - | - | - | - | - |
| Other | 10,090 | - | - | - | 38,042 | 3,862 |
| Total receipts | 10,090 | - | 386,033 | - | 40,832 | 3,967 |
| Disbursements: | | | | | | |
| General government | 9,192 | 6,391 | - | - | - | - |
| Public safety | - | - | 167,950 | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Economic development | - | - | - | - | 295,752 | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | 22,338 | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Total disbursements | 9,192 | 6,391 | 190,288 | - | 295,752 | - |
| Excess (deficiency) of receipts over disbursements | 898 | (6,391) | 195,745 | - | (254,920) | 3,967 |
| Other financing sources (uses): | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | - | - |
| Tax anticipation warrant repayments | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Other receipts | - | 277 | 711 | - | 10 | - |
| Total other financing sources (uses) | - | 277 | 711 | - | 10 | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 898 | (6,114) | 196,456 | - | (254,910) | 3,967 |
| Cash and investment fund balance - beginning | 1,806 | 29,324 | 13,170 | 4,420 | 921,047 | 12,065 |
| Cash and investment fund balance - ending | <u>\$ 2,704</u> | <u>\$ 23,210</u> | <u>\$ 209,626</u> | <u>\$ 4,420</u> | <u>\$ 666,137</u> | <u>\$ 16,032</u> |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ 2,704 | \$ 23,210 | \$ 209,626 | \$ 4,420 | \$ - | \$ - |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | - | - | 666,137 | 16,032 |
| Total cash and investment assets - ending | <u>\$ 2,704</u> | <u>\$ 23,210</u> | <u>\$ 209,626</u> | <u>\$ 4,420</u> | <u>\$ 666,137</u> | <u>\$ 16,032</u> |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Economic development | - | - | - | - | 666,137 | - |
| Urban redevelopment and housing | - | - | - | - | - | 16,032 |
| Debt service | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Unrestricted | 2,704 | 23,210 | 209,626 | 4,420 | - | - |
| Total cash and investment fund balance - ending | <u>\$ 2,704</u> | <u>\$ 23,210</u> | <u>\$ 209,626</u> | <u>\$ 4,420</u> | <u>\$ 666,137</u> | <u>\$ 16,032</u> |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Police Donations | Weed And Seed | Homeland Security | Human Relations | Metro Center | Fifth Third Lease |
|---|---------------------|---------------------|----------------------|--------------------|-----------------|-------------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | 138,411 | - |
| Fines and forfeits | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total receipts | - | - | - | - | 138,411 | - |
| Disbursements: | | | | | | |
| General government | - | - | - | - | 139,537 | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | 1,415,453 |
| Interest | - | - | - | - | - | 51,907 |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Total disbursements | - | - | - | - | 139,537 | 1,467,360 |
| Excess (deficiency) of receipts over disbursements | - | - | - | - | (1,126) | (1,467,360) |
| Other financing sources (uses): | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | - | - |
| Tax anticipation warrant repayments | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | 733,360 |
| Transfers out | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | 733,360 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | - | - | (1,126) | (734,000) |
| Cash and investment fund balance - beginning | 1,355 | 10,442 | 280 | 2,000 | 2,287 | 320 |
| Cash and investment fund balance - ending | <u>\$ 1,355</u> | <u>\$ 10,442</u> | <u>\$ 280</u> | <u>\$ 2,000</u> | <u>\$ 1,161</u> | <u>\$ (733,680)</u> |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ 1,355 | \$ - | \$ 280 | \$ 2,000 | \$ 1,161 | \$ (733,680) |
| Restricted assets: | | | | | | |
| Cash and investments | - | 10,442 | - | - | - | - |
| Total cash and investment assets - ending | <u>\$ 1,355</u> | <u>\$ 10,442</u> | <u>\$ 280</u> | <u>\$ 2,000</u> | <u>\$ 1,161</u> | <u>\$ (733,680)</u> |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | 10,442 | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Unrestricted | 1,355 | - | 280 | 2,000 | 1,161 | (733,680) |
| Total cash and investment fund balance - ending | <u>\$ 1,355</u> | <u>\$ 10,442</u> | <u>\$ 280</u> | <u>\$ 2,000</u> | <u>\$ 1,161</u> | <u>\$ (733,680)</u> |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | 2007 Judgment Funding Bonds | Cumulative Capital Development | Cumulative Capital Improvement | Baseball Maintenance | 15Th And Fulton Project | Burr Street Project |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------|----------------------------------|---------------------------|
| Receipts: | | | | | | |
| Taxes | \$ 353,099 | \$ 730,174 | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | 30,938 | 30,285 | 334,134 | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - |
| Other | 1,226 | - | 1 | 150,000 | - | 445 |
| Total receipts | 385,263 | 760,459 | 334,135 | 150,000 | - | 445 |
| Disbursements: | | | | | | |
| General government | - | 12,423 | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Culture and recreation | - | - | - | 158,439 | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | 124,828 | - | - | - | - | - |
| Capital outlay: | | | | | | |
| General government | - | 160,538 | 232,876 | - | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Total disbursements | 124,828 | 172,961 | 232,876 | 158,439 | - | - |
| Excess (deficiency) of receipts over disbursements | 260,435 | 587,498 | 101,259 | (8,439) | - | 445 |
| Other financing sources (uses): | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | - | - |
| Tax anticipation warrant repayments | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Other receipts | - | 1,400 | 2,347 | 130 | - | - |
| Total other financing sources (uses) | - | 1,400 | 2,347 | 130 | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 260,435 | 588,898 | 103,606 | (8,309) | - | 445 |
| Cash and investment fund balance - beginning | 85,256 | 135,539 | 507,418 | 8,309 | 3,459 | 151,401 |
| Cash and investment fund balance - ending | <u>\$ 345,691</u> | <u>\$ 724,437</u> | <u>\$ 611,024</u> | <u>\$ -</u> | <u>\$ 3,459</u> | <u>\$ 151,846</u> |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | | |
| Cash and investments | 345,691 | 724,437 | 611,024 | - | 3,459 | 151,846 |
| Total cash and investment assets - ending | <u>\$ 345,691</u> | <u>\$ 724,437</u> | <u>\$ 611,024</u> | <u>\$ -</u> | <u>\$ 3,459</u> | <u>\$ 151,846</u> |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Debt service | 345,691 | - | - | - | - | - |
| Capital outlay | - | 724,437 | 611,024 | - | 3,459 | 151,846 |
| Unrestricted | - | - | - | - | - | - |
| Total cash and investment fund balance - ending | <u>\$ 345,691</u> | <u>\$ 724,437</u> | <u>\$ 611,024</u> | <u>\$ -</u> | <u>\$ 3,459</u> | <u>\$ 151,846</u> |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Grant/Buchanan Street Project | Park Construction | Mainwater Project | Casino Capital | Clean Up/ Beautification | 911 Equipment |
|---|-------------------------------------|----------------------|----------------------|-------------------|--------------------------------|------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | 25,000 |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeits | - | 27 | - | - | - | - |
| Interfund loans | - | - | - | - | - | - |
| Other | 272 | 24,180 | - | - | 50,000 | - |
| Total receipts | 272 | 24,207 | - | - | 50,000 | 25,000 |
| Disbursements: | | | | | | |
| General government | - | - | - | - | 66,582 | - |
| Public safety | - | - | - | - | - | 7,923 |
| Highways and streets | 41,661 | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Culture and recreation | - | 5,278 | - | - | - | - |
| Urban redevelopment and housing | - | - | - | 73,275 | - | - |
| Interfund loans | - | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | 12,933 |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | 344,525 | - | - |
| Total disbursements | 41,661 | 5,278 | - | 417,800 | 66,582 | 20,856 |
| Excess (deficiency) of receipts over disbursements | (41,389) | 18,929 | - | (417,800) | (16,582) | 4,144 |
| Other financing sources (uses): | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | - | - |
| Tax anticipation warrant repayments | - | - | - | - | - | - |
| Transfers in | - | - | - | 311,015 | - | - |
| Transfers out | - | - | - | (817) | - | - |
| Other receipts | 47,913 | - | - | 2,500 | - | - |
| Total other financing sources (uses) | 47,913 | - | - | 312,698 | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 6,524 | 18,929 | - | (105,102) | (16,582) | 4,144 |
| Cash and investment fund balance - beginning | 72,507 | 4,392 | 72,577 | 105,102 | 23,197 | 2,496 |
| Cash and investment fund balance - ending | <u>\$ 79,031</u> | <u>\$ 23,321</u> | <u>\$ 72,577</u> | <u>\$ -</u> | <u>\$ 6,615</u> | <u>\$ 6,640</u> |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ 6,615 | \$ - |
| Restricted assets: | | | | | | |
| Cash and investments | 79,031 | 23,321 | 72,577 | - | - | 6,640 |
| Total cash and investment assets - ending | <u>\$ 79,031</u> | <u>\$ 23,321</u> | <u>\$ 72,577</u> | <u>\$ -</u> | <u>\$ 6,615</u> | <u>\$ 6,640</u> |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Capital outlay | 79,031 | 23,321 | 72,577 | - | - | 6,640 |
| Unrestricted | - | - | - | - | 6,615 | - |
| Total cash and investment fund balance - ending | <u>\$ 79,031</u> | <u>\$ 23,321</u> | <u>\$ 72,577</u> | <u>\$ -</u> | <u>\$ 6,615</u> | <u>\$ 6,640</u> |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Small Farms TIF District | Consolidated Area TIF District | Lakefront TIF District | 6Th Avenue & Broadway TIF District | TIF Replacement | Downtown Mall TIF District |
|---|-----------------------------------|---|------------------------------|--|--------------------|-------------------------------------|
| Receipts: | | | | | | |
| Taxes | \$ 56,664 | \$ 425,082 | \$ 2,521,192 | \$ 287 | \$ 210,425 | \$ 18,810 |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | 11,163 | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - |
| Interfund loans | - | 200,000 | 1,830,000 | 100,000 | 200,000 | - |
| Other | - | - | - | - | - | - |
| Total receipts | 56,664 | 625,082 | 4,351,192 | 100,287 | 421,588 | 18,810 |
| Disbursements: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | 29,300 | 361 | 170,412 | 29,267 | 111 |
| Interfund loans | - | - | 4,580,000 | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Total disbursements | - | 29,300 | 4,580,361 | 170,412 | 29,267 | 111 |
| Excess (deficiency) of receipts over disbursements | 56,664 | 595,782 | (229,169) | (70,125) | 392,321 | 18,699 |
| Other financing sources (uses): | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | - | - |
| Tax anticipation warrant repayments | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Other receipts | - | 4,069 | - | - | - | - |
| Total other financing sources (uses) | - | 4,069 | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 56,664 | 599,851 | (229,169) | (70,125) | 392,321 | 18,699 |
| Cash and investment fund balance - beginning | - | 121,967 | 267,974 | 98,795 | 141,570 | 9,055 |
| Cash and investment fund balance - ending | \$ 56,664 | \$ 721,818 | \$ 38,805 | \$ 28,670 | \$ 533,891 | \$ 27,754 |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | | |
| Cash and investments | 56,664 | 721,818 | 38,805 | 28,670 | 533,891 | 27,754 |
| Total cash and investment assets - ending | \$ 56,664 | \$ 721,818 | \$ 38,805 | \$ 28,670 | \$ 533,891 | \$ 27,754 |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Capital outlay | 56,664 | 721,818 | 38,805 | 28,670 | 533,891 | 27,754 |
| Unrestricted | - | - | - | - | - | - |
| Total cash and investment fund balance - ending | \$ 56,664 | \$ 721,818 | \$ 38,805 | \$ 28,670 | \$ 533,891 | \$ 27,754 |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Madison Avenue TIF District | Washington Manor TIF District | Consolidated Area Expansion TIF District | Midwest Center TIF District | Lancaster Dusable TIF District | Joint Public Safety Training |
|--|--------------------------------------|--|--|--------------------------------------|---|---------------------------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ 413 | \$ 191,134 | \$ 7,340 | \$ 243,801 | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - |
| Interfund loans | 350,000 | - | 400,000 | - | - | - |
| Other | - | - | - | - | - | 3,322 |
| Total receipts | 350,000 | 413 | 591,134 | 7,340 | 243,801 | 3,322 |
| Disbursements: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | 2,432 | 311 | 1,031 | 311 | - | - |
| Interfund loans | - | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal | 52,840 | - | - | - | 20,000 | - |
| Interest | 238,465 | - | - | - | 162,060 | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | 18,582 | - | - | - |
| Total disbursements | 293,737 | 311 | 19,613 | 311 | 182,060 | - |
| Excess (deficiency) of receipts over disbursements | 56,263 | 102 | 571,521 | 7,029 | 61,741 | 3,322 |
| Other financing sources (uses): | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | - | - |
| Tax anticipation warrant repayments | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 56,263 | 102 | 571,521 | 7,029 | 61,741 | 3,322 |
| Cash and investment fund balance - beginning | 120,541 | 938 | 168,994 | 23,438 | 53,575 | 8,019 |
| Cash and investment fund balance - ending | \$ 176,804 | \$ 1,040 | \$ 740,515 | \$ 30,467 | \$ 115,316 | \$ 11,341 |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | | |
| Cash and investments | 176,804 | 1,040 | 740,515 | 30,467 | 115,316 | 11,341 |
| Total cash and investment assets - ending | \$ 176,804 | \$ 1,040 | \$ 740,515 | \$ 30,467 | \$ 115,316 | \$ 11,341 |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Sanitation | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Capital outlay | 176,804 | 1,040 | 740,515 | 30,467 | 115,316 | 11,341 |
| Unrestricted | - | - | - | - | - | - |
| Total cash and investment fund balance - ending | \$ 176,804 | \$ 1,040 | \$ 740,515 | \$ 30,467 | \$ 115,316 | \$ 11,341 |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Dalton Arms TIF District | 165 Project | Major Moves Capital Projects | FEMA Grant Fire Department | County Market TIF District | Totals |
|--|-----------------------------------|----------------|---------------------------------------|-------------------------------------|-------------------------------------|----------------------|
| Receipts: | | | | | | |
| Taxes | \$ 169,466 | \$ - | \$ - | \$ - | \$ 359,821 | \$ 8,783,656 |
| Licenses and permits | - | - | - | - | - | 31,895 |
| Intergovernmental | - | - | - | - | - | 13,030,523 |
| Charges for services | - | - | - | - | - | 2,918,860 |
| Fines and forfeits | - | - | - | - | - | 516,270 |
| Interfund loans | - | - | - | - | - | 4,649,857 |
| Other | - | 21,000 | - | - | - | 968,637 |
| Total receipts | 169,466 | 21,000 | - | - | 359,821 | 30,899,698 |
| Disbursements: | | | | | | |
| General government | - | - | - | - | - | 661,235 |
| Public safety | - | - | - | 969 | - | 977,775 |
| Highways and streets | - | - | 56,250 | - | - | 4,546,811 |
| Sanitation | - | - | - | - | - | 666,268 |
| Health and welfare | - | - | - | - | - | 1,890,279 |
| Economic development | - | - | - | - | - | 1,150,184 |
| Culture and recreation | - | - | - | - | - | 4,929,818 |
| Urban redevelopment and housing | 2,469 | - | - | - | - | 5,664,631 |
| Interfund loans | - | - | - | - | - | 4,680,000 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | 1,566,477 |
| Interest | 88,767 | - | - | - | 359,821 | 1,026,579 |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | 436,037 |
| Public safety | - | - | - | - | - | 128,072 |
| Highways and streets | - | 21,000 | - | - | - | 21,000 |
| Sanitation | - | - | - | - | - | 66,953 |
| Health and welfare | - | - | - | - | - | 44,211 |
| Culture and recreation | - | - | - | - | - | 3,791 |
| Urban redevelopment and housing | - | - | - | - | - | 444,184 |
| Total disbursements | 91,236 | 21,000 | 56,250 | 969 | 359,821 | 28,904,305 |
| Excess (deficiency) of receipts over disbursements | 78,230 | - | (56,250) | (969) | - | 1,995,393 |
| Other financing sources (uses): | | | | | | |
| Tax anticipation warrant proceeds | - | - | - | - | - | 2,459,482 |
| Tax anticipation warrant repayments | - | - | - | - | - | (3,722,461) |
| Transfers in | - | - | - | - | - | 1,144,375 |
| Transfers out | - | - | - | - | - | (817) |
| Other receipts | - | - | - | - | - | 789,579 |
| Total other financing sources (uses) | - | - | - | - | - | 670,158 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 78,230 | - | (56,250) | (969) | - | 2,665,551 |
| Cash and investment fund balance - beginning | - | - | 595,041 | 54,967 | - | 8,675,299 |
| Cash and investment fund balance - ending | \$ 78,230 | \$ - | \$ 538,791 | \$ 53,998 | \$ - | \$ 11,340,850 |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,310,682 |
| Restricted assets: | | | | | | |
| Cash and investments | 78,230 | - | 538,791 | 53,998 | - | 10,030,168 |
| Total cash and investment assets - ending | \$ 78,230 | \$ - | \$ 538,791 | \$ 53,998 | \$ - | \$ 11,340,850 |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 236,741 |
| Public safety | - | - | - | - | - | 706,730 |
| Highways and streets | - | - | - | - | - | 1,072,046 |
| Sanitation | - | - | - | - | - | 1,592,820 |
| Health and welfare | - | - | - | - | - | 55,073 |
| Economic development | - | - | - | - | - | 804,690 |
| Urban redevelopment and housing | - | - | - | - | - | 389,938 |
| Debt service | - | - | - | - | - | 345,691 |
| Capital outlay | 78,230 | - | 538,791 | 53,998 | - | 4,826,439 |
| Unrestricted | - | - | - | - | - | 1,310,682 |
| Total cash and investment fund balance - ending | \$ 78,230 | \$ - | \$ 538,791 | \$ 53,998 | \$ - | \$ 11,340,850 |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 SANITARY DISTRICT FUNDS
 As of and for the Year Ended December 31, 2008

| | WWTP General Operating | Storm Water Management District | GSD And WREP Economic Development | Beach Act Grant | Beach Modeling | Beach Sampling | E-Coli |
|---|------------------------------|--|---|-----------------------|-------------------|-------------------|------------------|
| Operating receipts: | | | | | | | |
| Unmetered/flat rate | \$ 51,225 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Residential | 5,756,850 | - | - | - | - | - | - |
| Commercial | 7,206,584 | - | - | - | - | - | - |
| Industrial | 4,536,524 | - | - | - | - | - | - |
| Interfund loan proceeds | 4,020,000 | 895,000 | - | - | - | - | - |
| Miscellaneous | 18,420 | 12,029 | - | - | - | - | 30,000 |
| Total operating receipts | 21,589,603 | 907,029 | - | - | - | - | 30,000 |
| Operating disbursements: | | | | | | | |
| Operations and maintenance | 10,715,888 | - | - | - | - | - | - |
| Transmission and distribution | - | - | - | - | - | - | - |
| Customer accounts | 524,292 | - | - | - | - | - | - |
| Administration and general | 5,646,180 | 892,823 | 50,000 | - | - | - | 27,581 |
| Refunds | 56,630 | - | - | - | - | - | - |
| Equipment and capital improvements | 115,560 | - | - | - | - | - | - |
| Interfund loans made/repaid | 1,695,000 | 375,000 | - | - | - | - | - |
| Total operating disbursements | 18,753,550 | 1,267,823 | 50,000 | - | - | - | 27,581 |
| Excess (deficiency) of operating receipts over operating disbursements | 2,836,053 | (360,794) | (50,000) | - | - | - | 2,419 |
| Nonoperating receipts (disbursements): | | | | | | | |
| Property taxes | - | 1,098,567 | - | - | - | - | - |
| Intergovernmental | - | 33,971 | - | - | - | - | - |
| Investment income | 6,599 | 8,053 | 855 | - | - | 83 | 78 |
| Net proceeds from borrowings | - | - | - | - | - | - | - |
| Tax anticipation warrant proceeds | - | - | - | - | - | - | - |
| Tax anticipation warrant repayments | - | - | - | - | - | - | - |
| Refunds | 247,205 | 207 | - | - | - | - | - |
| Grants | - | 56,631 | - | - | - | - | 51,085 |
| Debt service of principal | - | - | - | - | - | - | - |
| Interest disbursements | - | - | - | - | - | - | - |
| Total nonoperating receipts (disbursements) | 253,804 | 1,197,429 | 855 | - | - | 83 | 51,163 |
| Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements) | 3,089,857 | 836,635 | (49,145) | - | - | 83 | 53,582 |
| Transfers in | 515,304 | 19,623 | - | - | - | - | - |
| Transfers out | (2,719,623) | (174,259) | - | (27,650) | (36,670) | (29,207) | (29,388) |
| Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out | 885,538 | 681,999 | (49,145) | (27,650) | (36,670) | (29,124) | 24,194 |
| Cash and investment fund balance - beginning | 1,803,129 | 666,055 | 66,234 | 27,650 | 36,670 | 30,207 | 1,101 |
| Cash and investment fund balance - ending | \$ 2,688,667 | \$ 1,348,054 | \$ 17,089 | \$ - | \$ - | \$ 1,083 | \$ 25,295 |
| Cash and Investment Assets - December 31 | | | | | | | |
| Cash and investments | \$ 2,688,667 | \$ 1,348,054 | \$ 17,089 | \$ - | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | | | |
| Cash and investments | - | - | - | - | - | 1,083 | 25,295 |
| Total cash and investment assets - December 31 | \$ 2,688,667 | \$ 1,348,054 | \$ 17,089 | \$ - | \$ - | \$ 1,083 | \$ 25,295 |
| Cash and Investment Fund Balance - December 31 | | | | | | | |
| Restricted for: | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other purposes | - | - | - | - | - | 1,083 | 25,295 |
| Unrestricted | 2,688,667 | 1,348,054 | 17,089 | - | - | - | - |
| Total cash and investment fund balance - December 31 | \$ 2,688,667 | \$ 1,348,054 | \$ 17,089 | \$ - | \$ - | \$ 1,083 | \$ 25,295 |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 SANITARY DISTRICT FUNDS
 As of and for the Year Ended December 31, 2008
 (Continued)

| | Lagoon Restoration | Marquette Park Lagoon | Storm Water Sewer Operating | Solid Waste Disposal | GSD/GSWMD Watershed Management Plan | Bond And Interest | Debt Service |
|---|-----------------------|-----------------------------|--------------------------------------|----------------------------|--|-------------------------|---------------------|
| Operating receipts: | | | | | | | |
| Unmetered/flat rate | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Residential | - | - | - | - | - | - | - |
| Commercial | - | - | - | - | - | - | 697,976 |
| Industrial | - | - | - | - | - | - | - |
| Interfund loan proceeds | - | - | 3,200,000 | 3,050,000 | - | - | - |
| Miscellaneous | - | - | 46 | - | - | - | - |
| Total operating receipts | - | - | 3,200,046 | 3,050,000 | - | - | 697,976 |
| Operating disbursements: | | | | | | | |
| Operations and maintenance | - | - | - | - | - | - | - |
| Transmission and distribution | - | - | - | - | - | - | - |
| Customer accounts | - | - | - | - | - | - | - |
| Administration and general | 24,028 | - | 3,263,004 | 4,527,964 | 68,035 | - | 1,617 |
| Refunds | - | - | - | - | - | - | - |
| Equipment and capital improvements | - | - | - | - | - | - | - |
| Interfund loans made/repaid | - | - | 2,440,000 | 5,075,000 | - | - | - |
| Total operating disbursements | 24,028 | - | 5,703,004 | 9,602,964 | 68,035 | - | 1,617 |
| Excess (deficiency) of operating receipts over operating disbursements | (24,028) | - | (2,502,958) | (6,552,964) | (68,035) | - | 696,359 |
| Nonoperating receipts (disbursements): | | | | | | | |
| Property taxes | - | - | 4,544,079 | 5,952,315 | - | - | 2,080,613 |
| Intergovernmental | - | - | 123,967 | 252,583 | - | - | 61,417 |
| Investment income | 486 | 593 | 1,031 | 2,186 | 626 | 6,861 | 2,481 |
| Net proceeds from borrowings | - | - | - | - | - | - | - |
| Tax anticipation warrant proceeds | - | - | - | 4,015,000 | - | - | 970,000 |
| Tax anticipation warrant repayments | - | - | - | (4,035,279) | - | - | (334,486) |
| Refunds | - | - | - | 2,255 | - | - | - |
| Grants | - | - | - | - | 54,747 | - | - |
| Debt service of principal | - | - | - | - | - | (1,080,000) | (2,039,227) |
| Interest disbursements | - | - | - | (46,308) | - | (248,405) | (517,700) |
| Total nonoperating receipts (disbursements) | 486 | 593 | 4,669,077 | 6,142,752 | 55,373 | (1,321,544) | 223,098 |
| Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements) | (23,542) | 593 | 2,166,119 | (410,212) | (12,662) | (1,321,544) | 919,457 |
| Transfers in | - | - | - | - | - | 1,200,000 | - |
| Transfers out | - | - | (87,130) | - | - | - | - |
| Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out | (23,542) | 593 | 2,078,989 | (410,212) | (12,662) | (121,544) | 919,457 |
| Cash and investment fund balance - beginning | 38,663 | 98,654 | 236,409 | 1,605,198 | 78,048 | 1,735,059 | 1,003,810 |
| Cash and investment fund balance - ending | \$ 15,121 | \$ 99,247 | \$ 2,315,398 | \$ 1,194,986 | \$ 65,386 | \$ 1,613,515 | \$ 1,923,267 |
| Cash and Investment Assets - December 31 | | | | | | | |
| Cash and investments | \$ - | \$ - | \$ 2,315,398 | \$ 1,194,986 | \$ 65,386 | \$ - | \$ - |
| Restricted assets: | | | | | | | |
| Cash and investments | 15,121 | 99,247 | - | - | - | 1,613,515 | 1,923,267 |
| Total cash and investment assets - December 31 | \$ 15,121 | \$ 99,247 | \$ 2,315,398 | \$ 1,194,986 | \$ 65,386 | \$ 1,613,515 | \$ 1,923,267 |
| Cash and Investment Fund Balance - December 31 | | | | | | | |
| Restricted for: | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,613,515 | \$ 1,923,267 |
| Other purposes | 15,121 | 99,247 | - | - | - | - | - |
| Unrestricted | - | - | 2,315,398 | 1,194,986 | 65,386 | - | - |
| Total cash and investment fund balance - December 31 | \$ 15,121 | \$ 99,247 | \$ 2,315,398 | \$ 1,194,986 | \$ 65,386 | \$ 1,613,515 | \$ 1,923,267 |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 SANITARY DISTRICT FUNDS
 As of and for the Year Ended December 31, 2008
 (Continued)

| | Debt Service Reserve | Capital Improvement | Equipment Replacement | Grand Calumet Sedimentation | Sewer Construction | State Revolving Fund (SRF) | Totals |
|---|----------------------------|------------------------|--------------------------|-----------------------------------|-----------------------|-------------------------------------|----------------------|
| Operating receipts: | | | | | | | |
| Unmetered/flat rate | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 51,225 |
| Residential | - | - | - | - | - | - | 5,756,850 |
| Commercial | - | - | - | - | - | - | 7,904,560 |
| Industrial | - | - | - | - | - | - | 4,536,524 |
| Interfund loan proceeds | - | - | 2,000,000 | - | 200,000 | - | 13,365,000 |
| Miscellaneous | - | - | 50,000 | - | - | - | 110,495 |
| Total operating receipts | - | - | 2,050,000 | - | 200,000 | - | 31,724,654 |
| Operating disbursements: | | | | | | | |
| Operations and maintenance | - | - | - | - | - | - | 10,715,888 |
| Transmission and distribution | - | - | - | - | 429,749 | 112,559 | 542,308 |
| Customer accounts | - | - | - | - | - | - | 524,292 |
| Administration and general | - | - | 133,152 | - | - | - | 14,634,384 |
| Refunds | - | - | - | - | - | - | 56,630 |
| Equipment and capital improvements | - | - | 1,005,747 | - | - | - | 1,121,307 |
| Interfund loans made/repaid | - | - | 1,700,000 | - | 80,000 | - | 11,365,000 |
| Total operating disbursements | - | - | 2,838,899 | - | 509,749 | 112,559 | 38,959,809 |
| Excess (deficiency) of operating receipts over operating disbursements | - | - | (788,899) | - | (309,749) | (112,559) | (7,235,155) |
| Nonoperating receipts (disbursements): | | | | | | | |
| Property taxes | - | - | - | - | - | - | 13,675,574 |
| Intergovernmental | - | - | - | - | - | - | 471,938 |
| Investment income | 41,211 | 479 | 1,302 | 84,491 | 7,327 | - | 164,742 |
| Net proceeds from borrowings | - | - | - | - | - | 112,559 | 112,559 |
| Tax anticipation warrant proceeds | - | - | - | - | - | - | 4,985,000 |
| Tax anticipation warrant repayments | - | - | - | - | - | - | (4,369,765) |
| Refunds | - | - | - | - | - | - | 249,667 |
| Grants | - | - | - | - | - | - | 162,463 |
| Debt service of principal | - | - | - | - | - | - | (3,119,227) |
| Interest disbursements | - | - | - | - | - | - | (812,413) |
| Total nonoperating receipts (disbursements) | 41,211 | 479 | 1,302 | 84,491 | 7,327 | 112,559 | 11,520,538 |
| Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements) | 41,211 | 479 | (787,597) | 84,491 | (302,422) | - | 4,285,383 |
| Transfers in | - | - | 1,500,000 | - | - | - | 3,234,927 |
| Transfers out | (131,000) | - | - | - | - | - | (3,234,927) |
| Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out | (89,789) | 479 | 712,403 | 84,491 | (302,422) | - | 4,285,383 |
| Cash and investment fund balance - beginning | 1,795,338 | 50,837 | 311,238 | 3,375,679 | 641,635 | - | 13,601,614 |
| Cash and investment fund balance - ending | \$ 1,705,549 | \$ 51,316 | \$ 1,023,641 | \$ 3,460,170 | \$ 339,213 | \$ - | \$ 17,886,997 |
| Cash and Investment Assets - December 31 | | | | | | | |
| Cash and investments | \$ - | \$ 51,316 | \$ 1,023,641 | \$ - | \$ 339,213 | \$ - | \$ 9,043,750 |
| Restricted assets: | | | | | | | |
| Cash and investments | 1,705,549 | - | - | 3,460,170 | - | - | 8,843,247 |
| Total cash and investment assets - December 31 | \$ 1,705,549 | \$ 51,316 | \$ 1,023,641 | \$ 3,460,170 | \$ 339,213 | \$ - | \$ 17,886,997 |
| Cash and Investment Fund Balance - December 31 | | | | | | | |
| Restricted for: | | | | | | | |
| Debt service | \$ 1,705,549 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,242,331 |
| Other purposes | - | - | - | 3,460,170 | - | - | 3,600,916 |
| Unrestricted | - | 51,316 | 1,023,641 | - | 339,213 | - | 9,043,750 |
| Total cash and investment fund balance - December 31 | \$ 1,705,549 | \$ 51,316 | \$ 1,023,641 | \$ 3,460,170 | \$ 339,213 | \$ - | \$ 17,886,997 |

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 INTERNAL SERVICE FUNDS
 As of and for the Year Ended December 31, 2008

| | <u>Self-Insurance</u> | <u>WCI/UCI Benefit</u> | <u>Totals</u> |
|---|---------------------------|----------------------------|---------------------------|
| Operating receipts: | | | |
| Employer contributions | \$ 8,844,498 | \$ 879,916 | \$ 9,724,414 |
| Employee contributions | 783,558 | - | 783,558 |
| Other | <u>502,626</u> | <u>25,005</u> | <u>527,631</u> |
| Total operating receipts | <u>10,130,682</u> | <u>904,921</u> | <u>11,035,603</u> |
| Operating disbursements: | | | |
| Insurance claims and premiums | 9,794,458 | 1,062,225 | 10,856,683 |
| Administrative and general | <u>110,401</u> | <u>-</u> | <u>110,401</u> |
| Total operating disbursements | <u>9,904,859</u> | <u>1,062,225</u> | <u>10,967,084</u> |
| Excess (deficiency) of receipts over disbursements | 225,823 | (157,304) | 68,519 |
| Cash and investment fund balance - beginning | <u>(1,240,658)</u> | <u>(335,696)</u> | <u>(1,576,354)</u> |
| Cash and investment fund balance - ending | <u>\$ (1,014,835)</u> | <u>\$ (493,000)</u> | <u>\$ (1,507,835)</u> |
| <u>Cash and Investment Assets - December 31</u> | | | |
| Cash and investments | <u>\$ (1,014,835)</u> | <u>\$ (493,000)</u> | <u>\$ (1,507,835)</u> |
| <u>Cash and Investment Fund Balance - December 31</u> | | | |
| Unrestricted | <u>\$ (1,014,835)</u> | <u>\$ (493,000)</u> | <u>\$ (1,507,835)</u> |

CITY OF GARY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2008

| | Police Pension | Fire Pension | Totals |
|--|-------------------|-----------------|--------------|
| Additions: | | | |
| Contributions: | | | |
| Employer | \$ 1,629,181 | \$ 2,027,790 | \$ 3,656,971 |
| State | 3,990,095 | 3,755,217 | 7,745,312 |
| Interfund loans | 730,000 | 250,000 | 980,000 |
| Total contributions | 6,349,276 | 6,033,007 | 12,382,283 |
| Investment receipts: | | | |
| Interest | 241 | 241 | 482 |
| Total additions | 6,349,517 | 6,033,248 | 12,382,765 |
| Deductions: | | | |
| Benefits | 5,486,237 | 5,529,072 | 11,015,309 |
| Administrative and general | 135,512 | 143,363 | 278,875 |
| Interfund loans | 580,000 | 400,000 | 980,000 |
| Total deductions | 6,201,749 | 6,072,435 | 12,274,184 |
| Excess (deficiency) of total additions over total deductions | 147,768 | (39,187) | 108,581 |
| Other financing sources (uses): | | | |
| Tax anticipation warrants proceeds | 1,361,716 | 1,958,961 | 3,320,677 |
| Tax anticipation warrants repayments | (1,542,743) | (2,333,940) | (3,876,683) |
| Other receipts | 6,327 | 5,786 | 12,113 |
| Total other financing sources (uses) | (174,700) | (369,193) | (543,893) |
| Excess (deficiency) of total additions and other financing sources over (under) total deductions and other financing uses | (26,932) | (408,380) | (435,312) |
| Cash and investment fund balance - beginning | 295,629 | 1,028,072 | 1,323,701 |
| Cash and investment fund balance - ending | \$ 268,697 | \$ 619,692 | \$ 888,389 |

CITY OF GARY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2008

| | Payroll | County Health | Empowerment Zone | NIMBOC Empowerment Zone | Empowerment Zone Revolving | Microloan | Empowerment Zone SBA Microloan |
|---|------------------|------------------|---------------------|-------------------------------|----------------------------------|------------------|---|
| Additions: | | | | | | | |
| Agency fund additions | \$ 18,209 | \$ 7,219 | \$ 6,226,508 | \$ 10,007 | \$ 270,837 | \$ 28,140 | \$ 50,663 |
| Deductions: | | | | | | | |
| Agency fund deductions | 9,137 | 9,364 | 6,277,141 | 11,271 | 3,512,818 | 78,633 | 53,740 |
| Excess (deficiency) of additions over deductions | 9,072 | (2,145) | (50,633) | (1,264) | (3,241,981) | (50,493) | (3,077) |
| Cash and investment fund balance - beginning | 57,947 | 2,175 | 140,468 | 1,870 | 3,572,788 | 130,043 | 31,478 |
| Cash and investment fund balance - ending | <u>\$ 67,019</u> | <u>\$ 30</u> | <u>\$ 89,835</u> | <u>\$ 606</u> | <u>\$ 330,807</u> | <u>\$ 79,550</u> | <u>\$ 28,401</u> |

CITY OF GARY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Empowerment Zone SBA Loss Reserve | Indiana Bond Bank | Regional Development Authority | Miscellaneous Refunds | Redevelopment Depository Trust | Withholdings | Supplemental Public Defender |
|---|---|-------------------------|--------------------------------------|--------------------------|--------------------------------------|---------------|------------------------------------|
| Additions: | | | | | | | |
| Agency fund additions | \$ 25,053 | \$ 26,825,980 | \$ 2,625,000 | \$ 1,055 | \$ 4,175 | \$ 25,263,861 | \$ 756 |
| Deductions: | | | | | | | |
| Agency fund deductions | 25,321 | 26,825,980 | 2,625,000 | - | 11,313 | 25,468,358 | - |
| Excess (deficiency) of additions over deductions | (268) | - | - | 1,055 | (7,138) | (204,497) | 756 |
| Cash and investment fund balance - beginning | 30,421 | - | - | 9,553 | 66,043 | 1,902,712 | 5,275 |
| Cash and investment fund balance - ending | \$ 30,153 | \$ - | \$ - | \$ 10,608 | \$ 58,905 | \$ 1,698,215 | \$ 6,031 |

CITY OF GARY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Salary Fee Judicial | Confiscated Property | IEDC Empowerment Zone | City Clerk - Civil Division | City Clerk - Criminal Division | Totals |
|---|---------------------------|-------------------------|-----------------------------|--------------------------------|-----------------------------------|---------------|
| Additions: | | | | | | |
| Agency fund additions | \$ 2,742 | \$ 92,463 | \$ 7,507 | \$ 194,497 | \$ 1,124,870 | \$ 62,779,542 |
| Deductions: | | | | | | |
| Agency fund deductions | - | 30,381 | 9,800 | 202,846 | 1,133,190 | 66,284,293 |
| Excess (deficiency) of additions over deductions | 2,742 | 62,082 | (2,293) | (8,349) | (8,320) | (3,504,751) |
| Cash and investment fund balance - beginning | 2,646 | 80,849 | 16,611 | 24,399 | 1,217,105 | 7,292,383 |
| Cash and investment fund balance - ending | \$ 5,388 | \$ 142,931 | \$ 14,318 | \$ 16,050 | \$ 1,208,785 | \$ 3,787,632 |

CITY OF GARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended December 31, 2008

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

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtracking (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>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 21,508,571 | \$ 95,699 | \$ 20,820 | \$ 21,583,450 |
| Construction in progress | 6,185,426 | 924,860 | - | 7,110,286 |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 134,722,009 | 283,615 | - | 135,005,624 |
| Buildings and improvements | 141,488,962 | 366,475 | - | 141,855,437 |
| Improvements other than buildings | 11,814,346 | - | - | 11,814,346 |
| Machinery and equipment | <u>44,553,057</u> | <u>456,717</u> | <u>2,400,454</u> | <u>42,609,320</u> |
| Total governmental activities, capital assets | <u>\$ 360,272,371</u> | <u>\$ 2,127,366</u> | <u>\$ 2,421,274</u> | <u>\$ 359,978,463</u> |
| | | | | |
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
| Business-type activities: | | | | |
| Sanitary District - Wastewater: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 453,204 | \$ 26,410 | \$ - | \$ 479,614 |
| Construction in progress | 2,432,002 | 1,890,331 | 3,457,774 | 864,559 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 102,050,106 | 39,634 | - | 102,089,740 |
| Transmission lines | 187,474,805 | 3,457,774 | - | 190,932,579 |
| Machinery and equipment | 59,123,871 | 325,595 | 1,045,314 | 58,404,152 |
| All other capital assets | <u>3,115,493</u> | <u>-</u> | <u>-</u> | <u>3,115,493</u> |
| Total Wastewater capital assets | <u>354,649,481</u> | <u>5,739,744</u> | <u>4,503,088</u> | <u>355,886,137</u> |
| | | | | |
| Sanitary District - Storm Water: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | 114,354 | - | - | 114,354 |
| Construction in progress | - | 460,824 | - | 460,824 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 1,367,825 | - | - | 1,367,825 |
| Transmission lines | 3,751,869 | - | - | 3,751,869 |
| Machinery and equipment | <u>258,620</u> | <u>-</u> | <u>-</u> | <u>258,620</u> |
| Total Storm Water capital assets | <u>5,492,668</u> | <u>460,824</u> | <u>-</u> | <u>5,953,492</u> |
| Total business-type activities, capital assets | <u>\$ 360,142,149</u> | <u>\$ 6,200,568</u> | <u>\$ 4,503,088</u> | <u>\$ 361,839,629</u> |

CITY OF GARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
For The Year Ended December 31, 2008

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|--|--------------------------------|---|
| Governmental activities: | | |
| Capital leases: | | |
| Fire Trucks, Cars, and Heavy Duty Lawn Equipment | \$ 491,969 | \$ 318,463 |
| Three Ten Ton Trucks, Salt Spreaders, Excavator & Accessories | 546,583 | 206,640 |
| Recycling Trucks | 280,543 | 78,915 |
| 2004 Circuit Breaker Loan | 2,777,743 | 2,374,903 |
| Use Agreement**** | 849,000 | 254,700 |
| Improving Neighborhoods Through Revitalization Revolving Loan | 462,173 | - |
| Bonds payable: | | |
| General obligation bonds: | | |
| 2007 Judgment Funding Bonds | 5,300,000 | 855,312 |
| Revenue bonds: | | |
| 2004A Redevelopment Authority Lease Rental Revenue Refunding Bonds* | 2,101,345 | 937,117 |
| 2004B Redevelopment Authority Lease Rental Revenue Refunding Bonds** | 4,927,274 | 2,196,883 |
| 2007 Redevelopment Authority Lease Rental Revenue Refunding Bonds | 1,464,356 | 412,415 |
| 2007A Multi Purpose Revenue Bonds | 3,640,000 | 1,128,300 |
| Taxable economic revenue bonds:*** | | |
| Madison Avenue Townhomes, 1996 | 176,804 | 176,804 |
| 25th and Grant St Project, 2004B | - | - |
| Lancaster Apartments, 2005 | 115,316 | 115,316 |
| Gary Progress Development, LLC - Dalton Arms Project, 2007 | 78,230 | 78,230 |
| Rolling Plains Properties, LLC - Truck City, 2007 | 56,664 | 56,664 |
| Total governmental activities long-term debt | <u>\$ 23,268,000</u> | <u>\$ 9,190,662</u> |
| Business-type activities: | | |
| Sanitary District: | | |
| Loans payable: | | |
| 1993 SRF Loan | \$ 5,066,000 | \$ 1,118,940 |
| 2000 SRF Loan | 8,117,745 | 1,115,000 |
| General obligation bonds: | | |
| 2003 Sanitary District Improvement Refunding Bonds | 6,335,000 | 1,435,100 |
| Total business-type activities long-term debt | <u>\$ 19,518,745</u> | <u>\$ 3,669,040</u> |

*Bond shall bear interest at a rate equal to eighty-three percent (83%) of the floating thirty day (30) Libor rate plus one hundred eight (108) basis points, thus, interest due within one year was not available.

**Bond shall bear interest at a rate equal to the floating thirty day (30) Libor rate plus one hundred eight (108) basis points, thus, interest due within one year was not available.

***The City issued several Taxable Economic Development Revenue Bonds to provide funds for the acquisition, development, and renovation of properties within the City. The bonds do not constitute a corporate obligation of the City, but constitute a special limited obligation of the government, payable solely from the tax increment financing (TIF) revenues. The City is not obligated to pay the debt service on the bonds from any source other than the TIF revenues. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the bonds. The City received \$829,752 TIF revenues during 2008 towards these Taxable Economic Development Revenue Bonds. Thus, the City is obligated to pay the debt service of the bonds up to \$427,014 which includes the current year TIF revenues in addition to the ending fund balance from the previous year. Therefore, the total of all the Taxable Economic Development Revenue Bonds was reported for the principal and interest payments due within one year of \$427,014.

****During 2002, the City entered into a use agreement with Broad Ridge Partners LLC for the utilization of parking and concourse areas for a period of 99 years. The City agreed to pay compensation for the use of the public improvements an annual amount payable in semi-annual installments over a period of 10 years totaling \$1,698,000.

CITY OF GARY
OTHER REPORTS

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

Drug Court
City Clerk

CITY OF GARY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The following lists the funds and overdrawn cash balances at December 31, 2008:

| Fund | 2008 |
|---|--------------|
| Major fund: | |
| General | \$ 6,374,231 |
| Other governmental funds: | |
| Protective Services Grant I | 1,044,251 |
| Emergency Shelter | 166,705 |
| Health and Human Services | 42,200 |
| Leased Properties - Gary Building Corporation | 736,963 |
| Fifth Third lease | 733,680 |
| Internal service funds: | |
| Self-Insurance | 1,014,835 |
| WCI/UCI Benefits | 493,000 |

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)

BUDGETS AND APPROPRIATIONS

Gaming Revenues Fund (277)

The Gaming Revenues Fund (277) is required to be budgeted by the Common Council. For 2007 and 2008, a new budget was not adopted; instead, unexpended appropriated balances from 2006 were carried forward to 2007 and 2008. Ordinances were adopted in 2008 for additional appropriations or reductions, as well as for transferring appropriations.

Some of the ordinances for transfers of appropriations for the Gaming Revenues Fund (277) involved transferring appropriations between funds instead of between line items within the same fund. Specifically, Ordinances 8206 and 8183 transfer appropriations in the cumulative amounts of \$20,000 and \$86,523, respectively, from Casino Capital Fund (477) to Gaming Revenues Fund (277). Then, Ordinance 8182 transfers \$30,000 from Gaming Revenues Fund (277) to Casino Capital Fund (477).

Unexpended and unobligated appropriations shall lapse at the close of the year. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

A claim of a prior year may be paid in the following year if the prior year's appropriation is properly encumbered and there are sufficient funds available. In order for funds to be encumbered, there must be an outstanding purchase order or contract that supports each encumbered item. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CITY OF GARY
 AUDIT RESULTS AND COMMENTS
 (Continued)

When proposing transfers from one department or office to another, in addition to an ordinance of the town council or common council authorizing such transfer, advertising to the taxpayers is required. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

IC 6-1.1-18-6 states:

"(a) The proper officers of a political subdivision may transfer money from one major budget classification to another within a department or office if:

- (1) they determine that the transfer is necessary;
- (2) the transfer does not require the expenditure of more money than the total amount set out in the budget as finally determined under this article; and
- (3) the transfer is made at a regular public meeting and by proper ordinance or resolution.

(b) A transfer may be made under this section without notice and without the approval of the department of local government finance."

Posting of Disbursements Against Appropriations

In some instances statutory authority is given to the city or town fiscal officer to make disbursements without an appropriation having been previously made for the specific purpose.

The following amounts were posted and paid from unappropriated line items, but should have been posted to appropriated line items:

| <u>Fund</u> | <u>Description</u> | <u>Amount</u> |
|-----------------------|---|---------------|
| Gaming Revenues (277) | Regional development authority payments | \$ 2,625,000 |
| General Fund | Employer payments to the Self-Insurance Fund | 1,322,025 |
| | Settlement agreement, land survey, study fees | 37,030 |

Also, within the Gaming Revenues Fund (277), \$7,000,000 was posted against the appropriation for City General: Other Services and Charges for "subsidies." These were actually transfers to other funds which should have been posted to unappropriated.

The above were corrected on the financial statements through audit adjustments.

Overdrawn Appropriations

After corrections for posting errors, the following lists the funds and amounts by which appropriations were overdrawn:

CITY OF GARY
 AUDIT RESULTS AND COMMENTS
 (Continued)

| Fund | 2008 |
|--------------------------------|--------------|
| General Fund | \$ 3,074,949 |
| Motor Vehicle Highway | 42,942 |
| Cumulative Capital Improvement | 136,727 |
| Fire Pension | 1,312,039 |
| Total | \$ 4,566,657 |

IC 6-1.1-18-4 states: "Except as otherwise provided in this chapter, 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."

ACCOUNTS PAYABLE VOUCHERS (CLAIMS)

Contracts

The City contracts with vendors for various goods and services. Most of the contracts indicate a maximum amount to be paid. Some indicate that the vendor will be paid a monthly amount, while others indicate the vendor should be submitting itemized invoices.

For some of the accounts payable vouchers where the vendors were to provide itemized invoices, such documentation was not provided. This included payments made to a vendor who provides security at the annex building, a janitorial service for the Metro Center, a painting contractor who performed work at a fire station, and to an organization that provides meals to the homeless and senior citizens.

For contracts indicating an amount not to exceed a maximum amount, one vendor submitted invoices charging an hourly rate of \$75.00; however, the contract did not address an hourly rate. Another vendor was to be paid an amount not to exceed \$978.50 biweekly. For most accounts payable vouchers presented for payment, \$978.50 was paid; however, the invoice provided for the accounts payable voucher tested, indicated a lesser amount paid for the entire biweekly period. Hours were not noted and services performed were not indicated. Based upon the invoice it could not be determined why the biweekly amount paid on other claims submitted for this vendor was not paid.

The contract for the attorney for the City Clerk indicated he would bill at an hourly rate of \$150 in addition to his \$3,000 monthly retainer; however, invoices showed he billed at an hourly rate of \$165.

The contract for professional services for the Gary Southshore Railcats for 2008 indicates that the City is responsible for payment of cleaning expenses at rates ranging from \$550 to \$1,500, but these are the only costs addressed in the contract to be reimbursed by the City. Claims paid show that the City is reimbursing Southshore Baseball, LLC for a director and two assistants and, based upon invoices, the City is also paying for various supplies.

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

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Approval of the Accounts Payable Vouchers

The Board of Public Works and Safety is responsible for approving all accounts payable vouchers prior to payment. The approval can be documented by signing each and every accounts payable voucher, or by signing an accounts payable voucher register (docket) which lists all of the vouchers. The docket is to be signed by all Board members attending the public meeting in which the vouchers are presented, and the signature page is to be dated. The dockets provided for audit were not dated on the signature page. Additionally, the vouchers were not approved until after they were paid.

Not all of the vouchers were included on the docket for approval by the Board. Most of the items not included were for payments through electronic transfers of funds, such as the payments on debt, remittances of taxes, etc. We also noted some checks which were not included on the docket, but the checks were not part of a regular vendor check run. For example, a payment to the Internal Revenue Service for penalties and interest paid due to an error made in 2006 and checks issued to Southshore Baseball, LLC to reimburse expenses per a contractual agreement were not included on a docket.

Finally, the original accounts payable voucher registers could not be located for audit for the period of January 1, 2008 through June 30, 2008.

IC 5-11-10-1(b) states: "No warrant or check shall be drawn by a disbursing officer in payment of any claim unless the same has been fully itemized and its correctness properly certified to by the claimant or some authorized person in the claimant's behalf, and filed and allowed as provided by law."

IC 5-11-10-1-6(c) states in part:

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

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Attaching Itemized Invoices

The controller allows departments to attach only the summary pages of phone bills, and charge account statements to the claims as long as the departments retain the itemized vendor invoices and detail pages. A request was made for some of the detail pages of a cellular phone bill for the council. The office manager for the council indicated that the detail pages had been discarded by an employee who is no longer employed by the City. A request was made to the City Court for supporting documentation for a SAM's Club charge statement. Itemized invoices were provided, but not all of them agreed to the charges on the statement. Additionally, the City has American Express credit cards for each council person, the Mayor, and the City Clerk. Prior audits included comments that itemized invoices were not attached to the claims, and could not be located for audit. Currently, the Mayor is the only official who is not attaching the itemized vendor invoices to the claims.

IC 5-11-10-1.6(c) states in part:

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

- (1) there is a fully itemized invoice or bill for the claim;

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer; . . ."

Other Concerns

The City has a vehicle maintenance department for which various car parts are purchased for repairs and maintenance of City owned vehicles; however, payments were also made to vendors for minor repairs on the Mayor's Hummer and to the Clerk's Crown Victoria.

Many items were paid from the Controller's Department of the General Fund which were not related to the Controller's office, including: phone bills for police, fire, data, and redevelopment (\$36,600); renewal of the commercial liability insurance policy for the baseball stadium (\$70,598); gas and electric utility bills for the annex building and street lighting (\$62,531 and \$112,811, respectively); water bills for the genesis center plaza and the historical society (\$3,960); car washes for police, fire, recycling, city court and council vehicles (two claims totaling \$10,720); reimbursement of stadium expenses per a contractual agreement (\$44,146); hydrant rental (\$95,685); the consolidated fuel tax (\$1,037); and home-bound meals per a contract (\$40,000). (It should be noted that the amounts presented above are not the totals of the amounts paid, but are based upon individual claims selected for testing.)

The City has not adopted an Ordinance in accordance with IC 36-1-3 which enables the City to pay for items considered promotional in nature.

The City applied to the Distressed Unit Board of the State for relief.

In 2007, the City spent \$500,218 from the General Fund for "Grants and Subsidies" or promotion of the City. From the Gaming Revenues Fund, \$275,373 was spent on promotion of the City.

In 2008, the amount spent for promotion was \$278,390 from the General Fund with the Council responsible for \$201,573 of the total. The balance of \$116,175 was paid from the Gaming Revenues Fund. All of the money spent from the Gaming Revenues Fund on promotion of the City is at the direction of the Council. In 2008, some of the promotion of the City expenditures included:

Donations to various churches, schools and other organizations, including donations toward "score tables," tickets for events such as dinners and advertisements in publications; food and beverages for the Skybox at the Railcats baseball stadium at various dates; partial payment for food and beverages for a council woman's suite at a Railcats game totaling \$600; and flowers for various individuals, totaling \$1,065 and sent from the City Clerk. Also included in the totals of the promotion from the Gaming Revenues Fund, although posted as contractual services, was \$75,000 in 2007, which was given to an organization for "rehab," and \$15,000 in 2008 which was paid to a vendor for recording and editing of a video of demolition projects performed in a specific district.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. IC 36-10-2-4 and 5 allow cities and towns to establish, aid, maintain, and operate libraries, museums, cultural historical and scientific facilities and programs, community service facilities and programs, neighborhood centers, community centers, civic centers, convention centers, auditorium, arenas, and stadiums. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

IC 36-7-2-7 states: "A unit may promote economic development and tourism."

IC 36-7-2-7 allows cities and towns to promote economic development and tourism. Such statute replaced a prior law which authorized cities and towns to budget and appropriate funds from the general fund to pay the expense of, or to reimburse city or town officials as the case may be, for expenses incurred in promoting the best interest of the city or town. Accordingly, a Home Rule ordinance needs to be adopted in accordance with IC 36-1-3 in order to enable a city or town to pay for such expenses. Additionally, an appropriation for such expenses must also be obtained. (Cities and Towns Bulletin and Uniform Compliance Guidelines, December 2005)

CREDIT CARDS AND TRAVEL

Despite the fact that the City has requested tax relief from the State, elected officials continue extensive travel to various meetings, as well as paying for meals to conduct business with other City employees, and paying travel expenses of an outside person to be the master of ceremonies at the Mayor's Inauguration. Additionally, travel arrangements have been cancelled by officials without regard to the cost to the City.

Specifically, some (and in some cases all) council members traveled: in June, to South Bend, Indiana, and to Rapid City, South Dakota; in July, to Atlanta, Georgia; in August, to Indianapolis, Indiana; in September, to Welches, Oregon; in October, to Indianapolis, Indiana; and, in November, to Orlando, Florida. Travel expenses include: registration fees for meetings; fees for luncheons, at the meetings, which are not deducted from per diem amounts claimed; and transportation expenses, which could involve rental cars, fuel, mileage, tolls, parking, and/or airfare, hotels and per diem (which, for council members, is paid at the rate of \$120 per day).

Additionally, Council member, Kyle Allen Sr., stayed at the Hyatt in Chicago at a cost of \$484.74 to attend the "Democratic National Conversation" from June 27 to June 30. The Democratic National Conversation is hosted by the Democratic Leadership Council (DLC). According to the website of the DLC, the DLC was formed a quarter of a century ago to "lead Democrats out of the political wilderness by winning back the nation's forgotten middle class."

The City Clerk, at least once a month, has a lunch meeting with her Chief Deputy to discuss personnel issues or office items at such local establishments as Ponderosa, Kenny's Ribs, Cracker Barrel, and Bennigan's.

The City paid travel expenses for an individual to fly from California, stay at the Raddison from January 24 to January 28, 2008, to act as the Master of Ceremonies at the Mayoral Inaugural Ball on January 26, 2008. A printed announcement for the Mayoral Inaugural Ball indicated the event was "Black Tie" and "Donation \$100 Make check payable to: The Friends of Mayor Rudy Clay."

From January 22 through 24, 2008, the Mayor was scheduled for a trip to Columbia, South Carolina through "FunJet Vacations" for himself and the Special Assistant to the Mayor, at a cost of \$1,724.80. The trip was subsequently cancelled. A memo from "FunJet Vacations" regarding a refund indicated that the airline would allow an exchange of the airline tickets by January 14, 2009. The airline tickets were purchased at \$657 each, and the airline would require an exchange fee of \$150 each. Documentation was provided on July 13, 2009, to show that the Mayor exchanged the tickets on January 5, 2009, for a personal vacation; thus, the City did not receive any type of credit on the credit card. On June 26, 2009, the City received a check from the Mayor in the amount of \$1,102.40 to reimburse the City for the cost of exchanged tickets. Therefore, the City lost \$622.40. (The initial charge of \$1,724.80 less

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

the \$1,102.40 reimbursed by the Mayor.) In September, the Mayor and his assistant had hotel reservations at the Hyatt in Washington DC from September 24 through 27. The two did not keep the reservations, but did not cancel until October 1, resulting in a cancellation fee for the two rooms totaling \$566.78. (It was indicated that the Mayor needed to attend a meeting in Indianapolis to discuss the Casino Riverboats during this time period.)

As reported in multiple prior reports, the individuals referenced above do not comply with the City's travel and credit card policies or the State's guidelines for use of credit cards. For example, several elected officials use their City credit cards for personal use. The bills are not paid timely, resulting in payment of late fees and penalties. Because the cards are used for personal use, in many cases, the City will not pay the full amount of the balance due. For some amounts paid, based upon invoices attached and credit card statements, neither we nor employees of the controller's office could determine how the amounts paid were derived or documented. Additionally, not all credit card statements are made available for audit. Several charges were made on the Mayor's Credit Card for meals at local restaurants including Gamba's in Merrillville, Beach Cafe' in Gary, and Leona's Calumet City, Illinois. In all cases, nothing is provided to indicate who dined with the Mayor or the business nature of the dinner. Per Section 2 of Ordinance 7286, in part: "Credit cards may be utilized by the above-referenced officials of the City of Gary for payment of expenses for city business only." Section 8 of the same Ordinance states: "The payment of late fees, penalties and/or interest, should they accrue, shall be the personal financial responsibility of the official of the City of Gary . . ." Section 5 of the Ordinance states: "Credit cards should not be utilized to by-pass the purchase order system." However, purchases of equipment were made with the credit cards.

All credit card claims paid by the City for 2008 for the Mayor were based upon the credit card statement. Vendor invoices were not attached to the claims. Upon request, the vendor invoices were provided by the Mayor's office, but many were acquired on or after the date of the request, as indicated by the fax date on the documentation provided. Some documentation provided was simply a memo from the vendor indicating that a charge was made to the Mayor's credit card on the date indicated. Also, documentation provided indicated that the City paid for the Mayor's wife's airline tickets for two trips taken in 2008. One trip was charged on June 13, 2008, for a flight to Dallas, Texas, and return. The second was charged on July 24, 2008, for a flight to Atlanta, Georgia, and return. Upon inquiry as to whether or not such expenses were reimbursed to the City by the Mayor, the Mayor issued a check to the City in the amount of \$750 to cover the cost of the airline tickets. The City received the check on June 25, 2009.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed: . . .

7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. . . . (Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The travel policies covering both elected officials and employees indicate that mileage will be reimbursed at the rate set by the Internal Revenue Service. For the period January 1 to June 30, 2008, the IRS rate was \$0.505, and from July 1 to December 31, 2008, the IRS rate was \$0.585. We observed mileage being paid at \$0.485 during 2008, and in one case the rate applicable starting at July 1 was paid for travel at the end of June. In accordance with the Policies and Procedures Section 4.0 for City employees, "To cover subsistence expenses, employees shall be entitled to a per diem in the amount of \$40.00 per day." Claims reviewed for council staff indicate that per diems in the amount of \$46 per day are being paid.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Credit card claims and travel claims were examined for the City Clerk and Council members for the period from June through December 2008. All of the 2008 credit card claims for the Mayor were examined. The Summary schedule summarizes the types of items charged by major categories, and the amounts paid by the City. It also shows amounts paid to the individuals for travel expenses reimbursed such as mileage and per diem. (See Summary, pages 100 and 101)

Finally, we examined credit card and travel claims paid from January 1, 2009 to April 30, 2009, to determine if any changes had been made. The Mayor is now attaching supporting documentation to the credit card statement which accompanies the claims. In March, most council members traveled to Washington DC for a conference, and a few attended a conference in Indianapolis. The total spent by the City on the credit cards and travel for these council persons to attend these functions was \$11,828.50.

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)

All claims, invoices, receipts, and accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim, may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC WORKS PROJECT - GENERAL SERVICES BUILDING

Original bids for the general services building were let in 2007. On July 24, 2007, all bids for the general services building were rejected. The October 3, 2007, Gary Board of Works minutes stated: "All original bids were rejected because they were too high. They went on the open market to solicit quotes." Sealed bids were not requested to be resubmitted. Contracts were awarded for this project, totaling \$1,412,324, from September 2007 through December 3, 2007, per the Gary Board of Works minutes. Some of the more significant contracts awarded were: Steel Erection, \$328,500; Concrete Work, \$250,740; HVAC (Heating and Cooling), \$171,450; Door Frames and Stud Walls, \$157,000; and Plumbing, \$139,280.

IC 36-1-12-4 (a) states in part:

"This section applies whenever the cost of a public work project will be:

- (1) at least seventy-five thousand dollars (\$75,000) in:
 - (A) a consolidated city or second class city; . . . or
- (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

IC 36-1-12-4 (b) states in part:

"The board must comply with the following procedure:

- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . .
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed."

PAY RATE CHANGES

The City uses a computerized accounting system for processing payroll. Rates of pay are entered into the system by the Human Resources Department based upon "Personnel Action Requests" (PAs). The PAs are initiated by the department to reflect any changes in positions that would result in a change of the rate of pay. For a change in pay to be made, a PA must be signed by the Mayor, Deputy Mayor, Chief of Staff, Controller, Human Resources Director, the Department Head, and the Employee. To view the pay changes entered by the Human Resources Department, a report can be generated by employee. The report is entitled, "Employee Position History."

During 2008, the Chief of Police retired. During 2008, he promoted four individuals from the position of Lieutenant to Commander. After he retired, the new Chief reinstated these individuals to the position of Lieutenant. A review of the Employee Position Histories did not reflect all of the changes made for all of these individuals. Additionally, PAs could not be provided for all of these individuals reflecting the changes made. Since the Employee Position History is the source of the rate of pay, it is not known how the amount paid to the employee could differ from the amount reported on the Employee Position History. Additionally, it could not be determined how changes were made per the Employee Position History when a PA could not be located. The Controller indicated that, most likely, the Human Resources Department is making the changes based upon "Payroll Transmittals" submitted by the departments to pay the bi-weekly payrolls. This bypasses the controls established by the City for entering and documenting approvals of changes to employee pay.

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

SALARY ORDINANCE

Salaries Not Established or Positions Not in Agreement

Salaries were not established by ordinance for the following departments:

Supplemental Adult Probation (242)
Youth Services Bureau (508)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Redevelopment (801)
Administration Office (2106)
Genesis Center Operating (2791)

The salary ordinances adopted by the City Common Council were not always adhered to.

Specifically, an employee in Support Services (258) was paid an hourly rate less than that established by the ordinance, and an employee in the General Services MVH (232) was paid more than the hourly rate approved in the salary ordinance. Some positions are being paid at an hourly rate, although they are listed as salaried in the ordinance.

The union agreements with the Police and Firefighters had an effective date of January 1, 2003 through December 31, 2003, but are still in use by the City.

Finally, several positions listed in the salary ordinance did not correspond to the employee positions listed in the personnel records and, in some cases, the salaries paid did not agree to either the salary listed for that position, or to any of the salaries listed for any of the positions for that department. The following schedule illustrates some examples:

| Department | Position Listed for Employee | Salary Hourly Wage Paid | Position(s) per Salary Ordinance | Hourly Wage per Salary Ordinance |
|--|---|-------------------------|---|----------------------------------|
| City Court | Pauper Attorney | \$ 20,008 | Pauper Attorney | \$ 15,775 |
| | | | Public Defender | 20,008 |
| | | | Public Defender | 17,500 |
| | | | Public Defender | 15,775 |
| Maintenance (General Services) | Custodian I | 22,946 | Custodian | 22,394 |
| | | | Custodian | 22,946 |
| | | | Custodian (Marquette, Tolleston, or Ambridge Mann) | 20,961 |
| | | | Custodian (Floater) | 20,500 |
| Various Dept. Boards Building | Commissioner Public Works Inspector | \$50/meeting 30,000 | Commissioner | 618 |
| | | | Building Inspector | 28,026 |
| | | | Electric/Plumbing/Heating | 28,026 |
| | | | Inspector Specialist | 30,000 |
| Solid Waste Recycling II | Supervisor | 35,797 | Superintendent | 44,016 |
| | | | Foreman | 35,797 |
| General Services - MVH | Driver I | 28,364 | Six-Wheel Driver | 28,364 |
| | | | Driver II | 26,667 |
| Home Program Administration | Director | 29,086 | CD Administrator | 29,086 |
| | | | Monitoring System Manager | 21,528 |
| Support Services | Supervision Specialist | 31,919 | Animal Control Supervisor | 31,919 |
| | | | Communications Supervisor | 29,005 |
| | | | Assistant Supervisor | 26,008 |
| Ambulance Services | Advance EMT | 39,234 | EMT | 34,584 |
| | | | EMT - 1 | 39,492 |
| | | | EMT - A | 37,492 |
| | | | Shelter Director | 28,522 |
| Title XX | Executive Director | 41,986 | Caseworker/Advocate | 20,000 |
| | | | Project Aide | 21,807 |
| ICJI | Administrative Aide | 24,736 | Volunteer Coordinator | 23,111 |
| | | | Shelter Director | 28,522 |
| | | | Operation Manager | 36,000 |
| | | | Site Supervisor | 4,500 |
| Admin. I Summer and Evening Recreation | Program Coordinator Program Specialist | 40,000 \$8/hr. | Site Supervisor | 17,500 |
| | | | Site Supervisor | 17,500 |

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 36-4-7-3 (b) states in part: "Subject to the approval of the city legislative body, the city executive shall fix the compensation of each appointive officer, deputy, and other employee of the city. The legislative body may reduce but may not increase any compensation fixed by the executive. . . ." (Applies to City Officers, Deputies and Employees, excludes Police Officers and Firefighters)

IC 36-4-7-5 states: "Salaries of city officers and employees shall be scheduled as provided in the budget classifications prescribed by the State Board of Accounts."

IC 36-8-3-3 (d) states in part:

"The annual compensation of all members of the police and fire departments and other appointees shall be fixed by ordinance of the legislative body not later than September 30 of each year for the ensuing budget year. The ordinance may grade the members of the departments and regulate their pay by rank as well as by length of service.

Mayor's Compensation to Salary Ordinance

The Mayor (City Executive) ordered a 20% reduction in pay for all City officers, deputies, and employees because the City was facing a \$13 million shortfall, and was expected to run out of money by October 1, if the cuts were not implemented. The Mayor also imposed the reduction on his own salary. Other elected officials including the City Clerk and Judge did not reduce their salaries or the salaries of their officers, deputies, and employees. (Police, Fire, and department employees funded by grants were not affected by the reduction.) Based upon a comment entitled, "Payroll Deficiencies" in the Audit Report of the City issued for the period of January 1, 2007 to December 31, 2007, it was stated that the Mayor was underpaid \$21,837.53 for the year 2007 because he was not paid in accordance with the Mayor's Salary approved by the Sanitary District Board of Commissioners. Thus, the Sanitary District performed an analysis of his payroll, from his first day of appointment to replace former Mayor King (April 7, 2006) to the pay ending November 21, 2008, and determined his overall underpayment. Additionally, the City and Sanitary District agreed to comply with IC 36-4-7-2 (c), which had the effect of denying the 20% reduction in compensation imposed earlier in the year upon the Mayor's salary, resulting in additional compensation (\$55,961.57) to the Mayor on his December 5, 2008, paycheck. However, when the Sanitary District computed the overall underpayment, they based his 2006 payment on a salary of \$52,500 as opposed to \$54,075. Also, on his first paycheck issued in 2006, he was paid for an additional week he had not worked. These errors were corrected on his April 10, 2009, pay check, which resulted in additional compensation of \$2,803.53. The Sanitary District portion of the Mayor's salary, as well as the salaries of other elected officials, deputies, officers, and employees of the Sanitary District, is not approved by the City Common Council (Legislative Body).

IC 36-4-7-3 (c) states: "Compensation fixed under this section may not be increased during the budget year for which it is fixed, but may be reduced by the executive." (Applies to City Officers, Deputies and Employees, excludes Police Officers and Firefighters)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

IC 36-4-7-2 states:

"(a) As used in this section, 'compensation' means the total of all money paid to an elected city officer for performing duties as a city officer, regardless of the source of funds from which the money is paid.

(b) The city legislative body shall, by ordinance, fix the annual compensation of all elected city officers. The ordinance must be published under IC 5-3-1, with the first publication at least thirty (30) days before final passage by the legislative body.

(c) The compensation of an elected city officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

PAYROLL REPORTS

The City electronically processes payroll. When payroll is completed biweekly, a "Final Payroll Register" (Register) for that pay period is generated. The register is compiled by department. The register reports the detail payroll information including gross wages, deductions, and net pay for each employee of each department. It also reports the overall totals by department.

The payroll clerk also generates a "Payroll Gross Pay Distribution" (Distribution) report each pay period. This report provides the support for the posting of the payroll to the various funds and accounts of the City. It provides a listing of each employee paid from a specific fund, account and department, as well as overall totals posted to each fund, account and department.

Essentially, the total gross wages reported for a department listed on the register should agree to the total gross wages reported as posted on the distribution report; however, this is not the case for nine departments.

For example, the register reports two employees as being paid from the Mayor's Department, but the distribution report shows the payroll for one as being paid from General Services, and the other from Support Services; all are departments within the General Fund. In another case, two employees were listed in the register as being paid from the Cops in School Fund, but the distribution report shows that their wages were posted to the General Fund.

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Information generated in one computer application system and transferred to another computer application system must be accurate and complete. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

EMPLOYEE SERVICE RECORDS

According to the Collective Bargaining Agreement between the City of Gary and the American Federation of State, County, and Municipal Employees, Council 62 Local 3491-01 Article 12.2 states: "Employees shall earn one sick day per calendar month. Unused sick leave will continue to be available to employees as long as they are employed in a full time capacity." Article 9 states: "Employees shall be entitled to vacations in accordance with the following schedule:"

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

| <u>Years</u> | <u>Working Days per Year</u> |
|--------------|------------------------------|
| 1-5 | 10 |
| 6-10 | 15 |
| 11-20 | 20 |
| 21+ | 25 |

(For some departments, such as Police and Fire, a different policy is in place with varying leave accrual rates.)

Employee earnings records show that the City is not complying with the leave policy. Employees hired by the City in 2008 earned vacation leave in 2008. Some other employees were credited with five fewer vacation days than they were entitled to, based upon the number of years of service. A couple of employees were not credited with one sick day per month; one was credited with two days for the entire year, while the other was credited with eight days. Some employees are credited with vacation leave earned all in one month, while the majority earn the leave monthly. This is also true for sick leave accruals. Furthermore, the "full time leave accrual" date recorded on the Employee Service record was not consistent with the "Hire Date" or "Benefit Accrual Date" recorded in the electronic personnel file which is maintained by the Human Resources Department. In the five cases where the date was not consistent, the differences were measured in years ranging from one to forty-six years. In all five cases the "Hire Date" from the electronic personnel file was used to compute leave accruals.

Compensatory time is earned and used by employees; however, compensatory leave is not always being posted to the employee service records.

According to City officials, at the end of year all Employee Service Records are to be returned to the Human Resources Department. Not all departments are providing the records to the Human Resources Department including the Police Department, Fire Department, Street Department, and City Clerk.

The Fire Commission Administrative Assistant indicated she has never maintained a time sheet and her employee service record, which was not provided to the Human Resources Department at the end of the year, was destroyed by water.

Employee service records for Fire Department employees were turned over to the Deputy Mayor. A review of some records for employees who had resigned during the year did not support amounts paid on final checks. For example, per the minutes of the Board of Works, an employee who resigned effective June 20, 2008, was actually paid through July 18, 2008, the date indicated on his employee service record as his final date worked. Another employee resigned effective September 4, 2008, per the minutes of the Board of Works. He received a full paycheck on August 1, which covered through July 20, 2008. Then, he did not receive another paycheck until September 12 and again on September 26. Both checks had deductions from the gross amount paid which, when combined, had the effect of reducing his pay by one full pay check. According to the documentation attached to the payroll reports, it was indicated to "dock." The Payroll Clerk for the Fire Department indicated that he was suspended without pay. The Employee Service Record shows "AWOL" from July 19 through September 2. The Payroll Clerk for the Fire Department indicated that all other records he had were destroyed; thus, it cannot be determined as to why this individual received pay for a period when he was listed on his service record to be "AWOL."

Elected officials are not maintaining time sheets or employee service records, as they are not required to maintain such records; however, some other employees are not maintaining time sheets or employee service records as required, such as the Pauper Attorney and the City Code Referee. Additionally, employee service records are not being maintained for part-time employees.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Finally, instances were noted where the time sheets provided did not agree to the information recorded on the employee service record within the law department, city operations, administrative support, and general services. For example, vacation time may have been shown on the time sheet, but the employee service record showed the employee as having worked.

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)

This form (Employee's Service Record, General Form 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 is to reflect 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.

In those few instances where elected officials choose to be included in an employee benefit policy (and were included in the authorizing ordinance), the officials must maintain proper attendance records (the same as all other city and town employees). (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

CAPITAL ASSET RECORDS

A review of additions and deletions posted for 2008 noted the following:

1. City Hall bathroom renovations for \$41,000 were posted as additions to building and improvements and another \$49,565 was included as additions to construction in progress. Thus, a determination if the project was completed in 2008 could not be made. Also, if the project was completed in 2008, then the value of the old bathrooms was not included as a deletion and removed from the capital asset inventory so the value of the City's capital assets would not be overstated.
2. The additions for machinery and equipment were determined to include items which were not in accordance with the City's Capital Asset Policy which states: "Equipment items having an individual cost of \$5,000 or more shall be capitalized as well as sensitive items such as computers, communication, and video equipment. All computers and/or all items costing less than \$5,000 but more than \$1,000 will be classified as non-capitalized items in the Fixed Asset Management System." Additions of items having an individual cost less than \$5,000 totaled \$61,831 and included such things as cameras, portable radios, video supplies, IPODs, print cartridges, DVDs, headphones, printers, CD-Rs, DVD-Rs, CD sleeves, memory cards, camcorders, vacuum, tripods, labels, professional development cassette tapes, lamps, and chairs.
3. The additions for machinery and equipment also included a \$78,915 capital lease payment for four recycling trucks. The capital lease payments should not be an addition to the capital asset ledger. The additions detail should have reflected four recycling trucks separately; three 2007 GMC Model 6500 with a value of \$101,730 each and another 2007 GMC Model 5500 for \$53,537 for a total of \$358,727.
4. The City purchased a 1993 International Truck with plow and dump for \$6,640 which should have been capitalized, but was not.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

5. The building and improvements category of capital assets included additions for roof repairs (\$90,846), roof replacements (\$159,134), and ADA repairs to elevators (\$75,495). These items could have been recorded as repairs and maintenance and not capitalized; however, since they were capitalized, the assets replaced should have been recorded as capital asset deletions. Thus, the value of the City's capital assets inventory is overstated.

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

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)

OFFICIAL BONDS

1. Official Bond 68658721 for the City Controller, City Clerk, and blanket position bond coverage has been a continuous bond from 1997.

IC 5-4-1-9 states: "An officer required to give an official bond shall give the bond before the commencement of his term of office. If the officer fails to give the bond before that time, the officer may not take office."

Based upon language contained in Indiana Code 5-4-1-9, it is our audit position that an official bond written to cover an elected city or town officer's term of office would satisfy the bonding requirements in IC 5-4-1-18. If such official is subsequently reelected, it is our audit position that a new bond be acquired in lieu of a continuation certificate. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2004)

2. Official Bond 68658721 has the City of Gary as the Obligee. All official bonds are to be made payable to the State of Indiana.

IC 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

3. The City Judge has a \$5,000 official bond. The amount of the bond should have been \$8,500 to satisfy the bonding requirements in IC 5-4-1-18(c). (As of July 1, 2009, the minimum amount of the bond is increased to \$15,000.)

Prior to its amendment, effective July 1, 2009, IC 5-4-1-18(c) stated in part: ". . . The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than eight thousand five hundred dollars (\$8,500)."

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

TEMPORARY TRANSFER OF FUNDS

The following temporary transfers between certain funds have been outstanding since 2006:

| <u>Loan To</u> | <u>Loan From</u> | Loans Outstanding January 1, 2008 | Loans | Repayments | Loans Outstanding December 31, 2008 |
|--------------------------|--------------------------|--|---------------------|----------------------|--|
| General | Gaming Revenues | \$ 3,245,000 | \$ - | \$ 3,245,000 | \$ - |
| | Other governmental funds | 3,244,857 | 4,000,000 | 3,189,857 | 4,055,000 |
| | Proprietary funds | 14,497,127 | - | 2,000,000 | 12,497,127 |
| Other governmental funds | Gaming Revenues | 100,000 | 880,000 | 100,000 | 880,000 |
| | Other governmental funds | 290,000 | - | - | 290,000 |
| | All others | 37,500 | - | - | 37,500 |
| Pension trust funds | Other governmental funds | - | 580,000 | 580,000 | - |
| | Pension trust funds | - | 400,000 | - | 400,000 |
| Proprietary funds | Proprietary funds | <u>10,465,000</u> | <u>1,075,000</u> | <u>8,790,000</u> | <u>2,750,000</u> |
| Totals | | <u>\$ 31,879,484</u> | <u>\$ 6,935,000</u> | <u>\$ 17,904,857</u> | <u>\$ 20,909,627</u> |

IC 36-1-8-4 concerning temporary transfers, states in part:

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

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

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

TEMPORARY TRANSFERS OF FUNDS AT THE SANITARY DISTRICT

Review of the temporary transfers (loans) made in 2008 disclosed that a number of them were made from various funds prior to board approval. The four loans were issued anywhere between one week and just over two months prior to board approval.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Temporary transfers (loans) were made from the Gary Sanitary District (District) to the City in 2006. An emergency was declared and the loans were extended by resolution until June 30, 2007. On July 24, 2007, the District Board passed two resolutions. Resolution 07-21 accepted repayment of the loan from the City for \$15,497,127, and Resolution 07-23 reestablished another loan for \$14,497,127; however, the only financial transaction posted to the records and bank accounts was the repayment of \$1,000,000.

The loan for \$14,497,127 was extended again by Resolution 07-43 until June 30, 2008. On January 8, 2008, the District Board approved Resolution 08-04 accepting a \$2,000,000 repayment toward the balance of the loan. The same events then occurred in 2008. On July 8, 2008, the District Board approved Resolution 08-32 approving repayment of \$12,497,127. Resolution 08-33, passed on July 8, 2008, issued a loan of \$12,497,127 from Sanitary District WWTP General Operating Fund (670), Sanitary District Capital Improvement (420), and Sanitary District Capital Replacement (435) to the City of Gary. No financial transactions were posted to the records except for the \$2,000,000 repayment from January 8, 2008.

The District Board declared another emergency with Resolution 08-58 and the loan was extended until June 30, 2009. As of July 16, 2009, the loan balance, from the Sanitary District to the City, remaining unpaid is \$12,497,127. The City General Fund owes the Sanitary District WWTP General Operating Fund (670) \$2,000,000; the Sanitary District Capital Improvement Fund (420) \$1,500,000, and the Sanitary District Capital Replacement Fund (435) \$8,997,127.

Three other loans were issued in 2007 and extended to 2008. One for \$2,350,000, another for \$400,000, and a third for \$200,000 that were extended to June 30, 2008. On June 24, 2008, the District Board approved Resolutions 08-26, 08-27, and 08-28 authorizing repayment of the loans of \$400,000, \$200,000, and \$2,350,000, respectively. The District Board then issued three more resolutions, 08-29, 08-30, and 08-31, issuing loans of \$2,350,000, \$400,000, and \$200,000, respectively. The District Board approved Resolution 08-56 on December 23, 2008, authorizing repayment of the loan for \$200,000. No financial transactions were posted to the records regarding the \$2,350,000 and \$400,000 loans. The District Board declared emergencies with Resolutions 08-59 and 08-60 and extended the loans of \$2,350,000 and \$400,000 until June 30, 2009. As of July 16, 2007, the Sanitary District Capital Replacement Fund owes the Sanitary District WWTP General Operating Fund \$1,150,000, (which is the net of two of the three loans between the funds) and the Sanitary District Capital Replacement Fund (435) owes Sewer Construction Fund (433) \$800,000.

The District Board approved Resolution SD07-42 on December 11, 2007, authorizing repayment of a loan of \$1,500,000 between the Sewer Operating Fund (671) and the Solid Waste Disposal Fund (672). Although this was approved on December 11, 2007, prior to the loan repayment date of December 31, 2007, the financial transaction was not posted to the records until January 15, 2008.

IC 36-1-8-4 concerning temporary transfers, states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

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

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

GARBAGE COLLECTION CONTRACT AND FEES

On August 20, 2008, the Mayor of the City of Gary and the Special Administrator of the Gary Sanitary District issued an Executive Order determining that an emergency exists and authorizing the Sanitary District to negotiate a contract for the provision of solid waste collection services pursuant to IC 36-1-12-9. On August 26, 2008, the Sanitary District Board of Commissioners approved an amendment to the agreement between the Gary Sanitary District and Allied Waste Services for additional services to be performed, as needed, in an amount not to exceed \$100,000. The minutes did not indicate any other company was invited to bid or provide a quote.

On October 14, 2008, the Sanitary District Board of Commissioners adopted Resolution 08-41 concerning a residential rate for the garbage collection system, with an effective date of January 1, 2009. All residential property and multi-family units with less than four units will be charged \$12 per month per residential unit. Senior Citizens and disabled homeowners will be charged \$7 per month. This fee was to be included on the Sanitary District bills.

On February 3, 2009, a Superior Court Judge declared null and void the contract for solid waste collections and disposal between the Sanitary District and Allied Waste Services since the Sanitary District did not advertise for bids. The Sanitary District has appealed the Judge's ruling. On March 25, 2009, the Judge also ruled that the garbage collection fee should stand if it is approved by the Common Council of the City of Gary. The Indiana Utility Regulatory Commission (IURC) issued an emergency order in April 2009 to prevent any water shut-offs until it can investigate the situation.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

In May 2009, bid specifications were prepared and a new contract for garbage collection was advertised. Bids were received by June 2, 2009, and opened on June 9. Allied Waste Systems was determined to be the lowest most responsive bidder, and was awarded the bid; however, the contract was not approved until July 17, 2009.

On May 26, 2009, the Judge ruled that the garbage collection fee is unauthorized and all money collected on the fee should be refunded or credited, because the City Council had not adopted an Ordinance to establish the fee. The City was required to show compliance by a hearing date of July 9; however, a continuance was granted. The Judge awarded attorney fees of \$7,500 to the Plaintiffs.

On June 2, 2009, the Common Council delayed a vote on the garbage collection fee. For the benefit of the citizens, Allied Waste Services continued to pick up the garbage as scheduled until July 12, 2009, when the City Council voted to stop garbage pickup. Finally, on July 21, 2009, the Common Council voted to accept the contract with Allied Waste Services and they approved the Ordinance to adopt the garbage collection fee retroactive to January 1, 2009.

IC 36-9-30-5 states in part:

"(b) A unit may contract with any business or institution for the collection and disposal of industrial, commercial, or institutional solid waste. All fees collected by the unit shall be deposited in the treasury of the unit for the administration, operation, and maintenance of the solid waste collection and disposal project. . . ."

"(d) If a contract executed under subsection (a) or (b) will yield a gross revenue to a contractor (other than a governmental entity) of at least twenty-five thousand dollars (\$25,000) during the time it is in effect, then the unit must comply with Indiana Code 36-1-12-4 in awarding the contract. The unit shall require the bidder to submit a financial statement, a statement of experience, the bidder's proposed plan or plans for performing the contract, and the equipment that the bidder has available for the performance of the contract."

IC 36-1-12-9 states:

"(a) The board, upon a declaration of emergency, may contract for a public work project without advertising for bids if bids or quotes are invited from at least two (2) persons known to deal in the public work required to be done.

(b) The minutes of the board must show the declaration of emergency and the names of the persons invited to bid or provide quotes."

IC 36-9-25-11 states in part: "(c) However, fees related to property that is subject to full taxation do not take effect until they have been approved by ordinance of the municipal legislative body or, in the case of a district described in section 3(b)(2) of this chapter, under section 11.3 of this chapter."

GARY SANITARY DISTRICT CONTRACTS

The Gary Sanitary District (District) disbursed \$35,230.69 and \$47,735.32 to the Clerk of the Court, United States District Court, Northern District of Indiana, Hammond Division, for services provided by Enterprise Properties in 2008. The payments were originally to Enterprise Properties but were cancelled and reissued due to lawsuits against the owner of Enterprise Properties.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

The invoices were sent to the City of Gary since the work performed was for the City of Gary; however, City officials instructed the District officials to pay these invoices for tree debris removal. The rate charged on this project was \$37.68 per "quantity," where the "quantity" was not specified. The rate in the 2007 and 2008 contract between the District and Enterprise Properties for compost services is \$3.90 per ton. No contracts were awarded by the City of Gary Board of Public Works and Safety during 2008 for Enterprise Properties.

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

GARY SANITARY DISTRICT COLLECTION OF AMOUNTS DUE

As noted in the prior report, the Gary Sanitary District (District) entered into contractual agreements with other governmental agencies for the repayment of a State Revolving Fund Loan. The District has not collected the agreed upon capital contributions for the repayment of the loans from the Hobart Sanitary District and the City of Lake Station. As of December 31, 2008, \$607,055.37 (including \$44,967.06 in additional interest for late payment) is the balance due from the Hobart Sanitary District. As of December 31, 2008, \$102,530.32 (including \$7,594.84 in additional interest for late payment) is the balance due from the City of Lake Station.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

GARY SANITARY DISTRICT EMERGENCY PUBLIC WORKS PROJECTS

The following was noted related to various emergency "cave-in" projects:

1. A majority of these projects were called "emergency cave-ins" but the Board did not formally declare an emergency and did not always document in the minutes the cause for the emergency.
2. Two disbursements totaling \$53,010 posted in the ledger and classified as emergency "cave-in" projects could not be traced to the Board minutes for authorization in either 2007 or 2008.
3. One project was awarded on February 26, 2007, but work was not performed until March 2008. This was in excess of one year after the project was awarded. United Water paid the contractor on April 25, 2008. The Gary Sanitary District (GSD) received the invoice from United Water on November 11, 2008, and paid it on December 4, 2008.
4. Another project was awarded June 12, 2007, but the work was not completed until November 2007. United Water paid the contractor on March 24, 2008. GSD received the invoice from United Water on August 20, 2008 paid it on August 27, 2008.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

IC 36-1-12-9 states:

"(a) The board, upon a declaration of emergency, may contract for a public work project without advertising for bids if bids or quotes are invited from at least two (2) persons known to deal in the public work required to be done.

(b) The minutes of the board must show the declaration of emergency and the names of the persons invited to bid or provide quotes."

IC 36-1-12-4.7 states in part: ". . . (3) The board shall award the contract for the public work to the lowest responsible and responsive quoter."

Memoranda (minutes) of the meeting shall include the following items: . . . (3) The general substance of all matters proposed, discussed, or decided . . . (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The Encarta Dictionary defines emergency as "sudden crisis requiring action, an unexpected and sudden event that must be dealt with urgently."

GARY SANITARY DISTRICT TRAVEL EXPENSE

Two employees of the Gary Sanitary District (District) attended an Airport Business Conference on May 31, June 1, and June 2, 2008. The hotel, travel, and food costs for the conference totaled \$2,895.62. The conference was for workers of small, minority operated businesses that set up airport kiosks. The District has an employee manual that indicates travel expense must be in connection with the performance of duties on behalf of the District.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

GARY SANITARY DISTRICT VIDEO RECORDING CONTRACT

The 2008 contract between the Gary Sanitary District and Rudy Clay, Jr., was not to exceed \$30,000. A total of \$37,201.25 was paid on that contract. Therefore, payments exceeded the contract by \$7,201.25.

Payments on the 2009 contract, according to invoices, were made at a rate of \$150 per meeting; however, the contract stipulated compensation at a rate of \$200 per meeting. In 2009, the accounts payable vouchers are not adequately supported by detailed invoices.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

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

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Because the term "itemized" has not been defined in the Indiana Code, we have recommended the following as a guide to local officials responsible for the approval and payment of claims:

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)

POLICE DEPARTMENT DEPOSITS

In a review of the receipts issued for payments by mail at the Police Department it was noted that at times it took up to 15 days from the date the receipt was issued to remit the money to the Controller's Office.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

IC 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or town; and (2) approved as depositories of state funds."

OVERPAYMENT OF SEVERANCE PAY

The former Deputy Chief of Police retired on January 2, 2009. On his final paycheck, he received severance pay in the amount of \$49,006.29. The former Police Chief retired on March 10, 2009, and received \$100,000 in severance pay. Per the Collective Bargaining Agreement between the City of Gary and the Fraternal Order of Police:

"Employees terminating employment with at least (20) twenty years of service shall be entitled to the following:

- A. Paid for any vested vacation.
- B. Paid for any compensatory time up to a maximum of four hundred and eighty (480) hours of compensatory time at the employee's current rate of pay.
- C. Paid for 90 days terminal leave. . . ."

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Regarding vacation the Agreement states in part: "Vacation time must be used during the calendar year in which it is credited unless approved by the Chief of Police or his/her designee."

For the Former Deputy Police Chief

The City computed the severance pay based upon 51 days of unused vacation time, 534.5 hours of compensatory time, and 90 days of terminal leave.

As of December 31, 2008, the Deputy had 21 vacation days that were carried forward to 2009. He was also credited with 30 additional days in accordance with the Agreement; thus, the City's use of 51 days. However, documentation could not be provided to indicate that the Chief of Police or his designee had approved the carryover. If it was determined that the Deputy Chief was only entitled to the 30 vacation days, he was overpaid by \$6,353.49. If the Deputy Chief was entitled to be paid for the full 51 days, he was still overpaid \$1,614.29 based upon being paid for 54.5 hours of compensatory time that exceeded the maximum allowed by the agreement.

For the Former Police Chief

The City computed the severance pay based upon 96 days of unused vacation time, 506.5 hours of compensatory time, and 90 days of terminal leave.

If it was determined that the former Police Chief was only entitled to the 30 vacation days, he was overpaid by \$27,925.62. If the former Police Chief was entitled to be paid for the full 96 days of unused vacation time, he was still overpaid \$1,334.54 based upon being paid for 26.5 hours of compensatory time that exceeded the maximum allowed by the agreement.

Officials indicated that they had believed that the Chief, Deputy, and certain other management type positions were exempt from this part of the agreement; however, another agreement applicable to these individuals could not be provided for audit.

Documentation attached to the computations of severance pay calculations verified by the Internal Auditor indicated that the City Attorney believed it to be a violation of the fair labor standards law not to pay all of the compensatory time earned.

Each governmental unit should adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PARK DEPARTMENT FEES

Security fees are collected for rental of park pavilions. Contracts for rental of the Marquette Park Pavilion include the security fee. The Park and Recreation Department also charged security fees at their other pavilions; however, the security fee has not been approved by the Park and Recreation Board.

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

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

PARK DEPARTMENT UNTIMELY DEPOSITS

Collections were not always deposited daily as required. Gleason Golf Course collections for green fees and driving range fees were deposited between four and seven days after the receipt date. Marquette Park Pavilion receipts were deposited up to six days after the receipt date. In addition, deposit information from Marquette Park receipts was not remitted to the City Controller for up to twenty days.

IC 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds . . ."

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)

PARK DEPARTMENT INTERNAL CONTROLS

Prenumbered tickets are used as the receipt for parking. These tickets are not issued in numerical order; therefore, we could not verify the accountability of parking revenue.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

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

PARK DEPARTMENT LACK OF CONTRACT

The South Gleason Golf Course Pro Shop is operated by the golf course manager, a City employee. The manager purchases and sells all of the supplies, pays the taxes, and keeps all of the profits from the Pro Shop. No financial records for Pro Shop transactions were available for audit. There is no contract between the Gary Park and Recreation Department and the course manager regarding operation of the Pro Shop.

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

EMERGENCY MEDICAL SERVICES NO WRITE-OFF POLICY

The Emergency Medical Services Department of the City does not have a written policy for the write-off of delinquent accounts.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible.

ECONOMIC DEVELOPMENT COMMISSION AND REDEVELOPMENT
AUTHORITY DID NOT ORGANIZE

The Economic Development Commission met three times in 2008 with the first meeting on June 26. No meetings have been held in 2009 through May 29. An annual organizational meeting was not held during 2008 or 2009.

IC 36-7-12-12(a) states: "An economic development commission shall meet within thirty (30) days after its original appointment, at a time and place designated by the executive of the unit, for the purpose of organization and shall meet to reorganize in February of each succeeding year."

The Redevelopment Authority Board has not met since October 25, 2006. An annual organizational meeting was not held during 2007, 2008 or 2009.

IC 36-7-14.5-9 states in part:

"(a) Immediately after January 15 of each year, the board shall hold an organizational meeting. It shall elect one (1) of the members president, another vice president, and another secretary-treasurer to perform the duties of those offices. These officers serve from the date of their election and until their successors are elected and qualified. The board may elect an assistant secretary-treasurer."

LEASE RENTALS AT THE REDEVELOPMENT DEPARTMENT

The City of Gary Redevelopment Commission (Commission) is responsible for leasing office space at a building owned by the City. The Commission had tenants in 2008 without leases. The Lamar Company's lease expired May 1, 2006, and the Boys and Girls Club lease expired September 14, 2008. Lamar Company's last payment in the amount of \$2,500 was made on May 2, 2007; however, the Commission returned the check to Lamar Company because the lease had expired. The Boys and Girls Club continued making payments on their lease until January 1, 2008. Subsequent payments were not made because they were awaiting roof and floor repairs based upon a letter in the file. Both tenants are currently in negotiations with the Commission and the tenants are still occupying their office space or land parcel.

The Commission is not charging the late payment fees outlined in the original signed contracts. Of the total lease payments made, 65% of them were paid past the due date and no late charges were assessed. The Gary, East Chicago, Hammond Empowerment Zone did not make any lease payments in 2008 and the entity was not contacted about this until May 18, 2009. Sport Scope made their January lease payment in March and failed to pay any of the other eleven monthly payments. The Commission wrote Sport Scope a letter, on May 18, 2009, concerning the unpaid lease payments. A similar comment appeared in the prior report.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

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

METRO CENTER LEDGER OF RECEIPTS, DISBURSEMENTS, AND BALANCES

The Metro Center does not use the prescribed City or Town Form 208, Ledger of Receipts, Disbursements and Balances, or an approved alternative form to account for the activity of the Metro Center. A spreadsheet is used that shows monthly revenue and expenses and a net profit/loss amount; however, no monthly cash balance is calculated.

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)

METRO CENTER BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not performed for 2008.

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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)

METRO CENTER RECEIPT ACTIVITIES

1. Receipts were not issued for some rent collections.
2. In four of five months reviewed, some receipts were not written in sequential order and were not issued at the time of collection.
3. Collection sheets are prepared for daily parking fees.
 - a. For fifteen days reviewed, the daily collection sheets and receipts did not agree; however, receipts agreed to the amounts deposited, indicating that receipts are written based upon deposit amounts. Differences ranged from a cash short of \$20.00 to a cash long of \$22.26, with most differences being cash short.
 - b. For twelve days reviewed, there were no collection sheets to support the amounts receipted or deposited.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

4. Collection boxes with numbers correlating to parking spots are used for collecting daily parking fees. Payment of parking fees relies on the honor system. There is no penalty if parking fees are not paid.
5. If parking is required for an extended period, the car owner must contact and pay the security guard. During 2008, no receipts were issued at the time of collection; however, in 2009, the security guard has begun writing receipts. The amounts are remitted periodically by security for deposit, with no documentation to support the completeness or accuracy of collections.

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

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

METRO CENTER LEASES

The City of Gary Board of Works approves, sets the rates, and signs the Metro Center leases. The copies of the leases for the tenants could not be provided for audit. As stated in prior audit reports, the leases for tenants were expired but the rent is still being collected at the original rates, except for two tenants. For the two tenants, rent collected exceeds the last known lease rate. Several leases have been expired for as long as 13 years. Records are not maintained in a manner to allow verification of rent payment activity for each tenant, as there was no subsidiary ledger presented for each tenant.

IC 36-4-6-18 states: "The legislative body may pass ordinances, orders, resolutions, and motions for the government of the city, the control of the city's property and finances, and the appropriation of money."

POLICE AND FIRE PENSION DEATH BENEFIT

The death benefit provided to beneficiaries of the deceased pensioners has not been included in an ordinance. The minimum allowed by law is the amount being paid, but it has not been set by ordinance.

Also, the statute setting the minimum at \$12,000 had an effective date of July 1, 2008; however, two firefighter death benefits of \$12,000 each were paid in May 2008. Another firefighter death benefit paid after this date, but before July 1, was \$9,000.

IC 36-8-6-9.8 (b) states: "The 1925 fund shall be used to pay funeral benefits to the heirs or estate of an active or a retired member of the police department who has died from any cause, in an amount fixed by ordinance, but at least twelve thousand dollars (\$12,000)."

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

LACK OF INFORMATION IN FIRE PENSION BOARD MINUTES

An "Application for Participation in the Deferred Retirement Option Plan (DROP)" was filed by one retiree indicating a "DROP entry date" of April 20, 2004, and a "DROP Retirement Date" of January 1, 2008. Per the application, the "DROP Retirement Date must be 12-36 months after the DROP Entry Date"; thus, the dates indicated on the application exceeded the 36 month period. Benefits for this retiree were based upon a "DROP entry date" of April 20, 2005. The Fire Pension Secretary indicated an error was made by the retiree on the application; however, the minutes do not provide a record of such information.

Also, the minutes of the Fire Pension Board do not mention all members becoming deceased. Of the eleven members who died during the audit period, only one was mentioned in the minutes.

IC 36-8-7-7(c) states: "The local board shall make all rules necessary for the discharge of its duties and shall hear and determine all applications for relief or pensions under this chapter."

CITY OF GARY
SUMMARY OF TRAVEL EXPENSES OF ELECTED OFFICIALS

| | Mayor Clay 01-01-08 to 12-31-08 | Suzette Raggs 06-01-08 to 12-31-08 | Carolyn Rogers 06-01-08 to 12-31-08 | Shirley Stanford 06-01-08 to 12-31-08 | Ronier Scott 06-01-08 to 12-31-08 | Kimberly Robinson 06-01-08 to 12-31-08 | Rachelle Ceaser 06-01-08 to 12-31-08 |
|---|---------------------------------------|--|---|---|---|--|--|
| Local meals | \$ 891.81 | \$ 516.20 | \$ - | \$ - | \$ 41.00 | \$ - | \$ 271.74 |
| Postage | - | 51.15 | - | - | - | - | 255.00 |
| Registration fees | - | - | 1,180.00 | 865.00 | 1,520.00 | 980.00 | 1,360.00 |
| Airfares | 2,617.00 | 623.00 | - | 2,562.95 | 1,261.31 | 2,172.92 | 944.00 |
| Spouse expenses | 750.00 | - | - | - | - | - | - |
| Parking, tolls, shuttles, taxi | 240.00 | 99.00 | 11.00 | 62.00 | 146.00 | 354.00 | 58.00 |
| Hotels | 5,955.59 | 1,190.25 | 783.04 | 3,639.14 | 2,098.41 | 1,580.23 | 2,109.90 |
| Meals in travel | 1,142.11 | 50.17 | - | - | - | 194.27 | 115.97 |
| Annual fees | - | 300.00 | 55.00 | 55.00 | 55.00 | - | 55.00 |
| Late fees or delinquency charges | - | - | 87.00 | - | - | 29.00 | 109.94 |
| Fuel | 140.14 | 141.49 | 152.26 | - | - | - | 17.01 |
| Goods | 58.28 | 168.50 | - | - | - | - | 1,110.28 |
| Flight changes and/or cancellation fees | 566.78 | - | - | - | - | - | - |
| Car rental | - | - | - | - | - | - | 434.25 |
| Unidentified expenses | - | - | - | - | - | 346.17 | (4.80) |
| Personal | - | 691.95 | 807.99 | - | - | 747.00 | - |
| Unknown not paid by City | - | - | - | (32.40) | - | - | - |
| Totals | 12,361.71 | 3,831.71 | 3,076.29 | 7,151.69 | 5,121.72 | 6,403.59 | 6,836.29 |
| Less: Personal documented as paid by official | - | 691.95 | 807.99 | - | - | 747.00 | - |
| Remaining balance | 12,361.71 | 3,139.76 | 2,268.30 | 7,151.69 | 5,121.72 | 5,656.59 | 6,836.29 |
| Total paid on credit cards from City travel | 12,361.71 | 3,139.76 | 2,268.30 | 7,151.69 | 5,121.72 | 4,156.32 | 6,716.63 |
| Difference | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,500.27 | \$ 119.66 |
| Per diem, mileage and parking paid to officials | \$ - | \$ - | \$ 953.55 | \$ 2,472.54 | \$ 645.63 | \$ 1,629.54 | \$ - |
| Total paid from City travel through credit cards and reimbursements | \$ 12,361.71 | \$ 3,139.76 | \$ 3,221.85 | \$ 9,624.23 | \$ 5,767.35 | \$ 5,785.86 | \$ 6,716.63 |

CITY OF GARY
SUMMARY OF TRAVEL EXPENSES OF ELECTED OFFICIALS
(Continued)

| | Mary Brown 06-01-08 to 12-31-08 | Marilyn Krusas 06-01-08 to 12-31-08 | Kyle Allen 06-01-08 to 12-31-08 | Roy Pratt 06-01-08 to 12-31-08 | Ragen Hatcher 06-01-08 to 12-31-08 | Totals |
|---|---------------------------------------|---|---------------------------------------|--------------------------------------|--|---------------------|
| Local meals | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,720.75 |
| Postage | - | - | - | - | - | 306.15 |
| Registration fees | 1,275.00 | 762.56 | 1,436.40 | 715.00 | 200.00 | 10,293.96 |
| Airfares | 1,102.00 | 1,533.01 | 1,245.00 | 599.50 | - | 14,660.69 |
| Spouse expenses | - | - | - | - | - | 750.00 |
| Parking, tolls, shuttles, taxi | 116.00 | 330.00 | 162.00 | - | - | 1,578.00 |
| Hotels | 3,953.62 | 5,447.99 | 484.74 | 1,829.50 | 1,841.43 | 30,913.84 |
| Meals in travel | - | 208.53 | - | - | 217.66 | 1,928.71 |
| Annual fees | 110.00 | 55.00 | - | 55.00 | - | 740.00 |
| Late fees or delinquency charges | - | - | - | - | - | 225.94 |
| Fuel | - | 69.03 | - | - | 591.95 | 1,111.88 |
| Goods | - | 18.50 | - | - | 32.08 | 1,387.64 |
| Flight changes and/or cancellation fees | - | 150.00 | - | - | - | 716.78 |
| Car rental | - | - | - | - | 240.04 | 674.29 |
| Unidentified expenses | - | - | 20.00 | - | - | 361.37 |
| Personal | - | - | 1,847.94 | - | - | 4,094.88 |
| Unknown NOT paid by City | - | - | - | - | - | (32.40) |
| Totals | 6,556.62 | 8,574.62 | 5,196.08 | 3,199.00 | 3,123.16 | 71,432.48 |
| Less: Personal documented as paid by official | - | - | 1,847.94 | - | - | 4,094.88 |
| Remaining balance | 6,556.62 | 8,574.62 | 3,348.14 | 3,199.00 | 3,123.16 | 67,337.60 |
| Total paid on credit cards from City travel | <u>6,263.99</u> | <u>8,555.14</u> | <u>3,111.46</u> | <u>3,199.00</u> | <u>2,605.56</u> | <u>64,651.28</u> |
| Difference | <u>\$ 292.63</u> | <u>\$ 19.48</u> | <u>\$ 236.68</u> | <u>\$ -</u> | <u>\$ 517.60</u> | <u>\$ 2,686.32</u> |
| Per diem, mileage and parking paid to officials | <u>\$ 2,702.39</u> | <u>\$ 4,423.73</u> | <u>\$ 2,040.49</u> | <u>\$ 2,031.80</u> | <u>\$ 1,460.98</u> | <u>\$ 18,360.65</u> |
| Total paid from City travel through credit cards and reimbursements | <u>\$ 8,966.38</u> | <u>\$ 12,978.87</u> | <u>\$ 5,151.95</u> | <u>\$ 5,230.80</u> | <u>\$ 4,066.54</u> | <u>\$ 83,011.93</u> |

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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

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

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

Compliance

We have audited the compliance of the City of Gary (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. 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.

Except as discussed in the following two paragraphs, 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.

We were unable to obtain sufficient documentation supporting the compliance of the City with Brownfields Assessment and Cleanup Cooperative Agreements regarding payment of prevailing wages under the Davis-Bacon Act, meeting matching requirements, and special tests and provisions regarding the employment of minority and women based enterprises. Furthermore, we were unable to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures as described in items 2008-3 through 2008-5.

We were unable to obtain sufficient supporting documentation to validate amounts claimed for reimbursement as well as to substantiate compliance with allowable costs regarding the Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program as described in item 2008-6.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the City's compliance with the requirements of Brownfields Assessment and Cleanup Cooperative Agreements regarding payment of prevailing wages under the Davis-Bacon Act, meeting matching requirements, and special tests and provisions regarding the employment of minority and women based enterprises and the City's compliance with allowable cost requirements of the Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program, the City complied, in all material respects, with the requirements referred to above that are

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)

applicable to each of its other major federal programs for the year ended December 31, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2008-1 and 2008-2.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 2008-1 and 2008-3 through 2008-6 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. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2008-1, 2008-3, 2008-5, and 2008-6 to be material weaknesses.

The City's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. 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, the Common Council, the Board of Public Works and Safety, the Board of Sanitary Commissioners, 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

August 4, 2009

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008

| Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Total Federal Awards Expended |
|---|---------------------------|--|-------------------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| Pass-Through Indiana Department of Education | | | |
| Child Nutrition Cluster | | | |
| Summer Food Service Program for Children | 10.559 | | \$ <u>184,063</u> |
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | |
| Direct Grant | | | |
| CDBG - Entitlement and (HUD Administered) Small Cities Cluster | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-05-MC-18-0005 | 51,952 |
| | | B-06-MC-18-0005 | 393,603 |
| | | B-07-MC-18-0005 | 1,970,387 |
| | | B-08-MC-18-0005 | <u>1,529,942</u> |
| Total for cluster | | | <u>3,945,884</u> |
| Direct Grant | | | |
| Emergency Shelter Grants Program | 14.231 | ES-008-036 | 5,546 |
| | | S-07-MC-18-0005 | 70,378 |
| | | S-08-MC-18-0005 | <u>123,035</u> |
| Total for program | | | <u>198,959</u> |
| Direct Grant | | | |
| Supportive Housing Program | 14.235 | | |
| ARK Renewal Grant | | IN36B502013 | <u>138,065</u> |
| Direct Grant | | | |
| HOME Investment Partnerships Program | 14.239 | M-05-MC-18203 | 531,334 |
| | | M-06-MC-18203 | 77,700 |
| | | M-07-MC-18203 | 239,835 |
| | | M-08-MC-18203 | 26,100 |
| Pass-Through Indiana Housing and Community Development Authority | | | |
| HOME Investment Partnerships Program | | | |
| Improving Neighborhoods Through Revitalization | | IP-005-003 | <u>17,282</u> |
| Total for program | | | <u>892,251</u> |
| Direct Grant | | | |
| Fair Housing Assistance Program - State and Local | 14.401 | FF205K075012 | 17,267 |
| | | FF205K085012 | <u>42,500</u> |
| Total for program | | | <u>59,767</u> |
| Total for federal grantor agency | | | <u>5,234,926</u> |

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

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008
(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 JUSTICE</u> | | | |
| Direct Grant | | | |
| Federal Equity Sharing | 16.xxx | | <u>67,188</u> |
| Direct Grant | | | |
| Edward Byrne Memorial Formula Grant Program | 16.579 | | <u>273,051</u> |
| Direct Grant | | | |
| Public Safety Partnership and Community Policing Grants COPS in School | 16.710 | | <u>171,747</u> |
| Pass-Through Indiana Criminal Justice Institute | | | |
| Crime Victim Assistance | 16.575 | 06VA159 07VA215 | <u>48,890</u> <u>26,798</u> |
| Total for program | | | <u>75,688</u> |
| Total for federal grantor agency | | | <u>587,674</u> |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| Pass-Through Indiana Department of Transportation | | | |
| Highway Planning and Construction Cluster | | | |
| Highway Planning and Construction | 20.205 | | |
| Gary Marina Access Road | | DEM IN 17(002) | <u>18,725</u> |
| Pass-Through Indiana Criminal Justice Institute | | | |
| Highway Safety Cluster | | | |
| State and Community Highway Safety | 20.600 | | |
| Big City Big County Seatbelt Enforcement Grant | | PT-08-04-01-28 | <u>33,000</u> |
| Pass-Through Indiana Department of Transportation | | | |
| Recreational Trails Program | 20.219 | | |
| Gary Green Link | | IN76 (001) | <u>6,122</u> |
| Total for federal grantor agency | | | <u>57,847</u> |
| <u>U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u> | | | |
| Direct Grant | | | |
| Employment Discrimination - State and Local Fair Employment Practices Agency Contracts | 30.002 | 5FPSLP0157 | <u>35,405</u> |
| <u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u> | | | |
| Direct Grant | | | |
| Community Action for a Renewed Environment (CARE) Program | 66.035 | RE 00E32801-0 | <u>24,106</u> |
| Direct Grant | | | |
| Great Lakes Program | 66.469 | | |
| Marquette Park (IN) Lagoon Habitat Restoration | | 2004-0005-105 | <u>25,897</u> |

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

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008
(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. ENVIRONMENTAL PROTECTION AGENCY (Continued)</u> | | | |
| Direct Grant | | | |
| Environmental Policy and Innovation Grants | 66.611 | | |
| EPA Smart Growth Municipal Code Review | | PI-83232301-1 | <u>2,018</u> |
| Direct Grant | | | |
| Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies | 66.716 | X8-00E30201-0 | <u>40,082</u> |
| Direct Grant | | | |
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | | |
| Brownfield Cleanup Revolving Loan Fund (BCRLF) | | BF 96522201 | 715,960 |
| Hazardous Substance and Petroleum Assessment | | BF 96522101 | <u>38,955</u> |
| Total for program | | | <u>754,915</u> |
| Pass-Through Indiana Department of Environmental Management | | | |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | CS 18225801 | <u>40,600</u> |
| Total for federal grantor agency | | | <u>887,618</u> |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | |
| Pass-Through Indiana Department of Health | | | |
| Public Health Emergency Preparedness | 93.069 | 5U90TP517024-08 (196-15) | 11,049 |
| | | 5U90TP517024-08 (196-14) | 42,500 |
| | | 5U90TP517024-09 (196-14) | <u>10,000</u> |
| Total for program | | | <u>63,549</u> |
| Pass-Through Indiana Department of Health | | | |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | 3610-572100-140300 TB 196-3 | 3,653 |
| | | U52/CCU500520-23-4 TB 196-3 | <u>46,828</u> |
| Total for program | | | <u>50,481</u> |
| Pass-Through Purdue University | | | |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | Project Care (VF1/CCV519921-02-04) | <u>10,000</u> |
| Pass-Through Indiana Department of Health | | | |
| Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | 93.197 | CLP 775-2 07-01-07 to 06-30-08 | 69,143 |
| | | CLP 775-2 07-01-08 to 06-30-09 | <u>31,504</u> |
| Total for program | | | <u>100,647</u> |
| Pass-Through Indiana Family and Social Services Administration | | | |
| Social Services Block Grant | 93.667 | Title XX (45-07-5B-0732) | <u>34,610</u> |

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

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008
(Continued)

| Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Total Federal Awards Expended |
|---|---------------------------|--|-------------------------------------|
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u> | | | |
| Pass-Through Indiana Family and Social Services Administration Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes | 93.671 | 45-07-OT-0732-02 45-07-OT-0732-03 | 8,909 <u>27,530</u> |
| Total for program | | | <u>36,439</u> |
| Pass-Through Indiana Department of Health Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups | 93.943 | AIDS 196-8 | <u>18,000</u> |
| Pass-Through Indiana Department of Health Block Grants for Prevention and Treatment of Substance Abuse Prenatal Substance Abuse Prevention | 93.959 | PSUP 775-1 07-01-07 to 06-30-08 PSUP 775-1 07-01-08 to 06-30-09 | 31,012 <u>47,372</u> |
| Total for program | | | <u>78,384</u> |
| Pass-Through Indiana Department of Health Preventive Health Services - Sexually Transmitted Diseases Control Grants | 93.977 | H25/CCH504340-15-3 196-4 | <u>116,272</u> |
| Pass-Through Indiana Family and Social Services Administration Preventive Health and Health Services Block Grant Sexual Assault Services | 93.991 | 45-05-86-0732 | <u>6,570</u> |
| Pass-Through Indiana Department of Health Maternal and Child Health Services Block Grant to the States | 93.994 | 6 B04 MC 06559-01-04 | <u>201,486</u> |
| Total for federal grantor agency | | | <u>716,438</u> |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | |
| Pass-Through Lake Area United Way Emergency Food and Shelter National Board Program | 97.024 | LRO ID# 271600-005 | <u>3,121</u> |
| Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | Disaster #1795 | <u>352,922</u> |
| Total for federal grantor agency | | | <u>356,043</u> |
| Total federal awards expended | | | <u>\$ 8,060,014</u> |

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

CITY OF GARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2008:

| Program Title | Federal CFDA Number | 2008 |
|---|---------------------------|------------|
| Community Development Block Grants/Entitlement Grants | 14.218 | \$ 271,582 |
| Emergency Shelter Grants Program | 14.231 | 193,413 |
| HOME Investment Partnerships Program | 14.239 | 32,930 |

III. Loans Outstanding

The City had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2008. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

| Program Title | Federal CFDA Number | 2008 |
|---|---------------------------|------------|
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | \$ 715,960 |

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

| | |
|--|---------------|
| Material weaknesses identified? | no |
| Significant deficiencies identified that are not considered to be material weaknesses? | none reported |

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

| | |
|--|-----|
| Material weaknesses identified? | yes |
| Significant deficiencies identified that are not considered to be material weaknesses? | yes |

Type of auditor's report issued on compliance for major programs:

Unqualified for:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|--|
| 14.218 | CDBG – Entitlement and (HUD Administered) Small Cities Cluster Community Development Block Grants/Entitlement Grants |
| 16.710 | Public Safety Partnership and Community Policing Grants |

Qualified for:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|---|
| 66.818 | Brownfields Assessment and Cleanup Cooperative Agreements |
| 97.036 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |

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 | CDBG – Entitlement and (HUD Administered) Small Cities Cluster Community Development Block Grants/Entitlement Grants |
| 16.710 | Public Safety Partnership and Community Policing Grants |
| 66.818 | Brownfields Assessment and Cleanup Cooperative Agreements |
| 97.036 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |

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

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.

Section III – Federal Award Findings

FINDING 2008-1, REPORTING, COMMUNITY DEVELOPMENT BLOCK GRANT

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program: Community Development Block Grants/Entitlements Grants

CFDA Number: 14.218

Award Numbers: B-05-MC-18-0005, B-06-MC-18-0005, B-07-MC-18-0005, B-08-MC-18-0005

HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons* (OMB No. 2529-0043) -- For each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit Form HUD 60002. (24 CFR sections 135.3(a), 135.90, and 570.607)

Per the instructions for HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons* (OMB No. 2529-0043) -- For each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit Form HUD 60002. (24 CFR sections 135.3(a), 135.90, and 570.607)

HUD 60002 Section 3 Reports were prepared on June 24, 2009, by the Department of Community Development for the Housing Rehabilitation Program (\$497,432.35), Facade Improvements Program (\$150,000), and Senior Rehabilitation Program (\$491,061); however, the reports were not filed with HUD. The person responsible for preparing the report indicated that he does not file the reports until they are requested by HUD. By not preparing or submitting required reports in accordance with the Federal guidelines the City risks losing future grant awards due to non-compliance.

24 CFR § 135.90 states:

"Each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of section 3. Where the program providing the section 3 covered assistance requires submission of an annual performance report, the section 3 report will be submitted with that annual performance report. If the program providing the section 3 covered assistance does not require an annual performance report, the section 3 report is to be submitted by January 10 of each year or within 10 days of project completion, whichever is earlier. All reports submitted to HUD in accordance with the requirements of this part will be made available to the public."

We recommended that the HUD 60002 Section 3 Reports be filed, and that officials establish controls and procedures to ensure future reports are prepared and filed timely in accordance with HUD guidelines.

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

FINDING 2008-2, SUB-RECIPIENT MONITORING, COMMUNITY DEVELOPMENT BLOCK GRANT

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program: Community Development Block Grants/Entitlement Grants

CFDA Number: 14.218

Award Numbers: B-05-MC-18-0005, B-06-MC-18-0005, B-07-MC-18-0005, B-08-MC-18-0005

The Community Development Department entered into a subrecipient contract with Gary Human Relations Commission under the Community Development Block Grants for the Anti-Redlining Program to educate the residents of their role and rights to seek financial assistance for home improvements, purchase of property, and obtain proper insurance through the voluntary market. The Community Development Department reimbursed the coordinator of the Anti-Redlining Program directly instead of reimbursing the Gary Human Relations Commission.

In accordance with state guidelines, "Payments for services provided by an organization should go directly to the organization and not to an individual employee of the organization." (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

By reimbursing an individual as opposed to the contractor, the contractor may not be recognizing all of the federal funds they receive in their financial statements, which could affect whether or not a federal audit of that entity would be required. Additionally, the Community Development Department risks reporting errors to the Housing and Urban Development agency as well as to the Internal Revenue Service for reporting compensation.

In accordance with contracts between the grantee and subrecipients, monthly monitoring reports are required by the grantee to ensure the subgrantee is complying with the grant program objectives. To ensure the reports are provided timely, the grantee requires the monthly monitoring reports to be submitted to the grantee by the 10th of each month. In order to ensure the subgrantee complies with the reporting requirements the grantee has imposed, the grantee will not reimburse subgrantee expenditures until the reports have been provided. Reimbursements were consistently made to two subrecipients when the monthly monitoring reports were not current. For one of the subrecipients, upon review of the monthly monitoring reports by the Grantee, errors were made which required corrections resulting in a delay of the execution of a new contract; however, funds were still provided to this subrecipient. By not following the grantee's own controls and contract provisions, funds may have been provided to a subrecipient who was not complying with the grant program objectives.

24 CFR § 84.51 (a) states: "Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements as delineated in § 84.26."

24 CFR § 84.26 states:

"(a) Recipients and subrecipients that are institutions of higher education or other non-profit organization (including hospitals) shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507) and revised OMB Circular A-133, 'Audits of States, Local Governments, and Non-Profit Organizations.'

- (1) Non-profit organizations subject to regulations in the part 200 and part 800 series of this title which receive awards subject to part 84 shall comply with the audit requirements of revised OMB Circular A-133, 'Audits of States, Local Governments, and Non-Profit Organizations.' For HUD programs, a non-profit organization is the mortgagor or owner (as these terms are defined in the regulations in the part 200 and part 800 series) and not a related or affiliated organization or entity.

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

(b) State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501– 7507) and revised OMB Circular A–133, 'Audits of States, Local Governments, and Non-Profit Organizations.'"

We recommended that the Department of Community Development make payments to the contractor or subrecipient named in the contract as opposed to an individual to ensure amounts will be properly recognized and reported. The Department of Community Development should enforce the guidelines they have outlined in the contracts with their subrecipients. These guidelines when followed assure administration of controls over subrecipient monitoring.

FINDING 2008-3, DAVIS-BACON REQUIREMENTS,
BROWNFIELDS CLEANUP REVOLVING LOAN FUND

Federal Agency: U.S. Environmental Protection Agency
Federal Program: Brownfields Assessment Cleanup Cooperative Agreements
CFDA Number: 66.818
Award Number: BF965222-01-0

Compliance with the Davis-Bacon Act requires payment of federal prevailing wage rates for construction, repair or alteration work funded in whole or in part with Brownfield Cleanup Revolving Loan Funds. The grantee must establish controls for monitoring wages paid by contractors. They must obtain recent and applicable wage rates from the U.S. Department of Labor and incorporate them into the construction contract. According to officials of the Department of Environmental Affairs, who administer the program, no one in their office is monitoring compliance. Officials indicated that the compliance officer at the Gary Sanitary District may have been monitoring the prevailing wage rates; however, the compliance officer at the Gary Sanitary District had no payroll records from the contractor to determine if prevailing wage rates were paid, nor was she aware of the monitoring requirements. Due to the lack of records, it could not be determined if contractors paid prevailing wages. The lack of monitoring of compliance with the Davis-Bacon Act could result in cancellation of contracts and/or the repayment of federal funds to the Environmental Protection Agency.

CERCLA § 104(g) (1) states:

"All laborers and mechanics employed by contractors or subcontractors in the performance of construction, repair, or alteration work funded in whole or in part under this section shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act. The President shall not approve any such funding without first obtaining adequate assurance that required labor standards will be maintained upon the construction work."

CFR 40 § 31.36(i) (5) states: "Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a–7) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts in excess of \$2000 awarded by grantees and subgrantees when required by Federal grant program legislation)."

CFR 29 § 5.5(a)(3) states in part:

"(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate Federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission

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

to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under § 5.5(a)(3)(i) of Regulations, 29 CFR part 5. This information may be submitted in any form desired. Optional Form WH-347 is available for this purpose and may be purchased from the Superintendent of Documents (Federal Stock Number 029-005-00014-1), U.S. Government Printing Office, Washington, DC 20402. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors.

(B) Each payroll submitted shall be accompanied by a 'Statement of Compliance,' signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following: . . .

- (iii) The contractor or subcontractor shall make the records required under paragraph (a)(3)(i) of this section available for inspection, copying, or transcription by authorized representatives of the (write the name of the agency) or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, the Federal agency may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12."

We recommended that City officials establish controls to ensure that federal prevailing wage rates are paid on construction contracts to be in compliance with the Davis-Bacon Act.

FINDING 2008-4, CONTROLS OVER MATCHING REQUIREMENTS,
BROWNFIELDS CLEANUP REVOLVING LOAN FUND

Federal Agency: U.S. Environmental Protection Agency
Federal Program: Brownfields Assessment and Cleanup Cooperative Agreements
CFDA Number: 66.818
Award Number: BF965222-01-0

The City, Empowerment Zone, and Gary Sanitary District were to provide \$50,000 each to meet \$150,000 of the \$200,000 required local match for the Brownfields Assessment and Cleanup Cooperative Agreements Grants. The additional \$50,000 was to be provided through in-kind (hours worked, travel, and administrative costs) contributions of the Empowerment Zone. As of December 31, 2008, the City had not met their match of \$50,000, because of delays in receiving tax distributions due to the property tax reassessments and other financial hardships of the City. For the in-kind contribution from the Empowerment Zone, the Quarterly Progress Report dated October 1, 2008 to December 31, 2008, indicated a total of \$56,560 had been provided as in-kind contributions; however, records were not maintained to substantiate that amount. Lack of proper records to support in-kind matching contributions could result in officials having to provide an additional monetary match and/or repayment of federal funds to the Environmental Protection Agency.

CFR 28 § 66.24 states in part:

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

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

These records must show how the value placed on third party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocation of regular personnel costs."

We recommended that City officials establish controls to ensure detailed records are maintained for in-kind contributions.

FINDING 2008-5, SPECIAL TESTS AND PROVISIONS REQUIREMENTS,
BROWNFIELDS CLEANUP REVOLVING LOAN FUND

Federal Agency: U.S. Environmental Protection Agency
Federal Program: Brownfields Assessment and Cleanup Cooperative Agreements
CFDA Number: 66.818
Award Number: BF965222-01-0

Under the Environmental Protection Agency's (EPA) Program for Utilization of Small, Minority and Women's Business Enterprises regarding procurement efforts, the recipient agrees to: a) Accept the applicable FY 2003 "fair share" goals negotiated with EPA by the Indiana Department of Environmental Management as follows: Combined Rate 14% MBE and 7% WBE. Per the loan agreement the borrower shall submit a report of such efforts in a manner acceptable to the Lender. Officials were not aware of the requirements; thus, they had not established controls to ensure compliance with the guidelines. Officials did not have reports or other documentation on whether the companies that were awarded contracts for the project were Minority Business Enterprises or Women-Owned Business Enterprises; thus, compliance could not be determined. The City's apathy in reviewing the grant agreement and other grant information resulted in the City not establishing controls for monitoring compliance over grant regulations. Such lack of controls meant that the City may or may not be in compliance with the grant guidelines.

CFR 40 § 33.501 states:

"(a) A recipient, including those recipients exempted under § 33.411 from the requirement to apply the fair share objectives, must maintain all records documenting its compliance with the requirements of this part, including documentation of its, and its prime contractors', good faith efforts and data relied upon in formulating its fair share objectives. Such records must be retained in accordance with applicable record retention requirements for the recipient's financial assistance agreement."

CFR 40 § 33.502 states in part:

"All other financial assistance agreement recipients, including recipients of financial assistance agreements capitalizing revolving loan funds, will report on MBE and WBE participation semiannually. Recipients of financial assistance agreements that capitalize revolving loan programs must require entities receiving identified loans to submit their MBE and WBE participation reports on a semiannual basis to the financial assistance agreement recipient, rather than to EPA."

We recommended that City officials establish controls to ensure qualified Minority Business Enterprises and Women-Owned Business Enterprises have the opportunity to submit proposals and bids and provide services on contracts to be in compliance with the grant agreement.

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

FINDING 2008-6, ALLOWABLE COSTS, DISASTER GRANTS - PUBLIC ASSISTANCE

Federal Agency: U.S. Department of Homeland Security
Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)
CFDA Number: 97.036
Pass-through: Indiana Department of Homeland Security
Award Number: Disaster #1795

Project worksheets were used to support project costs claimed for reimbursement. Officials claimed expenditures for reimbursement of debris removal based upon a contract. The amounts claimed for the removal of debris on the project worksheets could be traced to a billing summary paid by the Gary Sanitary District. The billing summary was detailed by servicing area and type of material. Portions of this billing summary were carried forward to the project worksheets. We traced the same billing summary to two different project worksheets. The same servicing area from the billing summary was shown as the basis for these two different project worksheets and claims, but with different percentages applied. Based upon the information provided, we were unable to verify the accuracy of the amounts claimed for reimbursement. We requested further explanation, but to no avail. Furthermore, the City of Gary was reimbursed \$52,829.75 for these expenditures; the Gary Sanitary District paid the invoices.

The City was also reimbursed for city employees' wages attributed to the disaster recovery. The City was required to document the employee hours worked on a Force Account Labor Record, which supports the claim for reimbursement. We compared the Force Account Labor Record documenting the hours worked by employees submitted for reimbursement to the official time records of the employees. There were instances that hours worked documented on the Force Account Labor Record were not recorded on the employees' official time records. Wages for these hours totaled \$3,059.16.

44 CFR § 13.20 (a) states in part:

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

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

Based on the lack of detailed supporting documentation and the discrepancies in the time records, the City did not comply with applicable allowable cost principles. In addition, the City has not established adequate internal controls to ensure compliance with these principles. The lack of adequate controls is considered a control design deficiency that is significant to this major program.

We recommended that officials design and implement procedures to ensure that requests for reimbursement are submitted only for allowable amounts. In addition, we recommended that officials prepare and retain adequate supporting documentation detailing which costs are included in each request for reimbursement.



City Of Gary

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Director of Finance

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Mayor

GERALDINE B. TOUSANT

Deputy Mayor

MICHELE ROBY

Chief Accountant

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2007-2 CASH MANAGEMENT, COMMUNITY DEVELOPMENT BLOCK GRANT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grant
CDFA Number: 14.218
Award Number: B-05-MC-18-0005

Auditee Contact Person: M. Celita Green
Title of Contact Person: Director of Finance

Due to the city's frequent cash flow issues relating to delayed property tax collections, and poor property tax collections, claims approved by the Board of Works may not be paid the week that they are approved, due to insufficient cash flow.

These claims have to be printed for payment prior to the next Board of Public Works meeting, because the financial system is not capable of separating prior approved claims from current claims needing approval on the Board Claims List.

To assure that the Department of Community Development checks, as well as any other grants checks, are issued timely when funds are made available by the Grantee, and in an effort to minimize any time lapsing between draw downs and issuance of checks, the Accounts Payable accountant maintains a weekly updated spreadsheet for "checks on hold". Generally, "checks on hold" will consist of utility payments, only.

This spreadsheet is reviewed weekly by authorized personnel to release checks and confirm that there are no checks held for grants payments.

M. Celita Green
M. Celita Green, Director of Finance

5/21/09
Date

*Example of
Spreadsheet*

CHECK REPORT FOR HELD CHECKS

| PAY DATE | BANK # | CK # | AMOUNT | VENDOR# | SEQUENCE | VENDOR NAME | SVC PERIOD |
|---|-----------|--------|------------|---------|----------|-------------|------------------|
| BANK 11 | | | | | | | |
| AS OF | 6/25/2009 | | | | | | |
| ALL CHECK HAVE BEEN RELEASED & WILL BE MAILED 6/26/09 | | | | | | | |
| WE NEED TO PROCESS CANCELED CLAIMS THAT ARE UNCODED ON THE SYSTEM 6/25/2009 | | | | | | | |
| BANK 10 | | | | | | | |
| 6/3/2009 | 10 | 205014 | 113,217.85 | 500 | 8754 | NIPSCO | CANCELED 6/11/09 |
| 6/3/2009 | 10 | 205016 | 16,569.82 | 500 | 8756 | NIPSCO | CANCELED 6/11/09 |
| 6/3/2009 | 10 | 205017 | 28,530.95 | 500 | 8757 | NIPSCO | CANCELED 6/11/09 |
| 6/3/2009 | 10 | 205020 | 11,562.43 | 500 | 8761 | NIPSCO | CANCELED 6/11/09 |
| 6/3/2009 | 10 | 205022 | 30,732.29 | 500 | 8763 | NIPSCO | CANCELED 6/11/09 |
| 6/3/2009 | 10 | 205023 | 10,786.21 | 500 | 8764 | NIPSCO | CANCELED 6/11/09 |
| 6/3/2009 | 10 | 205025 | 37,743.72 | 500 | 8766 | NIPSCO | CANCELED 6/11/09 |
| 6/10/2009 | 10 | 205099 | 23,571.65 | 500 | 8724 | NIPSCO | CANCELED 6/11/09 |
| 6/10/2009 | 10 | 205100 | 16,511.39 | 500 | 8725 | NIPSCO | CANCELED 6/11/09 |
| 6/10/2009 | 10 | 205102 | 11,265.53 | 500 | 8727 | NIPSCO | CANCELED 6/11/09 |
| TOTAL | | | 300,491.84 | | | | |



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M. CELITA GREEN

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MICHELE ROBY

Chief Accountant

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING N0.2007-1 Internal Controls Over Journal Entries

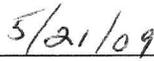
Auditee Contact Person: M. Celita Green
Title of Contact Person: Director of Finance

The Finance Department has initiated the use of a journal entry form. This form is used to record daily transactions, with the attached supporting documentation, and submitted for approval by the authorized personnel, prior to being entered into the financial accounting system general ledger.

Once the transaction is entered into the general ledger, the financial system will automatically issue a journal entry number. A copy of the journal entry, with the assigned journal entry number, is printed and attached to the journal entry form. The journal entry form, supporting documentation, and the printed journal entry with assigned numbers are filed in the journal entry binder.



M. Celita Green, Director of Finance



Date



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SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2007-3 ALLOWABLE COSTS, PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS

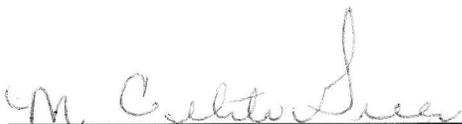
Federal Agency: U.S. Department Justice
Federal Program: Public Safety Partnership and Community Policing Grants
C DFA Number: 16.710
Award Number: 2002-SH-WX-0398

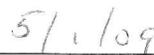
Auditee Contact Person: M. Celita Green
Title of Contact Person: Director of Finance

The Finance Department Staff, the Internal Auditor, and Police Chief are in communication with the U.S. Department of Justice regarding adjustments to the Cops in School grant.

Reconciliation being between eligible expenses, expenses reported, and the grantor is reviewing funds allocated for eligible costs. The appropriate payroll expenses, such as fringe benefits, that were charged to the grant for reimbursement were transferred to the General Fund –Police Department and allocated to the appropriate line items. These transfers identified as grant matches, which were expenditures made from the General Fund.

The cumulative adjustments were made to the 269 quarterly Financial Status fatal report reflects these corrections. Funds drawn from the COPS grant to cover identified ineligible expenses were reconciled and return to the grantor.


M. Celita Green, Director of Finance


Date



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SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2007- 4 CONTROLS OVER MATCHING REQUIREMENTS, PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS

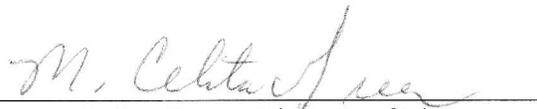
Federal Agency: U. S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Award Numbers: 2002-SH-WX-0398

Auditee Contact Person: M.Celita Green
Title of Contact Person: Director of Finance

As indicated in the correction action report, and mentioned in the **Summary of Prior Audit Findings Finding No. 2007-4**, a review into the City's budgetary criteria of the Cops in School grant determined that the matching requirements regarding the General Fund covered a deficit cash balance, and that the reconciliation being between eligible expenses, expenses reported, and the grantor is reviewing funds allocated for eligible costs.

The appropriate payroll expenses, such as fringe benefits, that were charged to the grant for reimbursement were transferred to the General Fund –Police Department and allocated to the appropriate line items. These transfers identified as grant matches, which were expenditures made from the General Fund.

The City of Gary has forward payment of \$122,252.84 to the U.S. Justice Department acknowledging the overage received, but further discussion continues regarding the City's financial contributory and supportive documentation of the amount. We seek status notification of the U.S. Justice Department response regarding continuum efforts operating the COPS in School grant program.


M. Celita Green, Director of Finance


Date



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SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2007 -5 FINANCIAL REPORTIN, PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS

Federal Agency: U. S. Department of Justice

Federal Program: Public Safety Partnership and Community Policing Grants

CFDA Number: 16.710

Award Numbers: 2002 -SH-WX 0398, 2004-CK-WX-0085, 2005-CK-WX-0024, 2006
- CK-WX-0375

Auditee Contact Person: M.Celita Green

Title of Contact Person: Director of Finance

COPS in School (2002-SH-WX-0398)

1.&2.Our review and monitoring of the above grants will assure that the accountability and scheduling process met for quarterly reporting and submitted in a timely manner as required by the granting agency. The Quarterly report has been amended for regarding prior year discrepancy.

3. The Department of Finance and the Police Department's Director of Supportive Services will ensure that the allowable cost for salary Cops in School does not exceed over the grant.

Community Policing (COPS) Technology Grants (2004-CK-WX-0085, 2005-CK-WX-0024, 2006 - CK-WX-0375)

1. &2. The City of Gary has separated each of the fiscal years grant funds on the Accounting Financial System. Our ongoing review and monitoring of the above grants will assure that the accountability and scheduling process for quarterly reporting is submitted in a timely manner as required by the granting agency.

3. & 4. The amended Form 269A Financial Status report was prepared to reflect the actual expenditures for the period. All reports have been amended to reflect the appropriate balances.

5. The Police Department, Director of Supportive Services will ensure that not all costs exceed the amount over the allowable costs and preparing quarterly reports on the Grant.

In review and monitoring of the above grants, the city will assure that the accountability of quarterly reporting is accurately documented and submitted in a timely manner as required by the granting agency.



M. Celita Green, Director of Finance

5/2/09

Date



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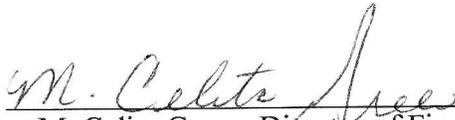
SUMMARY OF PRIOR AUDIT FINDINGS

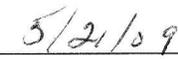
FINDING NO. 2007-6 SUMMARY OF PRIOR AUDIT FINDINGS

Federal Agency: U.S. Department Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CDFA Number: 16.710
Award Numbers: 2002-SH-WX 0398, 2004-CK-WX-0085, 2005-CK-WX-0024,
2006-CK-WX-0375

Auditee Contact Person: M. Celita Green
Title of Contact Person: Director of Finance

The City Controller has requested the assistance of the Internal Auditor in reviewing and monitoring any Corrective Action Plans to Audit Findings for grantees. This process assures that the grantee has actually implemented the corrections to audit findings that they reported to the Finance Department.


M. Celita Green, Director of Finance


Date



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CORRECTIVE ACTION PLAN

FINDING NO. 2008 -1 REPORTING, COMMUNITY DEVELOPMENT BLOCK GRANT

Federal Program: Community Block Grant

CFDA Number 14.218

Award Numbers B-05-MC-18-0005, B-06-MC-18-0005, B-07-MC-18-0005,
B-08-MC-18-0005

Auditee Contact Person: M. Celita Green
Title of Contact Person: Director of Finance

HUD 60002, Section 3 Summary Report, Economic Opportunities for Low-and very Low Income persons (OMB No. 2529-0043) for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit for HUD 60002. (24CFR section 135.3(a), 135.90, and 570.607)

HUD 60002 Section 3 Reports were prepared on June 24, 2009 by the Department of Community Development for the Housing Rehabilitation Program (\$497,432.35), Façade Improvements Program (\$150,000) and Senior Rehabilitation Program (\$491,061); however, the reports were not filed until they are requested by HUD. By not preparing or submitting required reports in accordance with the Federal guidelines the City risk losing future grant awards due to non-compliance.

Response

In accordance with HUD Section 6002 Section 3 Reports, in accordance with 24CFR sections 135.3(a), 135.90 and 570.607; Summary Report, Economic Opportunities for Low and very Low Income persons (OMB No. 2529-0043), Community Development Construction Department will include a copy of the Section 3 Plans for the City of Gary Department of Community Development to all General Contractor seeking bid packages with regard to housing rehabilitation, construction, renovation in accordingly, as funded

through Community Development Block Grant dollars. Further, Community Development will forward to the U.S. Department of Housing and Urban Development (HUD) Section 3 Summary Report, Economic Opportunities for Low and Very Low Income persons (OMB No. 2529-0043), quarterly, copy of said submission in each file for audit review. This procedure will take effect immediately, commencing August 2009.



M.Celita Green, Director of Finance



Date



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CORRECTIVE ACTION PLAN

FINDING NO. 2008 -2 SUB-RECIPIENT MONITORING, COMMUNITY DEVELOPMENT BLOCK GRANT

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program: Community Development Block Grant

CFDA Number: 14.218

Award Numbers: B-05-MC-18-0005, B-06-MC-18-0005, B-07-MC-18-0005, B-08-MC-18-0005

Auditee Contact Person: M. Celita Green

Title of Contact Person: Director of Finance

Community Development entered into a contract with Gary Human Relations Commission as a sub recipient under the Community Development Block Grant for the purpose of the Anti-redlining Program to educate the residents of their role and rights to seek financial assistance for home improvements, purchase property and obtain insurance through the voluntary market. The Community Development Department reimbursed the coordinator of the Anti-Redlining Program directly instead of reimbursing the Gary Human Relations Commission. In accordance with state guidelines, "Payments for services provided by an organization should go directly to the organization and not to an individual employee of the organization." (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7). By reimbursing an individual as opposed to the contractor, the contractor may not be recognizing all of the federal funds they receive in their financial statements, which could effect whether or not the federal audit of that entity would be required. Additionally the community Development Department risks reporting errors to the Housing and urban Development agency as well as to the Internal Revenue Service for reporting compensation.

In accordance with contracts between the grantee and sub recipient, monthly monitoring reports are required by the grantee to ensure the subgrantee is complying with the grant program objectives, to ensure the reports are provided timely, the grantee requires the monthly monitoring reports to be submitted to the grantee by the 10th of each month. In

order to ensure the subgrantee complies with the reporting requirements the grantee has imposed, the grantee will not reimburse subgrantee expenditures until the reports have been provided. Reimbursements were consistently made to two subgrantees when the monthly monitoring reports were not current. For one grantee error were made which required corrections and resulted in a delay of the execution of a new contract; however, funds were still provided to this subrecipient. By not following the grantees own controls And contract provisions, funds may have been provided to a subrecipient who was not complying with the grant program objectives.

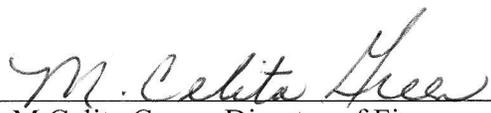
24CFR 84.51 (a) states, Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. Recipients shall monitor subawards to ensure sub recipients have met the audit requirements as delineated in 84.26”.

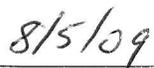
24CFR 84.26 states: (a) Recipients and sub recipients that are institutions of higher education or non-profit organizations (including hospitals) shall be subject to the audit requirements contained in the single Audit Act Amendments of 1996 (31 USC 7501-7507) and revised OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organization.”

Response

The Department of Community Development in accordance with all sub-recipient agreements/ payments/ in accordance with the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns Chapter &; 24CFR 84.51 (a) and 84.26 (a) (1) (b) and requirements contained in the Single Audit Act of 1996 (31 U.S.C. 7501-7507) and revised OMB Circular A-133; the Department of Community Development Fiscal Manager/payment processor must have the initials of the monitor/compliance officer prior to payment on any subgrantee/recipient agreement. The initials of the monitor and/or compliance officer will only appear if the subgrantee/recipient is currently on their reporting accordingly.

Further, no payment packages will be processed in the name of any individual person. All payment packages must be processed in the name of the subgrantee and/or recipient, and/or agency to assure adherence to guidelines and administration controls over subrecipients monitoring.


M.Celita Green, Director of Finance


Date



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CORRECTIVE ACTION PLAN

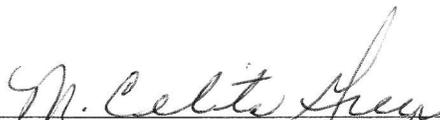
FINDING NO. 2008 -3 DAVIS – BACON REQUIREMENTS, BROWN FIELDS CLEANUP REVOLVING LOAN FUND

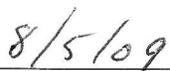
Auditee Contact Person: M. Celita Green
Title of Contact Person: Director of Finance

Correction – Environmental Affairs does not administer the program. Environmental Affairs is the Program Manager and the Empowerment Zone administers the program.

Corrective Action – The Department of Environmental Affairs and Empowerment Zone will put in place certain actions as part of the BCRLF Application process. When an applicant submits an application for a loan, the Compliance Officer will be contacted for compliance monitoring of the project to ensure federal prevailing wage rates are paid. The Compliance Officer will be required to provide all compliance monitoring information to the Department of Environmental Affairs and Empowerment Zone.

In addition, the BCRLF Application will state the requirement to pay federal prevailing wages for construction, repair, or alteration work funded in whole or in part by the BCRLF. The BCRLF Application will require the applicant to provide prevailing wage information on the application and with invoices. The applicant will be required to submit a signed Statement of Compliance with the invoices submitted for loan draws.


M.Celita Green, Director of Finance


Date



City Of Gary

Department of Finance

401 Broadway

Gary, Indiana 46402

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

RUDOLPH M. CLAY

Mayor

GERALDINE B. TOUSANT

Deputy Mayor

M. CELITA GREEN

Director of Finance

MICHELE ROBY

Chief Accountant

CORRECTIVE ACTION PLAN

FINDING NO. 2008 -4 CONTROL OVER MATCHES REQUIREMENTS, BROWN FIELDS CLEANUP REVOLVING LOAN FUND

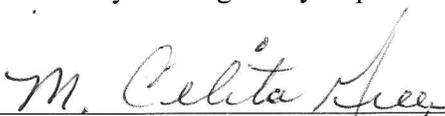
Auditee Contact Person: M. Celita Green
Title of Contact Person: Director of Finance

Correction – The in-kind contribution is not from the Empowerment Zone. The in-kind contribution is from the City of Gary and Empowerment Zone for staff time associated with the BCRLF.

Corrective Action – The Department of Environmental Affairs and Empowerment Zone will institute the use of a BCRLF Project Log to substantiate the amount of in-kind contributions and time donated to the project. The BCRLF Project Log will serve as the detailed record for tracking in-kind contributions.

An in-kind contribution of \$50,000 is required to meet the local match for the Brown fields Cleanup Revolving Loan Fund. For hours worked the cost per hour used to determine the value of the in-kind contribution is \$30. The value of the in-kind contribution is calculated based on an average cost per hour (based on the salaries of the City of Gary and Empowerment Zone staff) multiplied by the number of hours donated to the project. Other items such as travel, supplies and contractual services can be included.

The City, Empowerment Zone, and Gary Sanitary District are to provide \$50,000 each to meet \$150,000 of the \$200,000 required local match for the Brown fields Cleanup Revolving Loan Fund. However, due to the delays in receiving tax distributions and other financial hardships the \$150,000 cash match has not been provided. The Controller is currently seeking a way to provide the cash match of \$50,000.00 for the City of Gary.


M.Celita Green, Director of Finance


Date



City Of Gary

Department of Finance

401 Broadway

Gary, Indiana 46402

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

RUDOLPH M. CLAY

Mayor

GERALDINE B. TOUSANT

Deputy Mayor

M. CELITA GREEN

Director of Finance

MICHELE ROBY

Chief Accountant

CORRECTIVE ACTION PLAN

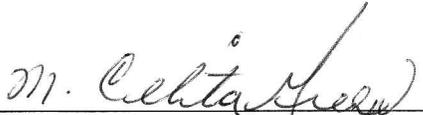
FINDING NO. 2008 -5 SPECIAL TESTS AND PROVISIONS REQUIREMENTS, BROWN FIELDS CLEANUP REVOLVING LOAN FUND

Auditee Contact Person: M. Celita Green
Title of Contact Person: Director of Finance

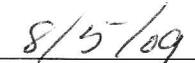
Corrective Action – The Department of Environmental Affairs and Empowerment Zone will put in place certain actions as part of the BCRLF Application process. When an applicant submits an application for a loan, the Compliance Officer will be contacted for compliance monitoring of the project to ensure that procurement efforts included MBE and WBE participation. The Compliance Officer will be required to provide all compliance monitoring information to the Department of Environmental Affairs and Empowerment Zone.

The BCRLF Application will state that procurement efforts to involve MBE and WBE should have been used in the project bid process. The BCRLF Application will require the applicant to provide MBE and WBE information on the application.

In cases where the potential applicant has not started the BCRLF Application process nor the project bid process the Empowerment Zone will inform the potential applicant of the necessity to ensure that procurement efforts include MBE and WBE project participation.



M.Celita Green, Director of Finance



Date



City Of Gary

Department of Finance

401 Broadway

Gary, Indiana 46402

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

RUDOLPH M. CLAY

Mayor

GERALDINE B. TOUSANT

Deputy Mayor

M. CELITA GREEN

Director of Finance

MICHELE ROBY

Chief Accountant

CORRECTIVE ACTION PLAN

FINDING NO. 2008 -6 ALLOWANCE COSTS, DISASTER GRANTS – PUBLIC ASSISTANCE

Auditee Contact Person: M. Celita Green
Title of Contact Person: Director of Finance

As part of the corrective action, the City of Gary will review the claim along with the supportive documentation submitted for reimbursement to the U.S. Department of Homeland Security regarding the payment for the Disaster Clean-up. The City will compare the supportive documents provided for examination during the course of the audit against the documentation submitted to determine reason for overpayment..

M.Celita Green, Director of Finance

Date

CITY OF GARY
EXIT CONFERENCE

The contents of this report were discussed on August 4, 2009, with M. Celita Green, Controller; Nathaniel T. Williams, Internal Auditor; Arlene Colvin, Chief of Staff; Margaret Lewis, Assistant Director of Human Resources; Michele Roby, Chief Accountant; Geraldine B. Tousant, Deputy Mayor; Mary Brown, Common Council member; Ronier Scott, President of the Common Council; and Virgil Moore, Sr., Financial Advisor to the Common Council. Rudolph Clay, Sr., Mayor, was included in the meeting held on August 4; however, he was not present for the entire discussion. The official response has been made a part of this report and may be found on pages 136 through 157.

**CITY OF GARY
RESPONSES TO 2008
STATE BOARD OF ACCOUNTS AUDIT
COMMENTS AND FINDINGS**

OVERDRAWN CASH BALANCES

The City of Gary remains committed to reducing and eliminating overdrawn cash balances. However, overdrawn cash balances in the General Fund and Internal Service Funds are directly related to the delayed property tax distributions and increased layoffs. The June 2008 property tax distribution was received in November of 2008, and the December 2008 property tax distribution was received in March of 2009. Not only was the distribution late, there was a shortfall of 12%.

Three of the five other government funds that were overdrawn are reimburseable grants, where the grantee first incurs the expense, then seeks reimbursement from the grantor. The state and federal reimbursements for these funds had not been received by December 31, 2008.

GAMING REVENUES FUND 277

At 2008 year-end, appropriations lapsed that were unexpended or unobligated and did not relate to an outstanding bond. The City Council recently passed an ordinance appropriating Casino funds from unexpended prior year appropriation balances in certain line items.

POSTING OF DISBURSEMENT AGAINST APPROPRIATIONS

Only in the establishment of the Regional Development Authority (RDA) fund were appropriations established for payment to the RDA, which was five years ago. Until this year, we were informed that it was not necessary to establish appropriations annually, as these payments were State mandated. In compliance to this audit report, we will establish a retroactive ordinance for 2009 payments, and appropriate annually in the future.

Similarly, Self Insurance Fund transfers were paid from a non-expenditure line item. Appropriations for Self-Insurance are appropriated in the General Fund and other Grant and Special Revenue Funds. Insurance expenditures are not paid from these funds, however; they are paid from Internal Service Funds. Therefore, the financial system will automatically charge the employer's share of insurance against the insurance appropriations in the respective funds. The vendor for the employer's share insurance expenses is the Internal Service Fund. Cash is transferred from the respective funds to the Internal Service Fund to match the employer expense transferred in the financial system. If the expenses charged against the Internal Service Funds exceed the available cash transferred, additional cash may be transferred. Historically, the additional cash transfers to cover the deficits in the Internal Service Funds have been charged to a non-expenditure transfer line item. In accordance to this audit report, the City will charge any

transfers that exceed the appropriations approved in respective funds, to an insurance expenditure line item, instead of a transfer line item.

ACCOUNTS PAYABLE VOUCHERS (CLAIMS)

Audit reference was made to vendors not being paid according to the contract. Realistically, there may be occasional deviations in payment; however, there should never be overpayment for the total of the contract. For instance, though a vendor may be contracted to receive \$200 per week, if he did work that week, he won't be paid that week. If he did not submit a report that week, he will not be paid that week. However, if he submits the previous weeks report and the current weeks report during the same week, he would be paid for the week held plus the current week.

To address this issue, a memorandum will be issued to all departments requesting that vendors are paid as indicated in the contract (for services rendered), and if there are any deviations, that a detail description and documentation is attached to the claim for payment.

APPROVAL OF ACCOUNTS PAYABLE VOUCHERS

It was noted in this audit that certain electronic wire transfers were not included on the claims register for the Board of Works for approval. Historically, electronic wire transfer for debt were never included on the claims list, as it was previously indicated that since the City Council approved the total debt service there was no need for the Board of Works to approve the debt payments. As of May 2009, the City has begun to submit all wire transfer payments on the claims register for Board of Public Works approval.

OTHER CONCERNS

Historically, centralized expenses for the General Fund and other funds with limited funding have been charged to the Controller's Office, such as utilities, telephone, property insurance liability, water bills, and supplies. The justification of centralization for General expenses in the General Fund was to exercise spending and payment control. It is important to know where the bills are, and if they are being submitted timely for payment. Although one department processes the claims and they are paid from the Controller's Office, the bills are itemized by building, department, or fund for review.

Last year, the City created a Building Maintenance Fund to centralize building maintenance, repairs, and janitorial services for tax based funds. This year the City will create a separate centralized fund for supplies, property tax anticipated warrant interest, and utilities to further segregate certain expenses from the Controllers Office. While the City recognizes that a budget which matches every line item expense to relative departmental usage is ideal, it is in the best interest of the City at this time to establish budgets that reduce and control costs through a centralize system for certain line items. All relative departmental spending remains available for review and cost control and an on-going basis by the department that processes the claims for payments.

The City has gradually decreased its appropriations for Grants and Subsidies. However, Grants and Subsidies is not used solely for promotional expenses for elected officials, it is also used to fund cash match requirements for grants. The Grants and Subsidies line items reduced from 2007 to 2008 by 26%, from 2008 to 2009 (reduced budget) by 34%, and from 2007 to 2009 (reduced budget) by 52%.

CREDIT CARDS AND TRAVEL

The examination and review of the credit cards and travel, as indicated in the audit report, a discussion and analysis response is as follows:

The Mayoral personal schedule of travel arrangements was inappropriately charged to the City of Gary's credit card account, as the travel agency having **both** City and personal accounts of the Mayor. This anomaly reviewed during the course of the audit by the administrative staff recognized that reimbursement was due to the City's credit card account as mentioned in the audit report, and a satisfactory adjustment was made for reimbursement. As related to the \$566.78 and \$410.80 cancellation fees, circumstances beyond the Mayor's control warranted his attendance regarding a City emergency and financial issue. A check from the Mayor for \$977.58 (\$566.78, \$410.80) has been submitted to the City's Department of Finance for reimbursement.

All supportive documents regarding the City of Gary official business of the Mayoral's office use of the City's credit card account in reference to the nature of the dining, and/or who dined with the Mayor was available through the Mayor's Administrative office. In all accounts, the information is a part of the Mayor's daily appointment log, which is available for review. As mentioned in the audit report, the supportive documentation is being attached to the Mayoral's office account payable vouchers (claims).

In the process to be cost efficient and accountable, all transactions for official travel arrangements utilizing the City of Gary credit card account will be verified and classified to the proper accounts.

PUBLIC WORKS PROJECT-GENERAL SERVICE BUILDING

The City defends its position that if all original bids were rejected because they were too high, it has the authority to solicit quotes on the open market for lower prices. The City of Gary Law Department researched the Indiana Statutes IC36-1-12-5 and 36-1-12-4. While 36-1-12-3 is silent on amounts exceeding \$50,000, the law department recommended the application of Home Rule to IC 36-1-12-5 in its decision to approve the Board of Works authority in the above mentioned matter.

PAYROLL REPORTS

This audit report indicated that the Final Payroll Register and the Payroll Gross Pay Distribution should agree by department. The auditors were informed that these reports can not agree by department, because not all employees have the same “work location” and “pay location”. For example, all special police are paid from supportive services which is their pay location. However, they may be assigned to work at City Hall security station, which is their work location. Since these two reports have different purposes, they will not agree. However, the auditors were informed that we would provide a reconciliation report, reconciling the Payroll Register and Payroll Distribution reports which would reflect all employees whose work and pay locations are different.

EMPLOYEE SERVICE RECORDS

The City is in the process of identifying a process to provide service record, time entry, and transmittal training to timekeepers. Many of the current timekeepers are new due to on-going layoffs and the union bumping process. These employees have received little training, as the City no longer budget for a dedicated Human Resource trainer position in its efforts to down-size personnel.

CAPITAL ASSET RECORDS

1. The City of Gary is engaged in several projects regarding bathroom renovations that consisted of City Hall and the development of the new General Services Building. The \$49,565.00 was included in Construction in Progress (CIP) for the General Services Building which would be completed in FY2009. We will review the renovated bathroom cost and determine the amount necessary to expense or capitalized the value of the project for any adjustments in FY 2009 for the City Hall renovations.

2.3.4.&.5 The City will review the associated equipment purchased for it media center and vehicles along with repairs regarding building and improvements to determine which items should be identified as inventory, expensed or capitalized as part of the fixed asset policy and adjusts in FY2009.

OVERPAYMENT OF SEVERANCE PAY

The examination and review of the overpayment of severance, as indicated in the audit report, a discussion and analysis response is as follows:

As mentioned in the audit overview, the former Chief of Police and the former Deputy Police Chief retired from the City of Gary. Preceding to the latest positions, both employees were under the Collective Bargaining Agreement between the City of Gary and Fraternal Order of Police which outlines provisions of contract regarding Vacation, Compensatory time, and 90 days terminal leave as being non managerial .

FOR THE FORMER POLICE CHIEF AND FORMER DEPUTY POLICE CHIEF

The calculation of the total number of days for vacation and compensatory time along with the 90 days of terminal leave was base on the provisions of Bargaining Agreement mention as an excerpt in the audit report. The Police chief and or his designee approved the vacation time by acknowledging time earned and carryover to the next fiscal year on the Employee Service Records by signature.

The exceeded amount of compensatory hours violated the bargaining agreement, but as mentioned in a previous memo from the City of Gary Corporate Council Department, it is a Federal Labor Standards violation to withhold time earned from an employee.

The City of Gary Police Department will attempt to adjust the rotation schedule of officers in order to reduce vacation and compensatory time accumulated which violates the bargaining agreement.

PARK DEPARTMENT FEE

The Park Department Security Fees are authorized by Ordinance for all departments in the Civil City of Gary and the Board of Park Commissioners will approve any and all fees.

PARK DEPARTMENT UNTIMELY DEPOSITS

The internal controls for depositing collections of fees has been revamped to include that all staff at Gleason Golf Course and Marquette Park Departments main office where receipts are daily remitted to the City Controller for deposit. On weekends and holidays, all fees will be turned in on the next business day for deposit.

PARK DEPARTMENT INTERNAL CONTROLS

The Park Department will purchase the KIS G2@ Ticket System which was introduced to us by the Lake County Parks Department. With the ability to design your own tickets and print on –demand, we will have the benefit of greater accountability and the reduction of waste.

PARK DEPARTMENT LACK OF CONTRACT

The former South Gleason Golf Course Manager retired from the Park Department in February 2009. The new South Gleason Golf Course Manager has a written contract for contractual services.

EMERGENCY MEDICAL SERVICES WRITE OFF POLICY

The Law Department, Internal Auditor, and Controller's Office will work with the Emergency Medical Services department to assist them in defining a procedure and establishing a policy to write off bad debt, uncollectible receivables, and adjustments.

POLICE AND FIRE PENSION DEATH BENEFITS

The Controller's Office will work with the Police and Fire Pension Secretaries to establish an ordinance that will increase the minimum death benefits provided to beneficiaries to \$12,000.

METRO CENTER RECEIPT ACTIVITIES, ACCOUNT RECONCILIATION, AND DISBURSEMENT AND BALANCES

The City of Gary is not involved in the day to day operations of the Metro Center and therefore has not been aware of some of its accounting challenges. The City will request copies of monthly completed bank reconciliations 30-days after the end of each month, along with receipt and disbursement reports. The City will also assist the Metro Center in obtaining and implementing the use of required prescribed forms for receipts and disbursements.

BLANKET BOND

The City Clerk is insured under a Blanket Bond for \$300,000, and her staff is insured among the 2,000 employees covered by the blanket bond for the City of Gary. The Clerk has been insured since 1999.



Mayor Rudolph Clay
Special Administrator

Luci L. Horton
Director

Main Office
3600 West 3rd Avenue
Gary, Indiana 46406
219-944-0595 phone
219-977-8318 fax

Customer Service
839 Broadway
Gary, Indiana 46402
219-883-1027 phone
219-883-1029 fax

Gary Sanitary District
Board of Commissioners
&
Gary Storm Water
Management District
Board of Directors

Richard J. Comer
President

Charles W. Jackson, Jr.
Vice President

Cynthia D. Watts
Secretary/Treasurer

Harlee Currie
Member

Emmett Sellers
Member

Hamilton L. Carmouche
GSD Attorney

Website
www.garysan.com

To: State Board of Accounts Representatives (SBOA)

From: GSD Director, Luci L. Horton
GSD Deputy Director, Vern E. Webbs

Date: July 8, 2009

Re: Responses to the Gary Sanitary District's 2008 Audit Results and Comments

Attached are the Gary Sanitary District's responses and attachments to the 2008 Audit Results and Comments presented at the SBOA Exit Conference on Monday, June 22, 2009. We apologize that due to extenuating circumstances, GSD was not able to provide the responses by Monday, July 6, 2009 as anticipated. However, we hope this delay will not impact the timeliness of the responses.

Sincerely,

Ms. Vern E. Webbs

GSD Deputy Director/Finance Manager
Gary Sanitary District
Gary Storm Water Management District
219-944.0595 ext. 1813
219.944.0250 Fax

Please sign indicating receipt of package.

Thank you,

Vern E. Webbs

 _____ 7-8-09
SBOA Representative Date

Cc: Director Luci L. Horton

Gary Sanitary District 2008 Audit Comment Responses

Garbage Collection Contract Fees

(See attached response)

Emergency Public Works Projects

GSD upon declaration by the board that an emergency exists for repair will document in the minutes the declaration of the emergency and the names of the persons invited to bid or provide quotes on the project. The board will award the contract for the public work to the lowest responsible and responsive quoter whenever possible.

Contracts

(See attached response)

Video Recording Contract at GSD

Mr. Rudy Clay Jr.'s contract was amended for an additional \$10,000.00 on October 28, 2008. (See attached modification)

Temporary Transfers of Funds at the Sanitary District

GSD will get board approval before making temporary transfers (loans) and return the amount transferred at the end of the prescribed period. If an emergency exists, GSD will get board approval to extend the transfers (loans) for not more than six (6) months beyond the budget year in which the transfer occurs and immediately forward a copy of the resolution to the State Board of Accounts and the Department of Local Government Finance.

GSD will record all the financial transactions on the books and at the banks. If there is insufficient money on deposit to repay the temporary transfer (loan), GSD will transfer the money to repay the temporary transfer (loan) and immediately transfer the money back to setup the temporary transfer (loan).

As it relates to the temporary loans GSD made to the City of Gary, the City Controller and officials will have to make the determination whether or not the loans payable to GSD can be paid back in full and immediately re-established as a temporary loan.

Travel Expense

GSD approved two employees to attend the Airport Minority Council Advisory Council from May 26, 2008 – June 3, 2008. Although the conference focused primarily on the airport industry, there was a portion of the conference that focused on Disadvantaged Business Enterprises (DBE) which program is conditional for receiving federal funds. The program also provides assistance to minorities, women and other socially and economically disadvantaged individuals to enter the highway construction and design industry. We believe the information received from the conference was useful towards

07/08/09

developing the Gary Business Enterprise (GBE) Program and providing information as it relates to Affirmative Action and EEO policies which are apart of the Compliance Department's duties. Going forward, GSD will ensure that workshops and conferences attended by employees are in connection with the performance and duties on behalf of the District.

GSD Collection of Amounts Due

At the parties' settlement conference on October 12, 2004, it was agreed that rather than totally revise the parties' 1984 Agreement at that time, Gary Sanitary District ("GSD") would draft a proposed amendment to the 1984 agreement. The purpose of the amendment was to state the current manner in which user rates are determined and capital costs are charged. The amended agreement was never signed by the Hobart Sanitary District.

The Wastewater Treatment Agreement between GSD and Merrillville Conservancy District dated October 10, 1995 is the model agreement and methodology that GSD allocates costs to the three contract communities. It does follow the methodology as outlined in the 2004 draft agreement with Hobart. Unfortunately, Hobart has never wanted to sign a revised agreement.

GSD plans to set up a meeting with the Hobart Sanitary District to come to an agreement on capital contributions and collect on past due charges. (See attached additional comments)

Luci L. Horton



Director

Gary Sanitary District

Gary Storm Water Management District

Vern E. Webbs



Deputy Director/Finance Manager

Gary Sanitary District

Gary Storm Water Management District

July 8, 2009

**GARY SANITARY DISTRICT
AGREEMENT FOR VIDEO RECORDING AND EDITING SERVICES
FROM RUDY CLAY, JR.**

THIS AGREEMENT, effective the 1st day of January, 2009, by and between the Gary Sanitary District (GSD) and Rudy Clay, Jr.

WHEREAS, in consideration of the mutual covenants contained and other good and valuable consideration, the receipt of which is hereby acknowledged, Gary Sanitary District hereby engages Rudy Clay, Jr. and Rudy Clay, Jr. hereby accepts such engagement by GSD to render Video Recording and Editing Services (Services) regarding the Gary Sanitary District as detailed in Exhibit A (Scope of Services) and Exhibit B (Schedule of Billable Hours) attached hereto in accordance with the following terms and conditions:

1. Rudy Clay, Jr. shall perform the services detailed in Exhibits A and B under the terms and conditions contained therein.

2. Rudy Clay, Jr. shall provide said services in a professional manner using the standard of care applicable to persons providing these types of services and under the supervision of GSD Representative, Martin J. Brown (Brown). Rudy Clay, Jr. shall utilize the video, computer and public address equipment belonging to GSD. In the event that said equipment is in need of repair or replacement, GSD shall make such repair or replacement, unless said repair or replacement is necessitated by the negligence of Rudy Clay, Jr.

3. Rudy Clay, Jr. shall devote its best efforts, ability, skill and attention to the furtherance of the best business objectives and interests of Gary Sanitary District in connection with the services covered by this Agreement and shall devote such time as is necessary

or required for the proper completion and performance of the work covered by this Agreement. Any and all video recordings, documents, memoranda, programs, data, and other materials or information received, observed, reviewed, or generated by Rudy Clay, Jr. in the course of fulfilling its responsibilities under this Agreement shall be deemed confidential and the sole property of the GSD.

4. As compensation for the services to be rendered to Gary Sanitary District by Rudy Clay, Jr. under this Agreement, unless changed by future agreement of parties, Gary Sanitary District shall pay Rudy Clay, Jr. for the Services an amount not to exceed Thirty Nine Thousand Nine Hundred Sixty Dollars and no cents (\$39,960.00), payable in monthly installments not to exceed Three Thousand Three Hundred Dollars and no cents (\$3,300.00), in accordance with Exhibits A and B and without further written authorization of GSD. Rudy Clay, Jr. shall submit, not more than monthly or at an agreed upon time between Brown and Rudy Clay, Jr., detailed itemized bills, the original to GSD Deputy Director/Finance Manager Vern E. Webbs, one copy to Brown, providing sufficient detail, or an actual deliverable, from which Brown can determine that the services billed for have actually been provided. All hourly billing shall be in quarter ($\frac{1}{4}$) hour increments. GSD shall pay Rudy Clay, Jr. all properly billed amounts within 35 days of GSD's receipt of an appropriate bill.

The total of Contractor's 2009 billings shall not exceed \$39,960.00, without further approval by the GSD Board. If, and when, Contractor's gross 2009 billings reach (\$31,968.00) (80%) of the contracted amount; the Contractor shall notify the GSD Board in

writing of that fact. If at that time, Contractor believes that its total billings for 2009 may exceed \$39,960.00, it shall advise the GSD Board accordingly and make a written request for the "not to exceed" amount to be raised to any appropriate amount to complete the term of this Agreement.

5. If, and in the event, GSD or the Contractor determines that changes are necessary in Exhibit A (Scope of Services) or Exhibit B (Schedule of Billable Hours) as provided under this Agreement or rate of compensation, such changes shall only be made upon written approval of both parties.

6. GSD will make available to Rudy Clay, Jr. access to necessary facilities and relevant documentation and information necessary to complete Rudy Clay, Jr.'s contractual responsibilities. Rudy Clay, Jr. should direct all requests regarding the same to Brown.

7. This contract shall be for a Term commencing on the effective date, January 1, 2009, and expiring December 31, 2009. This Agreement, if not renewed in writing for an additional fixed period and agreed to by both parties, shall terminate when the Term expires.

This Agreement may be terminated with a thirty (30) day written notice from either party. If terminated by GSD before completion, Rudy Clay, Jr. shall be paid for all services provided prior to said termination date. Rudy Clay, Jr. shall cease performance upon receipt of the notice of termination.

8. This Agreement is executed under and shall be construed in accordance with the laws of the State of Indiana. The rights and obligations hereunder shall be binding upon and inure to the benefit

SCOPE OF SERVICESGSD/GSWMD VIDEO TECHNICIAN**VIDEO RESPONSIBILITIES:**

1. Recording meetings and other events:
 - a. Gary Sanitary District:
 - i. Second and Fourth Tuesday of every month.
 - ii. Time 6:00 pm (Approximate meeting time = 45 minutes to 1 hour).
 - iii. Location 3600 West 3rd Avenue, Board Room.
 - b. Gary Storm Water Management District:
 - i. Second and Fourth Tuesday of every month.
 - ii. Time 6:30 pm (Approximate meeting time = 10 minutes to 30 minutes).
 - iii. Location 3600 West 3rd Avenue, Board Room.
 - c. In the event that the second or fourth Tuesday of a given month falls on a scheduled holiday for GSD the contractor shall be notified in accordance with (Open Door Law). IC5-14-1.5-1. This shall not be considered as an additional meeting.
 - d. Special meetings
 - e. Clean Water Festival
 - i. The contractor shall record this event and post process video footage from this event.
 - ii. The contractor shall be given 72 hour notice before this event
 - f. Other special events and public hearings
 - i. The contractor shall record this event and post process video footage from this event in accordance with Exhibit B.
 - ii. The contractor shall be given 72 hour notice before this event
2. Record all Pre-bid and Pre-Construction meetings:
 - a. As scheduled.
 - b. Minimum One (1) week notice.
 - c. Location 3600 West 3rd Avenue, Board Room.
3. Public Address System setup and breakdown prior to Bi-Monthly Board Meetings and Pre-bid and Pre-Construction meetings:
 - a. Setup and Sound Check = 45 minutes to One (1) hour
 - b. Breakdown = 30 minutes.
 - c. Setup and breakdown microphones.
 - d. 1 – Mackie 20 channel sound board.
 - e. 2 – Mackie Powered Speakers.
 - f. 9 – Individual Microphones.
 - g. 1 – Condenser Microphone.
 - h. 1 – Panasonic AG-DVC60P Camera w/tripod.
 - i. 1 – Laptop Computer.

SCOPE OF SERVICES**VIDEO POST PROCESSING RESPONSIBILITIES:**

4. Board Meeting Video Transfer and duplication:
 - a. Transfer DV tape to Master DVD –R.
 - b. Create minimum of 7 DVD –R for distribution.
 - c. Deliver one (1) DVD –R and one (1) VHS tape for each Board Meeting to Channel 4 by noon on Thursday after the Board Meeting.

5. Pre-bid and Pre-Construction meetings Video Transfer and duplication:
 - a. Transfer DV tape to Master DVD –R.
 - b. Create minimum of 4 DVD –R for distribution.
 - c. Deliver one (1) DVD –R to Project Manager and one (1) DVD –R Board Administrator Thursday after the Board Meeting.

6. Editing Services
 - a. Log and capture
 - b. Trimming
 - c. Color correcting
 - d. Music
 - e. Titles
 - f. Rendering
 - g. Review for errors

SCHEDULE OF BILLABLE HOURS

| Description | Scheduled Events | Available Hours | Rate | Total Amount |
|---|------------------|-----------------|---------------|--------------|
| Board Meetings | 24 | | \$ 200 | \$ 4,800 |
| Pre-Bid and Pre-Construction Meetings | 12 | (est) | \$ 200 | \$ 2,400 |
| Defined Event - Clean Water Celebration based on an eight hour day | 1 | | \$ 520 | \$ - |
| Undefined Events billed at an hourly rate | 4 | 32 | \$ 65 | \$ 2,080 |
| Editing Services billed at an hourly rate | | 472 | \$ 65 | \$ 30,680 |

TOTAL CONTRACT AMOUNT \$ 39,960

NOTES:

- 1 - SPECIAL BOARD MEETINGS SHALL BE AT THE NORMAL EVENT RATE OF \$200.00.
- 2 - ADDITIONAL PRE-BID MEETINGS AND PRE-CONSTRUCTION MEETINGS SHALL BE AT THE NORMAL EVENT RATE OF \$200.00.
- 3 - ALL HOURLY BILLINGS SHALL BE IN ¼ HOUR INCREMENTS.

of the respective successors, legal representatives or assigns of the parties.

9. Rudy Clay, Jr. may not assign any of its duties or responsibilities under this Agreement without the prior written consent of Gary Sanitary District.

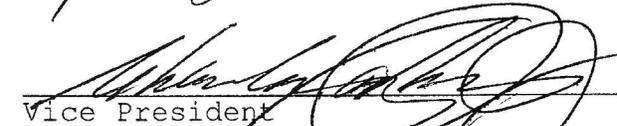
IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the 10th day of March, 2009.


RUDY CLAY, JR.
By: _____
Rudy Clay, Jr.

BOARD OF SANITARY COMMISSIONERS



President



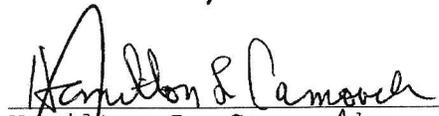
Vice President



Luci L. Horton, Director



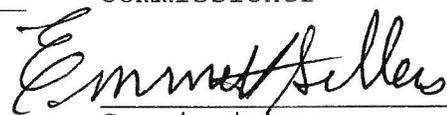
Secretary



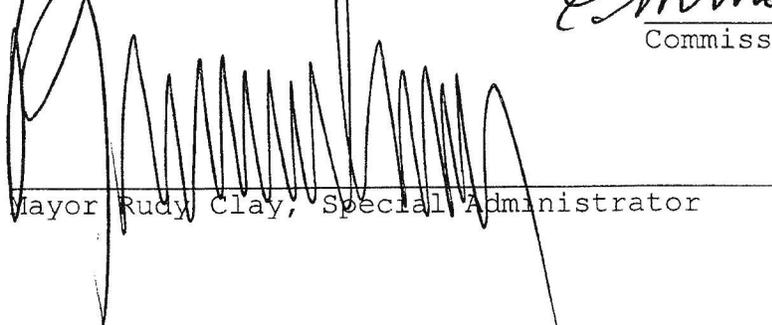
Hamilton L. Carmouche,
GSD Attorney



Commissioner



Commissioner



Mayor Rudy Clay, Special Administrator

FIRST MODIFICATION TO
GARY SANITARY DISTRICT AGREEMENT FOR VIDEO RECORDING AND EDITING SERVICES
FROM RUDOLPH CLAY JR.

This First Modification to GARY SANITARY DISTRICT AGREEMENT for Video Recording and Editing Services from RUDOLPH CLAY, JR., dated January 1, 2008, by and between the GARY SANITARY DISTRICT (GSD) and RUDOLPH CLAY, JR. (CONTRACTOR).

Witnesseth

WHEREAS, the GSD and CONTRACTOR entered into an agreement for Video Recording and Editing Services, and

WHEREAS, the GSD and the CONTRACTOR desire to modify the Agreement to increase the compensation thereunder,

Now Therefore, for and in consideration of the mutual promises, covenants and benefits contained herein, and other good and valuable consideration, the receipt of which are hereby acknowledged by the parties, GARY SANITARY DISTRICT and CONTRACTOR agree as follows:

1. Paragraph 4 of the Agreement is modified to add the following paragraph: "As compensation for services rendered in accordance with Exhibit A, upon provision of appropriate documentation, GSD shall pay the CONTRACTOR an additional amount not to exceed Ten Thousand Dollars (\$10,000), payable in monthly installments not to exceed Two Thousand Five Hundred Dollars (\$2,500) per month."

GSD/GSWMD VIDEO TECHNICIAN**VIDEO RESPONSIBILITIES:**

1. Record Bi-Monthly Board Meetings:
 - a. Gary Sanitary District:
 - i. Second and Fourth Tuesday of every month.
 - ii. Time 6:00 pm (Approximate meeting time = 45 minutes to 1 hour).
 - iii. Location 3600 West 3rd Avenue, Board Room.
 - b. Gary Storm Water Management District:
 - i. Second and Fourth Tuesday of every month.
 - ii. Time 6:30 pm (Approximate meeting time = 10 minutes to 30 minutes).
 - iii. Location 3600 West 3rd Avenue, Board Room.

2. Record all Pre-bid and Pre-Construction meetings:
 - a. As scheduled.
 - b. Minimum One (1) week notice.
 - c. Location 3600 West 3rd Avenue, Board Room.

3. Public Address System setup and breakdown prior to Bi-Monthly Board Meetings and Pre-bid and Pre-Construction meetings:
 - a. Setup and Sound Check = 45 minutes to One (1) hour.
 - b. Breakdown = 30 minutes.
 - c. Setup and breakdown microphones.
 - i. 1 – Mackie 20 channel sound board.
 - ii. 2 – Mackie Powered Speakers.
 - iii. 9 – Individual Microphones.
 - iv. 1 – Condenser Microphone.
 - v. 1 – Panasonic AG-DVC60P Camera w/tripod.
 - vi. 1 – Laptop Computer.

VIDEO POST PROCESSING RESPONSIBILITIES:

4. Board Meeting Video Transfer and duplication:
 - a. Transfer DV tape to Master DVD –R.
 - b. Transfer DVD –R to VHS tape.
 - c. Create minimum of 4 DVD –R for distribution.
 - d. Deliver one (1) DVD –R and one (1) VHS tape for each Board Meeting to Channel 4 by noon on Thursday after the Board Meeting.
5. Pre-bid and Pre-Construction meetings Video Transfer and duplication:
 - a. Transfer DV tape to Master DVD –R.
 - b. Create minimum of 4 DVD –R for distribution.
 - c. Deliver one (1) DVD –R to Project Manager and one (1) DVD –R Board Administrator Thursday after the Board Meeting.

6. Editing Services

- a. Log and capture.
- b. Trimming.
- c. Color correcting.
- e. Music.
- f. Titles.
- g. Rendering.
- h. Review for errors

SCHEDULE OF BILLABLE HOURS

| Description | Scheduled Events | Available Hours | Rate | Total Amount |
|---|------------------|-----------------|--------|-----------------|
| Board Meetings | 8 | | \$ 150 | \$ 1,200 |
| Pre-Bid and Pre-Construction Meetings | est. 4 | | \$ 150 | \$ 600 |
| Defined Event - Clean Water Celebration | 1 | | \$ 150 | \$ 150 |
| Undefined events billed at an hourly rate | est. 30 hours | | \$ 65 | \$ 1,950 |
| Editing Services | est. 93 hours | | \$ 65 | \$ 6,045 |
| Unscheduled Events | | | | |
| TOTAL CONTRACT AMOUNT | | | | \$ 9,945 |

NOTES:

- 1 - SPECIAL BOARD MEETINGS SHALL BE AT THE NORMAL EVENT RATE OF \$150.00.
- 2 - ADDITIONAL PRE-BID MEETING AND PRE-CONSTRUCTION MEETINGS SHALL BE AT THE NORMAL EVENT RATE OF \$150.00.
- 3 - ALL HOURLY BILLING SHALL BE IN ¼ HOUR INCREMENTS.

FIRST MODIFICATION TO
GARY SANITARY DISTRICT AGREEMENT FOR VIDEO RECORDING AND EDITING SERVICES
FROM RUDOLPH CLAY JR.

2. No other modifications except for this modification to Paragraph 4 shall be effective to the above referenced contract.

In Witness Whereof, the parties hereunto set their hands and seals on the date written below.

10-28-08

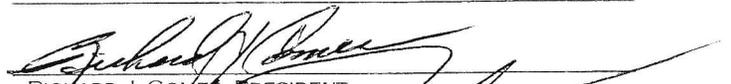
DATE



BY: RUDOLPH CLAY, JR.

APPROVED THIS 28th DAY OF October 2008

GARY SANITARY DISTRICT
BOARD OF COMMISSIONERS



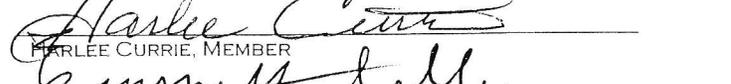
RICHARD J. COMER, PRESIDENT



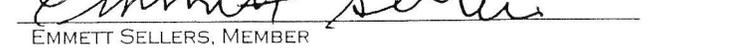
CHARLES W. JACKSON JR., VICE PRESIDENT



CYNTHIA D. WATTS, SECRETARY



HARLEE CURRIE, MEMBER



EMMETT SELLERS, MEMBER



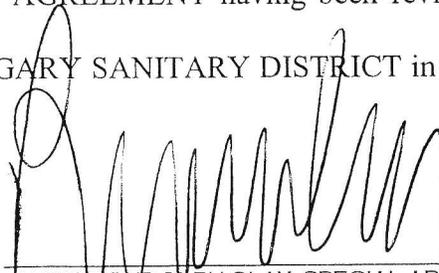
LUCI L. HORTON, DIRECTOR

FIRST MODIFICATION TO
GARY SANITARY DISTRICT AGREEMENT FOR VIDEO RECORDING AND EDITING SERVICES
FROM RUDOLPH CLAY JR.

This GARY SANITARY DISTRICT AGREEMENT having been reviewed, the
action of the Board of Commissioners of the GARY SANITARY DISTRICT in executing
the same is hereby **APPROVED**.

10-31-08

DATE



MAYOR RUDOLPH CLAY, SPECIAL ADMINISTRATOR

Hamilton Carmouche by

David N. Selzer

CORPORATION COUNSEL, HAMILTON L. CARMOUCHE

DATE