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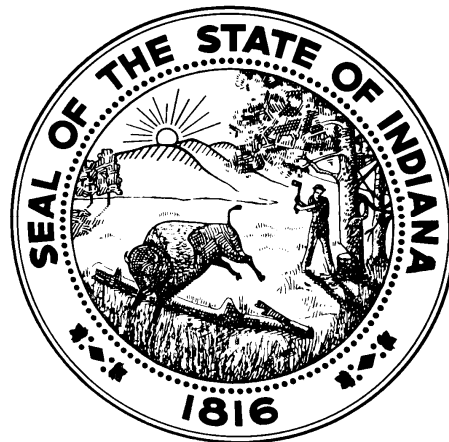
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2008

CITY OF HAMMOND

LAKE COUNTY, INDIANA



FILED
12/31/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Barbara Cardwell Robert Lendi	01-01-08 to 12-31-08 01-01-09 to 12-31-09
Mayor	Thomas M. McDermott, Jr.	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	William J. O'Connor	01-01-08 to 12-31-09
President of the Common Council	Daniel Repay Homero Hinijosa	01-01-08 to 12-31-08 01-01-09 to 12-31-09
Distribution Superintendent of the Water Utility	Stanley Zatorski	01-01-08 to 12-31-09
Chief Executive Operator of the Water Utility	Edward Kruza	01-01-08 to 12-31-09
Sanitary District Manager	Michael T. Unger, PhD.	01-01-08 to 12-31-09
Director of the Port Authority	Milan Kruszynski	01-01-08 to 12-31-09



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

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

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

In accordance with Government Auditing Standards, we have also issued a report dated November 3, 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.

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

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 City provides postemployment health insurance benefits to eligible retirees. The City has not provided an actuarial study to determine the City's annual postemployment benefit costs in accordance with GASB Statement 45.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, 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 Long-Term Debt has 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 it.

STATE BOARD OF ACCOUNTS

November 3, 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 HAMMOND, LAKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hammond (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 3, 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.

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

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. We consider the deficiencies described in items 2008-1 and 2008-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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.

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)

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. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

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 City Council, 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

November 3, 2009

CITY OF HAMMOND
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		Component Unit	
					Governmental Activities	Business-Type Activities	Totals	Port Authority
Primary government:								
Governmental activities:								
General government	\$ 61,881,311	\$ 4,391,370	\$ 342,536	\$ -	\$ (57,147,405)	\$ -	\$ (57,147,405)	\$ -
Public safety	39,986,331	2,032,545	184,852	602,245	(37,166,689)	-	(37,166,689)	-
Highways and streets	7,496,196	-	815,626	-	(6,680,570)	-	(6,680,570)	-
Sanitation	558,661	20,961	-	-	(537,700)	-	(537,700)	-
Health and welfare	1,236,545	299,092	316,030	-	(621,423)	-	(621,423)	-
Economic development	5,417,280	-	-	3,244,028	(2,173,252)	-	(2,173,252)	-
Culture and recreation	10,132,511	832,180	-	-	(9,300,331)	-	(9,300,331)	-
Urban redevelopment and housing	26,551,385	-	-	-	(26,551,385)	-	(26,551,385)	-
Principal and interest on indebtedness	12,273,858	-	-	-	(12,273,858)	-	(12,273,858)	-
Total governmental activities	165,534,078	7,576,148	1,659,044	3,846,273	(152,452,613)	-	(152,452,613)	-
Business-type activities:								
Sanitary district	31,269,373	18,863,533	-	-	-	(12,405,840)	(12,405,840)	-
Storm water management utility	22,061	313,193	-	-	-	291,132	291,132	-
Recycling utility	1,030,688	822,623	-	-	-	(208,065)	(208,065)	-
Sanitation utility	3,449,055	3,742,530	-	-	-	293,475	293,475	-
Water utility	12,330,047	9,956,929	-	1,000,000	-	(1,373,118)	(1,373,118)	-
Total business-type activities	48,101,224	33,698,808	-	1,000,000	-	(13,402,416)	(13,402,416)	-
Total primary government	\$ 213,635,302	\$ 41,274,956	\$ 1,659,044	\$ 4,846,273	(152,452,613)	(13,402,416)	(165,855,029)	-
Component unit:								
Port Authority	\$ 13,090,356	\$ 3,346,814	\$ 5,531,359	\$ -	-	-	-	(4,212,183)
General receipts:								
Property taxes					63,641,185	6,065,995	69,707,180	-
Intergovernmental					4,266,436	-	4,266,436	-
Other local sources					56,237,279	-	56,237,279	628,317
Net proceeds from borrowings					32,986,467	4,952,323	37,938,790	-
Grants and contributions not restricted to specific programs					860,515	-	860,515	-
Investment earnings					1,023,802	1,099,170	2,122,972	97,276
Transfers					1,615,000	(1,615,000)	-	-
Total general receipts and transfers					160,630,684	10,502,488	171,133,172	725,593
Change in net assets					8,178,071	(2,899,928)	5,278,143	(3,486,590)
Net assets - beginning					36,779,853	35,170,481	71,950,334	7,989,158
Net assets - ending					\$ 44,957,924	\$ 32,270,553	\$ 77,228,477	\$ 4,502,568
Assets								
Cash and investments					\$ 446,280	\$ 10,201,328	\$ 10,647,608	\$ 3,012,345
Restricted assets:								
Cash and investments					44,511,644	22,069,225	66,580,869	1,490,223
Total assets					\$ 44,957,924	\$ 32,270,553	\$ 77,228,477	\$ 4,502,568
Net Assets								
Restricted for:								
General government					\$ 198,842	\$ -	\$ 198,842	\$ -
Public safety					36,717	-	36,717	-
Highways and streets					919,965	-	919,965	-
Health and welfare					2,343,370	-	2,343,370	-
Economic development					12,172,790	-	12,172,790	-
Urban redevelopment and housing					713,915	-	713,915	-
Debt service					16,785,311	2,969,922	19,755,233	-
Capital outlay					11,340,734	-	11,340,734	-
Other purposes					-	19,099,303	19,099,303	1,490,223
Unrestricted					446,280	10,201,328	10,647,608	3,012,345
Total net assets					\$ 44,957,924	\$ 32,270,553	\$ 77,228,477	\$ 4,502,568

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

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

	General	Gaming Revenues	TIF Allocation Northend	Cabela's	Redevelopment Authority Marina Project	Lost Marsh Clubhouse Construction	Other Governmental Funds	Totals
Receipts:								
Taxes	\$ 47,832,948	\$ -	\$ 4,546,488	\$ -	\$ -	\$ -	\$ 11,261,749	\$ 63,641,185
Licenses and permits	1,566,596	-	-	-	-	-	471,225	2,037,821
Intergovernmental	387,617	-	-	-	-	-	10,244,651	10,632,268
Charges for services	2,547,559	-	-	-	-	-	1,837,868	4,385,427
Fines and forfeits	395,193	-	-	-	-	-	757,707	1,152,900
Other	1,308,269	38,781,779	-	-	176,958	163,990	10,662,050	51,093,046
Total receipts	54,038,182	38,781,779	4,546,488	-	176,958	163,990	35,235,250	132,942,647
Disbursements:								
General government	20,460,314	32,578,794	-	-	-	-	4,402,713	57,441,821
Public safety	36,813,125	-	-	-	-	-	1,963,465	38,776,590
Highways and streets	947,138	-	-	-	-	-	6,548,018	7,495,156
Sanitation	259,247	-	-	-	-	-	299,414	558,661
Health and welfare	528,508	-	-	-	-	-	627,276	1,155,784
Economic development	-	-	2,374,484	-	-	-	3,042,796	5,417,280
Culture and recreation	-	-	-	-	-	-	5,011,721	5,011,721
Urban redevelopment and housing	-	-	-	20,648,967	-	-	5,900,810	26,549,777
Debt service:								
Principal	-	-	-	-	-	-	8,225,000	8,225,000
Interest	-	-	-	-	1,251,469	-	2,797,389	4,048,858
Capital outlay:								
General government	37,365	-	-	-	-	-	294,345	331,710
Public safety	94,020	-	-	-	-	-	1,115,721	1,209,741
Highways and streets	1,040	-	-	-	-	-	-	1,040
Health and welfare	-	-	-	-	-	-	80,761	80,761
Culture and recreation	-	-	-	-	-	5,120,790	-	5,120,790
Urban redevelopment and housing	-	-	-	-	-	-	1,608	1,608
Total disbursements	59,140,757	32,578,794	2,374,484	20,648,967	1,251,469	5,120,790	40,311,037	161,426,298
Excess (deficiency) of receipts over disbursements	(5,102,575)	6,202,985	2,172,004	(20,648,967)	(1,074,511)	(4,956,800)	(5,075,787)	(28,483,651)
Other financing sources (uses):								
Net proceeds from borrowings	-	-	-	20,648,967	-	-	12,337,500	32,986,467
Transfers in	2,087,198	-	265,424	-	-	11,087,500	6,883,293	20,323,415
Transfers out	(9,321)	-	(2,339,707)	-	-	(345,166)	(16,014,221)	(18,708,415)
Other receipts	528,376	263,380	41,530	-	-	-	4,445,423	5,278,709
Total other financing sources (uses)	2,606,253	263,380	(2,032,753)	20,648,967	-	10,742,334	7,651,995	39,880,176
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,496,322)	6,466,365	139,251	-	(1,074,511)	5,785,534	2,576,208	11,396,525
Cash and investment fund balance - beginning	(14,772,977)	11,460,249	5,268,928	-	7,966,464	-	23,466,717	33,389,381
Cash and investment fund balance - ending	\$ (17,269,299)	\$ 17,926,614	\$ 5,408,179	\$ -	\$ 6,891,953	\$ 5,785,534	\$ 26,042,925	44,785,906
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.								
								172,018
Net assets of governmental activities								\$ 44,957,924
Cash and Investment Assets - Ending								
Cash and investments	\$ (17,269,299)	\$ 17,926,614	\$ -	\$ -	\$ -	\$ -	\$ (383,053)	\$ 274,262
Restricted assets:								
Cash and investments	-	-	5,408,179	-	6,891,953	5,785,534	26,425,978	44,511,644
Total cash and investment assets - ending	\$ (17,269,299)	\$ 17,926,614	\$ 5,408,179	\$ -	\$ 6,891,953	\$ 5,785,534	\$ 26,042,925	\$ 44,785,906
Cash and Investment Fund Balance - Ending								
Restricted for:								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198,842	\$ 198,842
Public safety	-	-	-	-	-	-	36,717	36,717
Highways and streets	-	-	-	-	-	-	919,965	919,965
Health and welfare	-	-	-	-	-	-	2,343,370	2,343,370
Economic development	-	-	5,408,179	-	-	-	6,764,611	12,172,790
Urban redevelopment and housing	-	-	-	-	-	-	713,915	713,915
Debt service	-	-	-	-	6,891,953	-	9,893,358	16,785,311
Capital outlay	-	-	-	-	-	5,785,534	5,555,200	11,340,734
Unrestricted	(17,269,299)	17,926,614	-	-	-	-	(383,053)	274,262
Total cash and investment fund balance - ending	\$ (17,269,299)	\$ 17,926,614	\$ 5,408,179	\$ -	\$ 6,891,953	\$ 5,785,534	\$ 26,042,925	\$ 44,785,906

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

CITY OF HAMMOND
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2008

	Sanitary District	Storm Water Management Utility	Recycling Utility	Sanitation Utility	Water Utility	Totals	Internal Service Funds
Operating receipts:							
Unmetered/flat rate	\$ -	\$ 313,193	\$ -	\$ 3,728,003	\$ -	\$ 4,041,196	\$ -
Sales for resale	-	-	528,089	-	-	528,089	-
Sales	5,048,921	-	-	-	-	5,048,921	-
Public street and highway lighting	4,368,466	-	-	-	-	4,368,466	-
Fees	2,440,969	-	-	-	-	2,440,969	-
Terminal rent	3,659,541	-	-	-	-	3,659,541	-
Charges for services	2,345,344	-	-	-	9,956,929	12,302,273	11,552,742
Interfund loan proceeds	-	-	250,000	-	-	250,000	-
Miscellaneous	1,000,292	-	294,534	14,527	-	1,309,353	889,326
Total operating receipts	18,863,533	313,193	1,072,623	3,742,530	9,956,929	33,948,808	12,442,068
Operating disbursements:							
Salaries and wages	3,350,600	-	511,951	1,288,018	-	5,150,569	-
Employee pensions and benefits	1,672,224	-	262,254	630,961	-	2,565,439	-
Purchased wastewater treatment	4,389,067	-	-	-	-	4,389,067	-
Purchased power	2,444,749	-	-	-	-	2,444,749	-
Fuel for power production	119,182	-	39,942	157,297	-	316,421	-
Material and supplies	201,596	-	52,535	63,971	-	318,102	-
Contractual services	2,082,616	15,626	50,431	880,518	-	3,029,191	-
Insurance claims and expense	509,792	-	86,839	160,770	-	757,401	15,628,987
Regulatory commission	903,813	6,435	26,736	58,510	-	995,494	-
Source of supply	-	-	-	-	3,151,688	3,151,688	-
Water treatment	-	-	-	-	5,603,641	5,603,641	-
Equipment and capital improvements	6,571,266	-	-	-	3,574,718	10,145,984	31,535
Interfund loans made/repaid	-	250,000	-	-	-	250,000	-
Total operating disbursements	22,244,905	272,061	1,030,688	3,240,045	12,330,047	39,117,746	15,660,522
Excess (deficiency) of operating receipts over operating disbursements	(3,381,372)	41,132	41,935	502,485	(2,373,118)	(5,168,938)	(3,218,454)
Nonoperating receipts (disbursements):							
Property taxes	6,065,995	-	-	-	-	6,065,995	-
Investment income	834,345	-	-	-	264,825	1,099,170	-
Net proceeds from borrowings	4,952,323	-	-	-	-	4,952,323	-
Grants	-	-	-	-	1,000,000	1,000,000	-
Debt service of principal	(6,647,661)	-	-	(178,816)	-	(6,826,477)	-
Interest disbursements	(2,376,807)	-	-	(30,194)	-	(2,407,001)	-
Total nonoperating receipts (disbursements)	2,828,195	-	-	(209,010)	1,264,825	3,884,010	-
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(553,177)	41,132	41,935	293,475	(1,108,293)	(1,284,928)	(3,218,454)
Transfers out	(1,000,000)	-	-	-	(615,000)	(1,615,000)	-
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	(1,553,177)	41,132	41,935	293,475	(1,723,293)	(2,899,928)	(3,218,454)
Cash and investment fund balance - beginning	24,035,034	520,688	-	-	10,614,759	35,170,481	3,390,472
Cash and investment fund balance - ending	\$ 22,481,857	\$ 561,820	\$ 41,935	\$ 293,475	\$ 8,891,466	\$ 32,270,553	\$ 172,018
Cash and Investment Assets - December 31							
Cash and investments	\$ 1,195,622	\$ 561,820	\$ 41,935	\$ 293,475	\$ 8,108,476	\$ 10,201,328	\$ 172,018
Restricted assets:							
Cash and investments	21,286,235	-	-	-	782,990	22,069,225	-
Total cash and investment assets - December 31	\$ 22,481,857	\$ 561,820	\$ 41,935	\$ 293,475	\$ 8,891,466	\$ 32,270,553	\$ 172,018
Cash and Investment Fund Balance - December 31							
Restricted for:							
Debt service	\$ 2,969,922	\$ -	\$ -	\$ -	\$ -	\$ 2,969,922	\$ -
Other purposes	18,316,313	-	-	-	782,990	19,099,303	-
Unrestricted	1,195,622	561,820	41,935	293,475	8,108,476	10,201,328	172,018
Total cash and investment fund balance - December 31	\$ 22,481,857	\$ 561,820	\$ 41,935	\$ 293,475	\$ 8,891,466	\$ 32,270,553	\$ 172,018

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

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

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	\$ 3,992,521	
Plan members	2,322	
State	5,658,626	
Total additions	9,653,469	
Deductions:		
Benefits	10,256,802	
Administrative and general	24,189	
Total deductions	10,280,991	
Deficiency of total additions over total deductions	(627,522)	
Cash and investment fund balance - beginning	(1,760,884)	
Cash and investment fund balance - ending	\$ (2,388,406)	\$ 1,798,028

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

Blended Component Unit

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

<u>Component Unit</u>	<u>Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Hammond Redevelopment Authority (Redevelopment Authority)	The Redevelopment Authority is a significant blended component unit of the City. The Redevelopment Authority is fiscally dependent on the primary government. Although it is legally separate from the City, the Redevelopment Authority is reported as if it were a part of the City because it provides services entirely or almost entirely to the City.	Other Governmental Funds

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Discretely Presented Component Unit

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

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

Jointly Governed Organization

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

The Cities of Hammond, East Chicago, and Gary 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 Empowerment Zone uses its surplus resources to undertake special projects for the participating Cities. The Empowerment Zone's continued existence depends on the Empowerment Zone's ability to be awarded continued federal funding. The Empowerment Zone's single audit report can be obtained from their administrative offices at 839 Broadway, Gary, Indiana, 46402.

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 joined with several other governmental entities in Lake and Porter Counties 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 HAMMOND
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 Hammond Housing Authority and the Hammond Development Corporation.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its 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 resources received directly from the gaming boat based upon an agreement between the City and the gaming proprietors. The resources, which are locally appropriated, may be used for debt retirement, infrastructure and improvements, economic development, and general government.

The TIF allocation northend fund accounts for property taxes from the tax increment financing (TIF) district restricted for retirement of debt related to improvements in the marina district, or capital outlay for improvements in the marina district.

Cabela's fund accounts for the bond proceeds used for infrastructure improvements for the Cabela's shopping center.

Redevelopment authority marina project fund accounts for the financial resources received from the 2006 taxable lease rental revenue refunding bonds. The resources are used to pay the costs of refunding and defeasing all of the outstanding Hammond redevelopment authority lease rental bonds of 1999 and paying bond issuance costs.

Lost marsh club house construction fund accounts for the bond proceeds used to construct a new club house at the Lost Marsh Golf Course in Hammond.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major proprietary funds:

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

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

The recycling utility fund accounts for the operation of the recycling center.

The sanitation utility fund accounts for the operation of the City's trash collection system.

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

Additionally, the City reports the following fund types:

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

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

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

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.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. 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 billings taxes in 2008. Significant delays in the reassessment process have resulted in delays in billings 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 March 27, 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.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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
Local Road and Street	\$ 314,853
Cumulative Capital Development	14,165
Total	\$ 329,018

These disbursements were funded by available cash balances within the respective funds.

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:

Fund	2008
Major funds:	
General	\$ 17,269,299
Other governmental funds:	
Transit (Transportation)	431,426
Parks and Recreation	1,301,052
Technical Grant	540
Redevelopment Commission Operating	303,231
Asbestos Program	1,284
Water Hydrant Rental	71,506
EPA Grant	45,179
Civil City Bonds	122,010
VOC Detector	16,856
Lost Marsh Golf Course	494,270
Internal Service Fund:	
Diesel Fuel Tax	2,516
Pension Trust Funds:	
1925 Police Pension	1,148,474
1937 Firefighters' Pension	1,239,932

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements, and late distribution of county taxes; 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 \$53,352,414.

The 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:

Investment Type	Primary Government Market Value
U.S. treasuries and securities	\$ 9,683,493
Mutual funds	<u>17,915,050</u>
Total	<u><u>\$ 27,598,543</u></u>

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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:

Primary Government:

Investment Type	2008 In the Government's Name
U.S. treasuries and securities	\$ 9,683,493
Mutual funds	17,915,050
Total	\$ 27,598,543

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	More Than 2
U.S. treasuries and securities	\$ 9,683,496	\$ -
Mutual funds	15,715,050	2,200,000
Totals	<u>\$ 25,398,546</u>	<u>\$ 2,200,000</u>

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	Moody's Rating	City's Investments
		Mutual Funds
AAA	Aaa	\$ 15,715,050
Unrated	Unrated	2,200,000
Total		<u>\$ 17,915,050</u>

Concentration of Credit Risk

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City held the following investments that were exposed to concentration of credit risk:

Primary Government:

Issuer	2008
Dreyfus	\$ 15,715,050
MBIA, Incorporated	<u>2,200,000</u>
Total	<u><u>\$ 17,915,050</u></u>

B. Interfund Transfers

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

Transfer From	Transfer To	2008
General Fund	Other governmental funds	\$ 9,321
TIF Allocation Northend	Other governmental funds	2,339,707
Lost Marsh Club House Construction	Other governmental funds	345,166
Other governmental funds	General Fund	472,198
	TIF Allocation Northend	265,424
	Lost Marsh Club House Construction	11,087,500
	Other governmental funds	4,189,099
Business-type funds	General Fund	<u>1,615,000</u>
Total		<u><u>\$ 20,323,415</u></u>

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

IV. Other Information

A. Risk Management

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

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Job Related Illnesses or Injuries, Medical Benefits, and Loss Related to Torts (General Liability)

The City has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and loss related to torts (general liability). 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 medical claims in excess of \$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. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

Unemployment Compensation

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

B. Cash Held in Trust

Primary Government

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

Discrete Component Unit (Port Authority)

Debt Associated with the Marina

On May 13, 1999, the Port Authority conveyed the Hammond Marina to the Redevelopment Authority. The Redevelopment Authority then leased the Hammond Marina to the Redevelopment Commission, and the Redevelopment Commission entered into an operating agreement with the Port Authority providing for the Port Authority to operate and maintain the Hammond Marina and pledge all net revenues to the Redevelopment Commission. Net Revenues consist of all regular fees and charges collected by the Port Authority (less payment of operating and maintenance expenses), plus all passenger payments (Embarkation Fees) received from the gaming casino. The net revenues are to be deposited into a trust account.

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

In October 2006, the Redevelopment Authority issued \$6,420,000 taxable Marina Project Revenue Refunding Bonds. They refunded a 1999 bond issue which facilitated the construction of the marina on Lake Michigan. A new lease rental agreement dated October 26, 2006, between the Redevelopment Commission and Port Authority was signed. The trustee is now the Bank of New York Mellon Trust Company, N.A.

Distributions are to be made by the trustee to the Redevelopment Commission trust accounts as follows:

1. To the "Lease Payment" account an amount equal to the amount required to be paid by the Redevelopment Commission to the Redevelopment Authority under the lease, after taking into account funds then on deposit in the Marina project account, on the lease payment date. On or before each July 15 and January 15, the Trustee will use monies in the lease payment account to make the semiannual rental payments to the Redevelopment Authority. The money in this account is transferred to the Redevelopment Authority "Bond and Interest Fund."
2. To the "Lease Reserve" account, an amount not less than one-sixtieth (1/60) of the lease payment reserve requirement. The lease payment reserve requirement is established at the maximum sum of any two consecutive semiannual lease rental payments.
3. To the "Repair/Replacement Reserve" account an amount equal to \$25,000 each month to accumulate a balance of not less than \$500,000.
4. Two "Custody Accounts" shall be used solely in the event of a cessation of gaming activities at the Marina for a period of not less than thirty (30) days, as evidenced by a written notice from the Commission and the Port Authority. Upon cessation of gaming activities, amounts in the custody accounts shall be used first for the transfer to the "Lease Reserve" if amounts on deposit in the "Lease Reserve" are less than the lease payment reserve requirement. Thereafter, funds may be used upon request of the Port Authority to supplement revenues in order to make Operation and Maintenance Expenses or for deposit to the "Lease Payment" account if funds in that account are insufficient to make the deposits and transfers required by the Trust Agreement.

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

1. The "Bond and Interest Fund" receives the lease payments from the Redevelopment Commission which are used to pay the principal and interest due on the 2006 revenue bonds.
2. Transfer to the "Sinking Fund" account an amount equal to the lesser of (a) all of such lease rental payments; or (b) an amount which, when added to the amount in the sinking fund on the deposit date, equals the sum of the unpaid principal and interest on the bonds due on the next interest payment date and the unpaid mandatory sinking fund requirement due on the next mandatory sinking fund redemption date from the "Lease Payment" account.
3. The "Debt Service Reserve Fund" account required that on the date of issuance of the bonds, an amount will be on deposit which equals the least of (a) maximum annual debt service, (b) 10% of the original amount of the bonds, or (c) 125% of average annual debt service. The debt service reserve fund may be applied for the purpose of paying principal of and interest on the bonds if any deficiencies occur in the sinking fund established for such purpose. The Redevelopment Authority initially funded the debt service reserve requirement by depositing \$1,444,452.20 released from the lien of the 1989 Indenture.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Debt Associated with Lost Marsh Golf Course

To facilitate construction of a golf course, the City issued bonds as follows:

Redevelopment District Revenue Bonds of 2001 for \$7,500,000.

Redevelopment District Tax Increment Revenue Bonds of 2002, \$6,000,000.

Redevelopment District Revenue Bonds of 2003, \$2,950,000.

Redevelopment District Revenue Bonds of 2008, \$12,500,000.

Per the registrar and paying agent agreement, the Bank of New York Mellon Trust Company N.A. agreed to keep and maintain a bond principal and interest account and a reserve account for the repayment of the bonds.

Pursuant to the operating agreements for the Revenue Bonds, the Hammond Port Authority agreed to transfer net revenues to the bond principal and interest account to the aggregate amount of the principal and interest due during each bond year.

For the Tax Increment Revenue Bonds, the bonds are payable from the property taxes on incremental increases in assessed value of all real and certain personal property located within the tax increment area. To the extent that tax increment revenue is not sufficient to pay principal and interest, gaming embarkation fees received by the Hammond Port Authority and available to the Redevelopment Commission, pursuant to a second supplemental operating agreement dated May 1, 2002, were pledged to pay principal and interest on the bonds.

C. Casino Expansion

In February 2006, an agreement became effective among the City, Port Authority, Redevelopment Commission, Redevelopment Authority, and Horseshoe (Horseshoe) Hammond, LLC for casino expansion at the Hammond Marina. The remaining in progress terms of that agreement are:

The Port Authority and the City shall ensure the complete repair of the Hammond Marina break wall on or before December 31, 2011. Horseshoe made a one-time payment to the Port Authority in the amount of \$750,000 on October 4, 2006, to be used for this purpose.

Any obligation of Horseshoe to make a payment to the Port Authority based on casino admissions is hereby eliminated. In lieu of such obligations, Horseshoe shall pay to the Port Authority a flat annual fee of \$7,000,000, which shall be paid in equal monthly installments. This payment shall commence as of the date the new casino is open to the public for gaming.

Horseshoe shall advance to the City the amount of \$15,000,000 which shall be memorialized in a written document within 90 days following the effective date. The advance shall bear interest at a commercially reasonable rate to be determined by Horseshoe and the City and shall be satisfied through Horseshoe's deduction of any and all amounts which become due the City from Horseshoe in accordance with Section 5.01 of the Project Agreement, in excess of \$18,266,979 for any calendar year beginning with calendar year 2006.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

As part of the agreement, Horseshoe Casino was to pay the Port Authority boat slip rental for slips that could not be rented during the construction period. The Casino was originally invoiced for the 2008 boat slips totaling \$748,995 on January 10, 2008, and invoiced repeatedly during 2008; however, the Casino has not paid. Some other items per the agreement that were to be reimbursed by the Casino have not been reimbursed. The attorney for the Port Authority is currently negotiating with the Casino for these items.

D. Subsequent Events

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.

Budget Reductions

The Indiana Department of Local Government Finance (DLGF) mandated that the City cut more than \$7,000,000 from its current 2009 budget, and \$13,000,000 from the City's 2010 budget due to estimated shortfalls in property tax collections, as well as estimated declines in assessed valuations. In an effort to reduce the budgets, the City has reduced the staffing levels for firefighters and police officers by 9 and 10, respectively. The City estimates the City will save about \$1,600,000. Additionally, the City offered a voluntary retirement program to reduce the overall workforce in which 20 positions were eliminated.

Transfer of Bus Service or Discontinuation of Transit Services

On September 21, 2009, the Council passed a resolution to transfer the administration of the Hammond Transit to the Regional Bus Authority (RBA), which would become effective on January 1, 2010. Contingent upon negotiating a successful contract with the RBA for the transit services, the City agreed to pay the RBA \$900,000 in each of the next two years (2010 and 2011) from gaming funds to help subsidize the cost of operations. If a successful contract is not negotiated, the City will no longer be providing transportation services as of January 1, 2010.

1925 Police Pension Fund and 1937 Firefighters' 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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Indiana 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.

Primary Government and Discrete Component Unit

The City of Hammond, in conjunction with the Hammond Port Authority and Hammond Park Board, is receiving a three year funding grant package in the amount of \$31,480,000 from the RDA for the Hammond Lakes' Area Marquette Plan Improvements, which includes: Lake Michigan Shoreline Enhancement, Wolf Recreational Area Development, and George Lake Trail Bridge.

The funding grant package is divided as follows:

Year One: Wolf Lake Amphitheater, Paths and trail connections, Greenway Enhancements, Water Quality Activities and Erosion and Sediment Control \$16,800,000.

Year Two: Wolf Lake Aquatic Play Center and Bathhouse, Formal gardens and conservatory, Road and playground improvements, Shoreline enhancements \$7,630,000.

Year Three: Shoreline Enhancements, Marina and Street improvements, Landscaping and Seeding Activities \$7,050,000.

The City has \$22,782,700 currently invested for this project for a total project cost of \$54,262,700.

Discretely Presented Component Unit

The Port Authority received a grant from the U.S. Department of Interior – Office of Energy and Defense in the amount of \$24,250 which was used in 2009 to offset the cost of installing two windmills. One of the windmills was installed at Wolf Lake Park and the other at Forsythe Park. Both are currently running and generating enough electricity to support each of the parks. Additionally, excess electricity generated is being credited to the City's electric bills. The total cost of the two windmills was \$209,260. It has not yet been determined as to the savings in electric for the City from use of the wind power.

Water Utility

In 2009, the Utility is undertaking a \$3,500,000 project to upgrade the Filtration Plant. The project is being funded through a grant from the Hammond Redevelopment Commission of \$1,000,000 received on December 31, 2008, a state revolving forgivable loan from the State of Indiana of \$1,000,000, and \$1,500,000 from cash balances on hand. The Utility closed on the state revolving loan on September 23, 2009.

To assist in the financing of the acquisition and construction of the upgraded filtration plant, \$1,500,000 was loaned from the Hammond Redevelopment Commission on April 27, 2009, and matures on April 27, 2010, with no interest.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Contingent Liabilities

City

There are several pending lawsuits against the City for which the outcome and resulting potential liabilities cannot be reasonably estimated.

Sanitary District

There are several pending claims against the Sanitary District for which liability cannot be reasonably estimated; however, it is expected that no pending claim has the potential to exceed the Sanitary District's insurance coverage.

As a result of heavy storms during 2006, 2007, and 2008, property owners within the Sanitary District have alleged damages by unspecified acts of negligence by the Sanitary District and Sanitary District employees. Additionally, several lawsuits seeking damages have been filed against the Sanitary District. The Sanitary District denies that any negligence of its personnel caused or contributed to any injuries or damages. The Sanitary District also believes that it is immune from liability for this kind of event under the terms of the Indiana Tort Claims Act and case law interpreting that Act. The extent of the Sanitary District's exposure is not known; however, the Sanitary District believes that all claims arising out of storm events can be resolved within the limits of the Sanitary District's insurance coverage.

F. Noncompliance – Legal/Contractual Provisions

Sanitary District

In April of 1999, the Sanitary District entered into a Consent Decree with the United States Environmental Protection Agency (EPA) to implement improvements to address the effects of sediment contamination in the West Branch of the Grand Calumet River.

For CSO Control, the Sanitary District was to initiate construction by May 1, 2004, for new reservoir and pump station improvements, sewer separations, sewer interceptors, and sewer interceptor improvements in order to eliminate the use of the Columbia, Sohl, and Johnson Avenues CSOs. The projects were to be completed by May 1, 2009, and achieved operational status for all new or modified components and cease all discharges from Columbia, Sohl and Johnson Avenues CSOs. In accordance with the Consent Decree failure to comply with any completion date specified and to remain in noncompliance for more than 90 days, the Sanitary District shall not thereafter make any new hook-up, connection, or extension to its sewage system until the Sanitary District certified to EPA and Indiana Department of Environmental Management (IDEM) that it has completed the requirement.

For any noncompliance of the Consent Decree requirements noted above, the stipulated penalty would be applicable based on the period of noncompliance. From the first to the 30th day of continuous violation, \$500 per day per violation; from the 31st to the 60th day of continuous violation, \$750 per day per violation; and after 60 days of continuous violation, \$1,000 per day per violation.

The Sanitary District is required to report semiannually to the EPA and IDEM on the status of the Sanitary District's compliance with all requirements of the Decree.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

The semiannual reports were sent on June 17 and December 17, 2008, and on June 15, 2009; however, the Sanitary District has not completed the CSO Control construction projects due to a lack of funding. As of September 16, 2009, the Sanitary District is negotiating with representatives of the EPA, the U.S. Department of Justice, and the IDEM to modify the terms of the Consent Decree. As of September 16, 2009, no penalties have been assessed against the Sanitary District.

A permit renewal application was submitted to IDEM on January 29, 1999. A new NPDES Permit was issued in 2006. Due to concerns regarding certain pollutant parameters, the permit has been petitioned by the Sanitary District for administrative review. Also, the Sanitary District has been advised by the EPA and IDEM of their intent to seek civil penalties as provided in the existing Consent Decree. The penalties sought are for certain NPDES Permit pollutant parameter violations alleged to have occurred over the last five years, which the Sanitary District denies the existence and/or the extent of these violations. The Sanitary District estimates the liability for any such penalties to be less than \$250,000.

G. Termination Benefits

Early Retirement Incentives

2008

In an effort to reduce the cost and size of government, on July 28, 2008, the City created a voluntary retirement program for certain eligible employees. To be eligible, the employee was required to have been a full-time employee, who was:

- (A) at least 65 years of age with 10 years of City service, or
- (B) at least 60 years of age with 15 years of City service, or
- (C) at least 55 years of age with 30 years of City service.

Employees were required to register for this program within sixty (60) days of passage of the ordinance, and have actually completed the retirement process before December 31, 2008. The eligible employee was entitled to receive:

- (a) A one-time voluntary retirement program award of \$750 for each year of employment completed with the City.
- (b) Continue health insurance coverage through the City's insurance plans, but the City's insurance would be a secondary or subordinate plan to Medicare or other employers' health insurance plans.

There were nine (9) employees who accepted the early retirement incentive. The City paid \$141,750 in awards.

2009

In another effort to reduce the cost and size of government, on August 20, 2009, the City adopted another ordinance to create a voluntary retirement program for certain eligible employees. This program had the same eligibility requirements as the one for 2008.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Employees were required to register for this program by September 15, 2009, and have actually completed the retirement process before September 30, 2009. The eligible employee was entitled to receive:

- (a) A one-time voluntary retirement program award of \$1,000 for each year of employment completed.
- (b) Continue health insurance coverage through the City's insurance plans, but the City's insurance would be a secondary or subordinate plan to Medicare or other employers' health insurance plans.

There were twenty (20) employees who accepted the early retirement incentive. As of October 7, 2009, the City paid \$462,000 in awards.

H. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Descriptions

City

The City is self-insured for health, vision, and dental, and it is a single-employer defined benefit healthcare plan. The plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses who are not eligible for Medicare. Ordinance 7056 passed on July 11, 1988, assigns the authority to establish and amend benefit provisions to the City.

Senior Choice Healthcare Plan is a single-employer defined benefit healthcare plan administered by Gilsbar Incorporated. The plan provides medicare supplemental insurance coverage to eligible retirees and their spouses. Indiana Code 5-10-8 assigns the authority to establish and amend benefit provisions to the City.

Water Utility

The Utility provides postemployment medical, dental, and vision insurance benefits for retirees and their spouses from the Utility.

Sanitary District (including the Storm Water, Sanitation, and Recycling Utilities)

Senior healthcare plans are single-employer defined benefit healthcare plan administered by Guardian and Anthem Insurance Companies. The plans provide medicare supplemental insurance coverage to eligible retirees and their spouses. Indiana Code 5-10-8 assigns the authority to establish and amend benefit provisions to the District.

Discrete Component Unit - Port Authority

Senior healthcare plan is single-employer defined benefit healthcare plan administered by Blue Cross Blue Shield of Illinois Insurance Company. The plan provides medicare supplemental insurance coverage to eligible retirees and their spouses. Indiana Code 5-10-8 assigns the authority to establish and amend benefit provisions to the Port Authority.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Port Authority also provides dental, vision, disability, and life insurance coverage through a plan administered by United Healthcare Company.

Funding Policy

City

The contribution requirements of plan members for the Self-Insurance Healthcare Plan are established by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the governing board. For the year ended December 31, 2008, the City's and plan members receiving benefits amounts contributed cannot be determined. Plan members receiving benefits required contributions are \$1, \$21, or \$40 per month for retiree-only coverage and \$2, \$91, or \$105 for retiree and spouse coverage.

The contribution requirements of plan members for the Senior Choice Healthcare Plan are established by the City Council. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2008, the City contributed \$1,129,642 to the plan for current premiums, which included plan member contributions. (Information is not available to separate the City's Contributions from the member contributions.) Plan members receiving benefit required contributions are based upon a sliding scale based upon a participant's age and whether coverage is for the retiree only or for the retiree and spouse. The required contributions are between \$202 to \$384.

Water Utility

The contribution requirements of plan members for the Water Utility's health insurance plan are established by the Water Utility Board. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2008, the Water Utility contributed \$126,297 to the plan. Plan members receiving benefits contributed \$10,093 or approximately 7.4% of the total premiums through their required contribution of between \$20 and \$100 per month based upon a sliding scale based upon a participant's age and whether coverage is for the retiree only or for the retiree and spouse.

Sanitary District (including the Storm Water, Sanitation, and Recycling Utilities)

The contribution requirements of plan members for the Sanitary District's health insurance plan are established by the Sanitary District Board. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2008, the Sanitary District contributed \$103,000 to the plan. The amount the plan members contributed could not be determined. Plan members' required contributions are \$25, \$50, \$75, or \$100 per month based upon a sliding scale based upon a participant's age and whether coverage is for the retiree only or for the retiree and spouse.

Discrete Component Unit - Port Authority

The contribution requirements of plan members for the Port Authority's health insurance plan are established by the Port Authority Board. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2008, the Port Authority contributed \$3,456 to the plan. Plan members receiving benefits contributed \$600 or approximately 15% of the total premiums through their required contribution of \$150 per quarter.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

The contribution requirements of the plan members for the Port Authority's dental, vision, life and disability insurance plans are established by the Port Authority Board. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2008, the Port Authority contributed \$1,115 to the plan.

I. Rate Structure – Enterprise Funds

Water Utility

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

Wastewater Utility (Sanitary District)

The current rate structure was approved by the Indiana Regulatory Commission on January 4, 2008.

Storm water Utility

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

Sanitation Utility

The current rate structure was approved by the Sanitary District on December 11, 2007.

J. Pension Plans

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

a. Public Employees' Retirement Fund

The City, including the District and Utilities, 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 Utility 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 three percent (3%) of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
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Funding Policy

PERF members are required to contribution three percent (3%) of their annual covered salary. The City is required to contribute at an actuarially determined rate: the current rate is six and one-quarter percent (6.25%) of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the PERF Board of Trustees.

Information to segregate the assets/liabilities and the actuarial study figures among the City the District, and Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole.

Annual Pension Cost

For 2008, the City's annual pension cost of \$1,325,720 for PERF exceeded the City's required and actual contributions.

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

Plan members are required by statute (IC 36-8-6-4) to contribute an amount equal to six percent (6%) of the salary of a first class patrolman. The City is required to contribute an amount equal to the funding deficit of the difference between receipts of the fund and the required disbursements of the fund (pay-as-you-go basis); the amount contributed for the year 2008 is \$4,856,047. The contribution requirements of plan members and the City are established by the state statute. Of this amount, \$2,839,173 is contributed by the State of Indiana on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

Annual Pension Cost

For 2008, the City's annual pension cost of \$4,231,400 for the 1925 Police Officers' Pension Plan was less than the City's required and actual contributions.

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Plan members are required by statute (IC 36-8-7-8) to contribute an amount equal to six percent (6%) of the salary of a fully paid first class firefighter. The City is required to contribute an amount equal to the funding deficit of the difference between receipts of the fund and the required disbursements of the fund (pay-as-you-go basis); the amount contributed for the year 2008 is \$4,793,498. The contribution requirements of plan members and the City are established by the state statute. Of this amount, \$2,819,453 is contributed by the State of Indiana on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

Annual Pension Cost

For 2008, the City's annual pension cost of \$4,407,300 for the 1937 Firefighters' Pension Plan was less than the City's required and actual contributions.

Actuarial Information for the Above Plan

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 1,322,405	\$ 4,714,100	\$ 4,898,000
Interest on net pension obligation	(23,749)	1,844,800	1,875,100
Adjustment to annual required contribution	<u>27,064</u>	<u>(2,327,500)</u>	<u>(2,365,800)</u>
Annual pension cost	1,325,720	4,231,400	4,407,300
Contributions made	<u>1,202,468</u>	<u>-</u>	<u>-</u>
Increase in net pension obligation	123,252	4,231,400	4,407,300
Net pension obligation, beginning of year	<u>(327,572)</u>	<u>30,746,100</u>	<u>31,251,900</u>
Net pension obligation, end of year	<u>\$ (204,320)</u>	<u>\$ 34,977,500</u>	<u>\$ 35,659,200</u>

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	6.25%	4,776%	4,957%
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 dollar, closed amortization period	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	30 years	30 years	30 years
Amortization period (from date)	07-01-07	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

<u>Actuarial Assumptions</u>	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	4%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	1.5%	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	\$ 1,171,035	83%	\$ (593,163)
	06-30-07	1,322,721	80%	(327,572)
	06-30-08	1,325,720	91%	(204,320)
1925 Police Officers' Pension Plan	12-31-06	4,743,300	136%	29,679,921
	12-31-07	4,387,000	94%	29,951,431
	12-31-08	4,243,900	114%	29,339,284
1937 Firefighters' Pension Plan	12-31-06	5,026,900	121%	28,597,750
	12-31-07	4,700,700	86%	29,249,908
	12-31-08	4,438,800	108%	28,895,210

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
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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	192	190
Current active employees	3	-

Funded Status and Funding Progress for the Above Plans

The funded status of each plan as of July 1, 2008, the most recent actuarial valuation date (except the 1925 Police Officers' and the 1937 Firefighters' Pension Fund which is as of January 1, 2008) is as follows:

Retirement Plan	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL or (Funding Excess) (b-a)	Funded Ratio (a-b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
PERF	\$ 25,443,976	\$ 27,167,985	\$ 1,724,009	94%	\$19,577,776	9%
1925 Police Pension Plan	(835,402)	63,738,000	(64,573,402)	1%	98,700	(65,424%)
1937 Firefighters' Pension Plan	(925,484)	66,272,800	(67,198,284)	1%	98,800	(68,014%)

The Schedule of Funding Progress, presented as RSI for the above plans following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$3,941,504, \$3,964,094, and \$3,945,144, respectively, equal to the required contributions for each year.

CITY OF HAMMOND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 22,029,826	\$ 24,222,294	\$ (2,192,468)	91%	\$ 20,163,321	(11%)
07-01-07	24,398,671	26,208,302	(1,809,631)	93%	20,196,194	(9%)
07-01-08	25,443,976	27,167,985	(1,724,009)	94%	19,577,776	(9%)

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	\$ 2,559,443	\$ 72,341,600	\$ (69,782,157)	4%	\$ 1,280,300	(5,450%)
01-01-04	799,472	73,785,600	(72,986,128)	1%	879,300	(8,300%)
01-01-05	(812,962)	72,238,300	(73,051,262)	(1%)	862,200	(8,473%)
01-01-06	(834,662)	70,046,700	(70,881,362)	(1%)	699,600	(10,132%)
01-01-07	273,447	65,443,700	(65,170,253)	0%	336,000	(19,396%)
01-01-08	(835,402)	63,738,000	(64,573,402)	(1%)	98,700	(65,424%)

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	\$ 851,044	\$ 70,184,000	\$ (69,332,956)	1%	\$ 1,432,600	(4,840%)
01-01-04	(675,846)	74,162,500	(74,838,346)	(1%)	872,000	(8,582%)
01-01-05	(1,361,007)	70,984,600	(72,345,607)	(2%)	726,100	(9,964%)
01-01-06	(470,127)	73,436,700	(73,906,827)	(1%)	699,600	(10,564%)
01-01-07	303,281	69,391,100	(69,087,819)	0%	336,100	(20,556%)
01-01-08	(925,484)	66,272,800	(67,198,284)	(1%)	98,800	(68,014%)

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

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-03	\$ 8,072,200	0%	31%
	12-31-04	8,644,500	3%	30%
	12-31-05	5,328,300	38%	51%
	12-31-06	5,169,800	63%	62%
	12-31-07	4,819,500	16%	69%
	12-31-08	4,714,100	42%	60%
1937 Firefighters' Pension Plan	12-31-03	8,088,900	3%	29%
	12-31-04	8,692,500	15%	29%
	12-31-05	5,215,500	33%	32%
	12-31-06	5,429,800	56%	57%
	12-31-07	5,117,400	15%	64%
	12-31-08	4,898,000	40%	58%

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

	Motor Vehicle Highway	Local Road and Street	Transit (Transportation)	Civil Defense Donations	Clerk's Records Perpetuation	Parks and Recreation	User Fee Air Monitoring
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,797,374	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,315,564	834,436	2,068,868	-	-	-	-
Charges for services	-	-	254,458	-	25,047	371,625	-
Fines and forfeits	-	-	-	-	-	-	-
Other	301,936	-	1,231	-	-	56,452	-
Total receipts	2,617,500	834,436	2,324,557	-	25,047	4,225,451	-
Disbursements:							
General government	-	-	2,388,658	-	26,385	-	-
Public safety	-	-	-	1,075	-	-	-
Highways and streets	3,332,384	1,361,183	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	3,695,212	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	3,332,384	1,361,183	2,388,658	1,075	26,385	3,695,212	-
Excess (deficiency) of receipts over disbursements	(714,884)	(526,747)	(64,101)	(1,075)	(1,338)	530,239	-
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(214)
Other receipts	340,942	172,469	6	-	-	9,048	-
Total other financing sources (uses)	340,942	172,469	6	-	-	9,048	(214)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(373,942)	(354,278)	(64,095)	(1,075)	(1,338)	539,287	(214)
Cash and investment fund balance - beginning	729,368	918,817	(367,331)	1,075	109,260	(1,840,339)	214
Cash and investment fund balance - ending	\$ 355,426	\$ 564,539	\$ (431,426)	\$ -	\$ 107,922	\$ (1,301,052)	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ (431,426)	\$ -	\$ -	\$ (1,301,052)	\$ -
Restricted assets:							
Cash and investments	355,426	564,539	-	-	107,922	-	-
Total cash and investment assets - ending	\$ 355,426	\$ 564,539	\$ (431,426)	\$ -	\$ 107,922	\$ (1,301,052)	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ 107,922	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	355,426	564,539	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	(431,426)	-	-	(1,301,052)	-
Total cash and investment fund balance - ending	\$ 355,426	\$ 564,539	\$ (431,426)	\$ -	\$ 107,922	\$ (1,301,052)	\$ -

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

	Recycling	Ambulance User Fees For Equipment	Hazardous Materials	Police Donations	Hammers For Hearts	River Park Apartments	College Bound
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	530,030	-	-	-	-	-	-
Charges for services	-	125,000	4,000	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	5,323	-	-	1,300,000
Total receipts	530,030	125,000	4,000	5,323	-	-	1,300,000
Disbursements:							
General government	-	-	-	-	-	-	1,345,524
Public safety	-	-	-	7,789	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	299,414	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	227,984	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	299,414	227,984	-	7,789	-	-	1,345,524
Excess (deficiency) of receipts over disbursements	230,616	(102,984)	4,000	(2,466)	-	-	(45,524)
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(7,454)	-
Other receipts	-	-	-	-	-	-	14,982
Total other financing sources (uses)	-	-	-	-	-	(7,454)	14,982
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	230,616	(102,984)	4,000	(2,466)	-	(7,454)	(30,542)
Cash and investment fund balance - beginning	(230,616)	131,104	21,974	26,569	577	7,454	1,014,931
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 28,120</u>	<u>\$ 25,974</u>	<u>\$ 24,103</u>	<u>\$ 577</u>	<u>\$ -</u>	<u>\$ 984,389</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 28,120	\$ 25,974	\$ 24,103	\$ 577	\$ -	\$ 984,389
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 28,120</u>	<u>\$ 25,974</u>	<u>\$ 24,103</u>	<u>\$ 577</u>	<u>\$ -</u>	<u>\$ 984,389</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	28,120	25,974	24,103	577	-	984,389
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 28,120</u>	<u>\$ 25,974</u>	<u>\$ 24,103</u>	<u>\$ 577</u>	<u>\$ -</u>	<u>\$ 984,389</u>

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

	Demolition	Health Mosquito Abatement	Federal Forfeited Property	Park Activities Nonreverting	Public Safety	Ambulance Fees	Health Department State Grant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	34,518	-	-	-	-
Charges for services	-	-	-	95,130	-	148,986	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	1,643	125	909,164	-	-
Total receipts	-	-	36,161	95,255	909,164	148,986	-
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	90,300	-	86,397	-	148,000	148,986	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	3,114
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	80,248	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	693,681	-	-
Health and welfare	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	90,300	-	86,397	80,248	841,681	148,986	3,114
Excess (deficiency) of receipts over disbursements	(90,300)	-	(50,236)	15,007	67,483	-	(3,114)
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	-	-	-
Transfers in	-	-	1,368	-	-	-	-
Transfers out	-	(19,536)	-	-	-	-	(1,080)
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(19,536)	1,368	-	-	-	(1,080)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(90,300)	(19,536)	(48,868)	15,007	67,483	-	(4,194)
Cash and investment fund balance - beginning	121,499	19,536	82,780	34,203	(67,483)	-	4,194
Cash and investment fund balance - ending	\$ 31,199	\$ -	\$ 33,912	\$ 49,210	\$ -	\$ -	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 31,199	\$ -	\$ -	\$ 49,210	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	33,912	-	-	-	-
Total cash and investment assets - ending	\$ 31,199	\$ -	\$ 33,912	\$ 49,210	\$ -	\$ -	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	33,912	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	31,199	-	-	49,210	-	-	-
Total cash and investment fund balance - ending	\$ 31,199	\$ -	\$ 33,912	\$ 49,210	\$ -	\$ -	\$ -

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

	Vehicle Release	Park District Gaming	Adult Probation User Fees	Tobacco Education	Local Law Enforcement Continuing Education	Task Force	Festival of the Lakes
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	30,400	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	83,161	-	179,846	4,976	60,245	-	365,425
Fines and forfeits	-	-	-	-	-	-	-
Other	-	455,009	-	-	-	618,000	265,000
Total receipts	83,161	455,009	179,846	4,976	90,645	618,000	630,425
Disbursements:							
General government	-	-	169,088	-	-	-	-
Public safety	81,823	-	-	-	311,136	566,757	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	2,150	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	595,857	-	-	-	-	618,525
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	294	-	-	-	-
Public safety	-	-	-	-	-	589	-
Health and welfare	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	81,823	595,857	169,382	2,150	311,136	567,346	618,525
Excess (deficiency) of receipts over disbursements	1,338	(140,848)	10,464	2,826	(220,491)	50,654	11,900
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	-	-	-
Transfers in	-	-	-	-	21,867	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	38,456	-	-	-	-	28,191
Total other financing sources (uses)	-	38,456	-	-	21,867	-	28,191
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,338	(102,392)	10,464	2,826	(198,624)	50,654	40,091
Cash and investment fund balance - beginning	20,570	346,081	66,162	11,468	201,429	38,939	19,311
Cash and investment fund balance - ending	\$ 21,908	\$ 243,689	\$ 76,626	\$ 14,294	\$ 2,805	\$ 89,593	\$ 59,402
Cash and Investment Assets - Ending							
Cash and investments	\$ 21,908	\$ 243,689	\$ -	\$ -	\$ -	\$ 89,593	\$ 59,402
Restricted assets:							
Cash and investments	-	-	76,626	14,294	2,805	-	-
Total cash and investment assets - ending	\$ 21,908	\$ 243,689	\$ 76,626	\$ 14,294	\$ 2,805	\$ 89,593	\$ 59,402
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ 76,626	\$ 14,294	\$ -	\$ -	\$ -
Public safety	-	-	-	-	2,805	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	21,908	243,689	-	-	-	89,593	59,402
Total cash and investment fund balance - ending	\$ 21,908	\$ 243,689	\$ 76,626	\$ 14,294	\$ 2,805	\$ 89,593	\$ 59,402

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

	Youth Golf Academy	TIF Allocation Marina Expansion	TIF Allocation Robertsdale	TIF Allocation Lakefront	Affordable Housing	Emergency CDBG
Receipts:						
Taxes	\$ -	\$ 510,487	\$ 1,056,455	\$ 2,489,764	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	800,870	147,264
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	855	-	-	-	192	-
Total receipts	855	510,487	1,056,455	2,489,764	801,062	147,264
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	21,506	-	2,923,265	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	1,006,632	131,078
Debt service:						
Principal	-	-	455,000	-	-	-
Interest	-	-	131,400	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	-	21,506	586,400	2,923,265	1,006,632	131,078
Excess (deficiency) of receipts over disbursements	855	488,981	470,055	(433,501)	(205,570)	16,186
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	2,339,707	-	-	1,533	-
Transfers out	(855)	(265,424)	-	(292,804)	(62,399)	-
Other receipts	-	-	-	-	210,787	-
Total other financing sources (uses)	(855)	2,074,283	-	(292,804)	149,921	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,563,264	470,055	(726,305)	(55,649)	16,186
Cash and investment fund balance - beginning	-	105,933	391,235	726,305	251,692	15,182
Cash and investment fund balance - ending	\$ -	\$ 2,669,197	\$ 861,290	\$ -	\$ 196,043	\$ 31,368
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	2,669,197	861,290	-	196,043	31,368
Total cash and investment assets - ending	\$ -	\$ 2,669,197	\$ 861,290	\$ -	\$ 196,043	\$ 31,368
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	2,669,197	861,290	-	-	-
Urban redevelopment and housing	-	-	-	-	196,043	31,368
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	\$ -	\$ 2,669,197	\$ 861,290	\$ -	\$ 196,043	\$ 31,368

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

	Section 108	Technical Grant	Homebound	Police Technology Grant	Façade Rebate Program	Human Relations
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	613,425	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	50,000	-	100,000	2,500
Total receipts	-	613,425	50,000	-	100,000	2,500
Disbursements:						
General government	-	-	-	-	-	4,871
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	484,858	802,837	16,271	-	56,435	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	484,858	802,837	16,271	-	56,435	4,871
Excess (deficiency) of receipts over disbursements	(484,858)	(189,412)	33,729	-	43,565	(2,371)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(78,553)	-	-	-	-	-
Other receipts	89,649	-	-	-	-	-
Total other financing sources (uses)	11,096	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(473,762)	(189,412)	33,729	-	43,565	(2,371)
Cash and investment fund balance - beginning	555,248	188,872	-	-	107,451	10,737
Cash and investment fund balance - ending	<u>\$ 81,486</u>	<u>\$ (540)</u>	<u>\$ 33,729</u>	<u>\$ -</u>	<u>\$ 151,016</u>	<u>\$ 8,366</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ (540)	\$ 33,729	\$ -	\$ -	\$ 8,366
Restricted assets:						
Cash and investments	81,486	-	-	-	151,016	-
Total cash and investment assets - ending	<u>\$ 81,486</u>	<u>\$ (540)</u>	<u>\$ 33,729</u>	<u>\$ -</u>	<u>\$ 151,016</u>	<u>\$ 8,366</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	151,016	-
Urban redevelopment and housing	81,486	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	(540)	33,729	-	-	8,366
Total cash and investment fund balance - ending	<u>\$ 81,486</u>	<u>\$ (540)</u>	<u>\$ 33,729</u>	<u>\$ -</u>	<u>\$ 151,016</u>	<u>\$ 8,366</u>

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

	Cut and Clean	Graffiti Removal	Background Checks	Lake County Police Grant	State Forfeiture Property	Federal Prisoners
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	9,967	17,085	-
Charges for services	-	-	1,115	-	-	118,854
Fines and forfeits	-	-	-	-	-	-
Other	110,000	-	-	-	8,975	-
Total receipts	110,000	-	1,115	9,967	26,060	118,854
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	99,147
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	103,878	4,467	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	12,967	-	-
Health and welfare	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	103,878	4,467	-	12,967	-	99,147
Excess (deficiency) of receipts over disbursements	6,122	(4,467)	1,115	(3,000)	26,060	19,707
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	40,135	-	-	-	-	-
Total other financing sources (uses)	40,135	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	46,257	(4,467)	1,115	(3,000)	26,060	19,707
Cash and investment fund balance - beginning	11,996	4,467	1,600	3,000	35,713	144,683
Cash and investment fund balance - ending	<u>\$ 58,253</u>	<u>\$ -</u>	<u>\$ 2,715</u>	<u>\$ -</u>	<u>\$ 61,773</u>	<u>\$ 164,390</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 58,253	\$ -	\$ 2,715	\$ -	\$ 61,773	\$ 164,390
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 58,253</u>	<u>\$ -</u>	<u>\$ 2,715</u>	<u>\$ -</u>	<u>\$ 61,773</u>	<u>\$ 164,390</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	58,253	-	2,715	-	61,773	164,390
Total cash and investment fund balance - ending	<u>\$ 58,253</u>	<u>\$ -</u>	<u>\$ 2,715</u>	<u>\$ -</u>	<u>\$ 61,773</u>	<u>\$ 164,390</u>

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

	Impaired Driver	Redevelopment Commission Operating	TIF Allocation Columbia Plaza	TIF Allocation Lear	Park Tourism	Economic Development Tourism
Receipts:						
Taxes	\$ -	\$ 419,126	\$ 197,664	\$ 306,467	\$ 16,020	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	75,822	-	-	-	-	10,691
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	1,727	200,000	-	455	-
Total receipts	75,822	420,853	397,664	306,467	16,475	10,691
Disbursements:						
General government	-	-	-	-	-	-
Public safety	63,129	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	10,629	-	-	15,084
Culture and recreation	-	-	-	-	21,879	-
Urban redevelopment and housing	-	787,406	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Urban redevelopment and housing	-	1,608	-	-	-	-
Total disbursements	63,129	789,014	10,629	-	21,879	15,084
Excess (deficiency) of receipts over disbursements	12,693	(368,161)	387,035	306,467	(5,404)	(4,393)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	304,351	-	-	-	-
Transfers out	(13,914)	-	-	-	-	-
Other receipts	-	67,660	-	-	-	-
Total other financing sources (uses)	(13,914)	372,011	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,221)	3,850	387,035	306,467	(5,404)	(4,393)
Cash and investment fund balance - beginning	1,221	(307,081)	300,316	1,023,791	6,360	13,145
Cash and investment fund balance - ending	\$ -	\$ (303,231)	\$ 687,351	\$ 1,330,258	\$ 956	\$ 8,752
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ (303,231)	\$ -	\$ -	\$ 956	\$ -
Restricted assets:						
Cash and investments	-	-	687,351	1,330,258	-	8,752
Total cash and investment assets - ending	\$ -	\$ (303,231)	\$ 687,351	\$ 1,330,258	\$ 956	\$ 8,752
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	687,351	1,330,258	-	8,752
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	(303,231)	-	-	956	-
Total cash and investment fund balance - ending	\$ -	\$ (303,231)	\$ 687,351	\$ 1,330,258	\$ 956	\$ 8,752

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

	TIF Allocation Downtown	Redevelopment Commission Grant	Asbestos Program	Water Hydrant Rental	Penalties	Title V Permits
Receipts:						
Taxes	\$ 190,816	\$ -	\$ -	\$ 188,719	\$ -	\$ -
Licenses and permits	-	-	-	-	-	440,825
Intergovernmental	-	-	20,576	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	757,707	-
Other	-	15,260	-	3,262	-	1,559
Total receipts	190,816	15,260	20,576	191,981	757,707	442,384
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	168,626	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	20,600	-	139,416	356,911
Economic development	37,174	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	333,679	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health and welfare	-	-	-	-	36,905	27,000
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	37,174	333,679	20,600	168,626	176,321	383,911
Excess (deficiency) of receipts over disbursements	153,642	(318,419)	(24)	23,355	581,386	58,473
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	29,445	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	29,445	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	153,642	(318,419)	(24)	23,355	610,831	58,473
Cash and investment fund balance - beginning	21,437	631,209	(1,260)	(94,861)	1,732,539	8,364
Cash and investment fund balance - ending	\$ 175,079	\$ 312,790	\$ (1,284)	\$ (71,506)	\$ 2,343,370	\$ 66,837
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 312,790	\$ (1,284)	\$ (71,506)	\$ -	\$ 66,837
Restricted assets:						
Cash and investments	175,079	-	-	-	2,343,370	-
Total cash and investment assets - ending	\$ 175,079	\$ 312,790	\$ (1,284)	\$ (71,506)	\$ 2,343,370	\$ 66,837
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	2,343,370	-
Economic development	175,079	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	312,790	(1,284)	(71,506)	-	66,837
Total cash and investment fund balance - ending	\$ 175,079	\$ 312,790	\$ (1,284)	\$ (71,506)	\$ 2,343,370	\$ 66,837

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

	EPA Grant	Human Relations Federal	Local Seizure	Brownfield Site Assessment	Health Equipment	State Emergency Management Agency (SEMA) Grant
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	78,875	59,727	-	-	-	157,536
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	435	-	-	-	-
Total receipts	78,875	60,162	-	-	-	157,536
Disbursements:						
General government	-	32,550	-	-	-	-
Public safety	-	-	32,764	-	-	157,536
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	101,318	-	-	-	3,767	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	101,318	32,550	32,764	-	3,767	157,536
Excess (deficiency) of receipts over disbursements	(22,443)	27,612	(32,764)	-	(3,767)	-
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(29,445)	(173,837)	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(29,445)	(173,837)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(22,443)	27,612	(32,764)	(29,445)	(177,604)	-
Cash and investment fund balance - beginning	(22,736)	52,275	67,897	29,445	177,604	-
Cash and investment fund balance - ending	\$ (45,179)	\$ 79,887	\$ 35,133	\$ -	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ (45,179)	\$ 79,887	\$ 35,133	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ (45,179)	\$ 79,887	\$ 35,133	\$ -	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	(45,179)	79,887	35,133	-	-	-
Total cash and investment fund balance - ending	\$ (45,179)	\$ 79,887	\$ 35,133	\$ -	\$ -	\$ -

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

	Police Grant	Park Gaming	Twenty-First Century Grant	Community Development Block Grant (CDBG)	Industrial Revenue Bond Fees	CDBG Donations
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	360,000	1,829,733	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	1,353	488	-	25,561
Total receipts	-	-	361,353	1,830,221	-	25,561
Disbursements:						
General government	-	-	373,819	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	2,134,533	-	38,736
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	-	-	373,819	2,134,533	-	38,736
Excess (deficiency) of receipts over disbursements	-	-	(12,466)	(304,312)	-	(13,175)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	4,000	144,952	-	-
Transfers out	(1)	-	(4,000)	(5,533)	(11,547)	-
Other receipts	-	-	12,388	404,108	-	-
Total other financing sources (uses)	(1)	-	12,388	543,527	(11,547)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1)	-	(78)	239,215	(11,547)	(13,175)
Cash and investment fund balance - beginning	1	4,467	78	165,803	11,547	28,700
Cash and investment fund balance - ending	\$ -	\$ 4,467	\$ -	\$ 405,018	\$ -	\$ 15,525
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 4,467	\$ -	\$ -	\$ -	\$ 15,525
Restricted assets:						
Cash and investments	-	-	-	405,018	-	-
Total cash and investment assets - ending	\$ -	\$ 4,467	\$ -	\$ 405,018	\$ -	\$ 15,525
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	405,018	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	4,467	-	-	-	15,525
Total cash and investment fund balance - ending	\$ -	\$ 4,467	\$ -	\$ 405,018	\$ -	\$ 15,525

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

	TIF Allocation Home Depot	TIF Allocation Woodmar	TIF Allocation Woodmar Gateways	Home Depot Bond	Fire Station	Animal Control Donations
Receipts:						
Taxes	\$ 338,314	\$ 247,609	\$ 526,952	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	26	180,500	1,316
Total receipts	338,314	247,609	526,952	26	180,500	1,316
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	35,138	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	196,069	-	-	5	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	180,500	-
Health and welfare	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	196,069	35,138	-	5	180,500	-
Excess (deficiency) of receipts over disbursements	142,245	212,471	526,952	21	-	1,316
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
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	142,245	212,471	526,952	21	-	1,316
Cash and investment fund balance - beginning	-	-	-	-	-	-
Cash and investment fund balance - ending	\$ 142,245	\$ 212,471	\$ 526,952	\$ 21	\$ -	\$ 1,316
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,316
Restricted assets:						
Cash and investments	142,245	212,471	526,952	21	-	-
Total cash and investment assets - ending	\$ 142,245	\$ 212,471	\$ 526,952	\$ 21	\$ -	\$ 1,316
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	142,245	212,471	526,952	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	21	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	1,316
Total cash and investment fund balance - ending	\$ 142,245	\$ 212,471	\$ 526,952	\$ 21	\$ -	\$ 1,316

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

	Park Debt Service	Civil City Bonds	Judgment Bond Project	River Park Debt Service Reserve	River Park Debt Service Bond and Interest	2006 Judgment Bond
Receipts:						
Taxes	\$ 247,490	\$ 245,179	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	19,438	11,220	93	105,941	2,502,248	316,197
Total receipts	266,928	256,399	93	105,941	2,502,248	316,197
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	255,000	-	-	-	-
Interest	5,739	117,553	11	463	3,469	315,976
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	5,739	372,553	11	463	3,469	315,976
Excess (deficiency) of receipts over disbursements	261,189	(116,154)	82	105,478	2,498,779	221
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(2,764)	(2,481,061)	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(2,764)	(2,481,061)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	261,189	(116,154)	82	102,714	17,718	221
Cash and investment fund balance - beginning	(261,189)	(5,856)	5,319	2,353,600	1,732,701	14,422
Cash and investment fund balance - ending	\$ -	\$ (122,010)	\$ 5,401	\$ 2,456,314	\$ 1,750,419	\$ 14,643
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ (122,010)	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	5,401	2,456,314	1,750,419	14,643
Total cash and investment assets - ending	\$ -	\$ (122,010)	\$ 5,401	\$ 2,456,314	\$ 1,750,419	\$ 14,643
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	5,401	2,456,314	1,750,419	14,643
Capital outlay	-	-	-	-	-	-
Unrestricted	-	(122,010)	-	-	-	-
Total cash and investment fund balance - ending	\$ -	\$ (122,010)	\$ 5,401	\$ 2,456,314	\$ 1,750,419	\$ 14,643

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

	Redevelopment Commission 2002 Revenue Bond Debt Service	Redevelopment Commission 2002 Revenue Bond Debt Service Reserve	Redevelopment Authority Debt Service	Redevelopment Commission Lease Payment	Redevelopment Commission Custody Rental	Redevelopment Commission 2001 Revenue Bond Debt Service
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	2,929,272	8,154	100	25,694	16,272	7,232
Total receipts	2,929,272	8,154	100	25,694	16,272	7,232
Disbursements:						
General government	-	-	-	-	-	53,330
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	3,740,000	-	-	-	-	1,405,000
Interest	228,650	914	351,812	-	-	46,025
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	3,968,650	914	351,812	-	-	1,504,355
Excess (deficiency) of receipts over disbursements	(1,039,378)	7,240	(351,712)	25,694	16,272	(1,497,123)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	549,619	-	331,605	-	-	-
Transfers out	-	(549,619)	-	(656,605)	-	-
Other receipts	-	-	-	1,002,500	-	-
Total other financing sources (uses)	549,619	(549,619)	331,605	345,895	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(489,759)	(542,379)	(20,107)	371,589	16,272	(1,497,123)
Cash and investment fund balance - beginning	492,260	542,503	20,107	1,702,321	1,241,624	1,497,123
Cash and investment fund balance - ending	\$ 2,501	\$ 124	\$ -	\$ 2,073,910	\$ 1,257,896	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	2,501	124	-	2,073,910	1,257,896	-
Total cash and investment assets - ending	\$ 2,501	\$ 124	\$ -	\$ 2,073,910	\$ 1,257,896	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	2,501	124	-	2,073,910	1,257,896	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	\$ 2,501	\$ 124	\$ -	\$ 2,073,910	\$ 1,257,896	\$ -

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

	Redevelopment Commission 2003 Revenue Bond Debt Service	Redevelopment Commission 2008 Revenue Bond Debt Service	Redevelopment Commission Repair and Replacement	Redevelopment Commission Reinstallation	Unilever TIF 2002 Capital Improvement	Cumulative Capital Development
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 483,313
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	11,649	11,480	35,681	15,480	1,693	7,330
Total receipts	11,649	11,480	35,681	15,480	1,693	490,643
Disbursements:						
General government	-	-	-	-	-	8,488
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	690,000	-	-	-	-	-
Interest	149,600	345,166	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	294,051
Public safety	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	839,600	345,166	-	-	-	302,539
Excess (deficiency) of receipts over disbursements	(827,951)	(333,686)	35,681	15,480	1,693	188,104
Other financing sources (uses):						
Net proceeds from borrowings	-	12,337,500	-	-	-	-
Transfers in	-	345,166	325,000	-	-	-
Transfers out	-	(11,087,500)	-	-	-	-
Other receipts	1,513,140	-	-	-	-	-
Total other financing sources (uses)	1,513,140	1,595,166	325,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	685,189	1,261,480	360,681	15,480	1,693	188,104
Cash and investment fund balance - beginning	385,460	-	2,705,562	1,181,231	26,366	190,911
Cash and investment fund balance - ending	<u>\$ 1,070,649</u>	<u>\$ 1,261,480</u>	<u>\$ 3,066,243</u>	<u>\$ 1,196,711</u>	<u>\$ 28,059</u>	<u>\$ 379,015</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	1,070,649	1,261,480	3,066,243	1,196,711	28,059	379,015
Total cash and investment assets - ending	<u>\$ 1,070,649</u>	<u>\$ 1,261,480</u>	<u>\$ 3,066,243</u>	<u>\$ 1,196,711</u>	<u>\$ 28,059</u>	<u>\$ 379,015</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	1,070,649	1,261,480	-	-	-	-
Capital outlay	-	-	3,066,243	1,196,711	28,059	379,015
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ 1,070,649</u>	<u>\$ 1,261,480</u>	<u>\$ 3,066,243</u>	<u>\$ 1,196,711</u>	<u>\$ 28,059</u>	<u>\$ 379,015</u>

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

	Cumulative Capital Improvement	VOC Detector	River Park Capital	Major Moves Construction	Lost Marsh Golf Course	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,261,749
Licenses and permits	-	-	-	-	-	471,225
Intergovernmental	270,076	9,588	-	-	-	10,244,651
Charges for services	-	-	-	-	-	1,837,868
Fines and forfeits	-	-	-	-	-	757,707
Other	-	-	18,529	-	-	10,662,050
Total receipts	270,076	9,588	18,529	-	-	35,235,250
Disbursements:						
General government	-	-	-	-	-	4,402,713
Public safety	-	-	-	-	-	1,963,465
Highways and streets	-	-	-	1,854,451	-	6,548,018
Sanitation	-	-	-	-	-	299,414
Health and welfare	-	-	-	-	-	627,276
Economic development	-	-	-	-	-	3,042,796
Culture and recreation	-	-	-	-	-	5,011,721
Urban redevelopment and housing	-	-	-	-	-	5,900,810
Debt service:						
Principal	-	-	1,680,000	-	-	8,225,000
Interest	-	-	904,537	-	-	2,797,389
Capital outlay:						
General government	-	-	-	-	-	294,345
Public safety	-	-	-	-	-	1,115,721
Health and welfare	-	16,856	-	-	-	80,761
Urban redevelopment and housing	-	-	-	-	-	1,608
Total disbursements	-	16,856	2,584,537	1,854,451	-	40,311,037
Excess (deficiency) of receipts over disbursements	270,076	(7,268)	(2,566,008)	(1,854,451)	-	(5,075,787)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	12,337,500
Transfers in	-	-	2,483,825	-	855	6,883,293
Transfers out	(270,076)	-	-	-	-	(16,014,221)
Other receipts	-	-	-	-	500,962	4,445,423
Total other financing sources (uses)	(270,076)	-	2,483,825	-	501,817	7,651,995
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(7,268)	(82,183)	(1,854,451)	501,817	2,576,208
Cash and investment fund balance - beginning	-	(9,588)	846,979	1,974,827	(996,087)	23,466,717
Cash and investment fund balance - ending	\$ -	\$ (16,856)	\$ 764,796	\$ 120,376	\$ (494,270)	\$ 26,042,925
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ (16,856)	\$ -	\$ -	\$ (494,270)	\$ (383,053)
Restricted assets:						
Cash and investments	-	-	764,796	120,376	-	26,425,978
Total cash and investment assets - ending	\$ -	\$ (16,856)	\$ 764,796	\$ 120,376	\$ (494,270)	\$ 26,042,925
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198,842
Public safety	-	-	-	-	-	36,717
Highways and streets	-	-	-	-	-	919,965
Health and welfare	-	-	-	-	-	2,343,370
Economic development	-	-	-	-	-	6,764,611
Urban redevelopment and housing	-	-	-	-	-	713,915
Debt service	-	-	-	-	-	9,893,358
Capital outlay	-	-	764,796	120,376	-	5,555,200
Unrestricted	-	(16,856)	-	-	(494,270)	(383,053)
Total cash and investment fund balance - ending	\$ -	\$ (16,856)	\$ 764,796	\$ 120,376	\$ (494,270)	\$ 26,042,925

CITY OF HAMMOND
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 INTERNAL SERVICE FUNDS
 As Of And For The Year Ended December 31, 2008

	<u>Self-Insurance</u>	<u>Centrex</u>	<u>Diesel Fuel Tax</u>	<u>Unemployment Compensation</u>	<u>Totals</u>
Operating receipts:					
Charges for services	\$ 11,552,742	\$ -	\$ -	\$ -	\$ 11,552,742
Miscellaneous	<u>725,756</u>	<u>13,149</u>	<u>8,851</u>	<u>141,570</u>	<u>889,326</u>
Total operating receipts	<u>12,278,498</u>	<u>13,149</u>	<u>8,851</u>	<u>141,570</u>	<u>12,442,068</u>
Operating disbursements:					
Insurance claims and expense	15,474,741	-	-	154,246	15,628,987
Miscellaneous	<u>-</u>	<u>16,483</u>	<u>15,052</u>	<u>-</u>	<u>31,535</u>
Total operating disbursements	<u>15,474,741</u>	<u>16,483</u>	<u>15,052</u>	<u>154,246</u>	<u>15,660,522</u>
Excess (deficiency) of receipts over disbursements	<u>(3,196,243)</u>	<u>(3,334)</u>	<u>(6,201)</u>	<u>(12,676)</u>	<u>(3,218,454)</u>
Cash and investment fund balance - beginning	<u>3,368,536</u>	<u>4,661</u>	<u>3,685</u>	<u>13,590</u>	<u>3,390,472</u>
Cash and investment fund balance - ending	<u>\$ 172,293</u>	<u>\$ 1,327</u>	<u>\$ (2,516)</u>	<u>\$ 914</u>	<u>\$ 172,018</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	<u>\$ 172,293</u>	<u>\$ 1,327</u>	<u>\$ (2,516)</u>	<u>\$ 914</u>	<u>\$ 172,018</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Unrestricted total cash and investment fund balance	<u>\$ 172,293</u>	<u>\$ 1,327</u>	<u>\$ (2,516)</u>	<u>\$ 914</u>	<u>\$ 172,018</u>

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

	1925 Police Pension	1937 Firefighters' Pension	Totals
Additions:			
Contributions:			
Employer	\$ 2,018,220	\$ 1,974,301	\$ 3,992,521
Plan members	2,220	102	2,322
State	<u>2,839,173</u>	<u>2,819,453</u>	<u>5,658,626</u>
Total additions	<u>4,859,613</u>	<u>4,793,856</u>	<u>9,653,469</u>
Deductions:			
Benefits	5,162,227	5,094,575	10,256,802
Administrative and general	<u>10,459</u>	<u>13,730</u>	<u>24,189</u>
Total deductions	<u>5,172,686</u>	<u>5,108,305</u>	<u>10,280,991</u>
Excess (deficiency) of total additions over total deductions	(313,073)	(314,449)	(627,522)
Cash and investment fund balance - beginning	<u>(835,401)</u>	<u>(925,483)</u>	<u>(1,760,884)</u>
Cash and investment fund balance - ending	<u>\$ (1,148,474)</u>	<u>\$ (1,239,932)</u>	<u>\$ (2,388,406)</u>

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

	Evidence Money	Payroll Withholdings	Barrett Law	Court Costs Due County	Deferral Program	Pretrial Deferral	City Clerk	Totals
Additions:								
Agency fund additions	\$ 19,283	\$ 11,197,720	\$ -	\$ 138,208	\$ 26,525	\$ 104,231	\$ 4,617,584	\$ 16,084,268
Deductions:								
Agency fund deductions	29,710	11,197,720	56,768	105,737	26,525	92,579	4,485,326	15,964,655
Excess (deficiency) of total additions over total deductions	(10,427)	-	(56,768)	32,471	-	11,652	132,258	119,613
Cash and investment fund balance - beginning	30,023	-	56,768	-	-	-	1,621,647	1,678,415
Cash and investment fund balance - ending	<u>\$ 19,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,471</u>	<u>\$ -</u>	<u>\$ 11,652</u>	<u>\$ 1,753,905</u>	<u>\$ 1,798,028</u>

CITY OF HAMMOND
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2008

The City of Hammond has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
2007 Fire truck	\$ 1,261,550	\$ 217,990
Notes and loans payable:		
2003A HUD section 108	1,079,000	370,179
2006A HUD section 108	2,370,000	122,712
Advance from property tax replacement fund (Circuit Breaker)	636,472	518,600
Horseshoe \$7.5 Million Advance	4,281,187	-
Bonds payable:		
General obligation bonds:		
2005 River Park Bond Bank Bonds, Series 2005 A and B	18,710,000	2,566,977
2006 Judgment funding	2,860,000	373,580
2008A Judgment bonds	4,810,000	216,578
Revenue bonds:		
2002C Unilever tax increment financing revenue bonds	1,370,000	677,040
2003 Redevelopment district lost marsh project revenue bonds	2,260,000	1,535,625
2006 Redevelopment authority marina project revenue refunding bonds	6,420,000	687,548
2006 Economic development commission home depot project economic development revenue bonds	1,220,000	131,400
2007 Redevelopment commission cabela's project economic development revenue bonds	25,930,000	-
2008 Redevelopment district lost marsh clubhouse project revenue bonds	12,500,000	698,087
Total governmental activities debt	<u>\$ 85,708,209</u>	<u>\$ 8,116,316</u>
Business-type activities:		
Sanitary District:		
General obligation bonds:		
2003 special taxing district refunding bonds	\$ 1,385,000	\$ 322,265
2007 special taxing district bonds	4,465,000	755,537
Loans:		
State revolving loan fund (SRF)	45,810,000	4,368,904
Total Sanitary District	51,660,000	5,446,706
Sanitation Utility:		
Capital leases:		
2007 Sanitation trucks	393,044	191,962
Total business-type activities debt	<u>\$ 52,053,044</u>	<u>\$ 5,638,668</u>
The discretely presented component unit (Hammond Port Authority)		
Capital leases:		
Various golf course equipment	\$ 639,826	\$ 340,413
Mowing equipment (several pieces)	1,653	1,663
Total discretely presented component unit	<u>\$ 641,479</u>	<u>\$ 342,076</u>

CITY OF HAMMOND
OTHER REPORTS

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

Hammond Sanitary District
Hammond Water Utility

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS

REVIEW OF BANK RECONCILEMENTS

The bank reconcilements are not reviewed by management after they are prepared to ensure the reconciled bank balances agree to the ledger balances for the City. This control deficiency could result in materially misstating the financial statement cash and investment balances for the City overall. Adjustments to the bank balances could be included as reconciling items and errors could go undetected and not be corrected in a timely or efficient manner.

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.

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)

OVERDRAWN CASH (FUND) BALANCES

The cash (fund) balances of funds indicated were overdrawn as follows:

Fund Name	Balance
Major funds:	
General	\$ 17,269,299
Other governmental funds:	
Transit (Transportation)	431,426
Parks and Recreation	1,301,052
Technical Grant	540
Redevelopment Commission Operating	303,231
Asbestos Program	1,284
Water Hydrant Rental	71,506
EPA Grant	45,179
Civil City Bonds	122,010
VOC Detector	16,856
Lost Marsh Golf Course	494,270
Internal Service Fund:	
Diesel Fuel Tax	2,516
Pension Trust Funds:	
1925 Police Pension	1,148,474
1937 Firefighters' Pension	1,239,932

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

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

FESTIVAL OF THE LAKES

Parking and Concessions

Tickets were sold for parking and beer concessions; however, the tickets were not retained for audit. Ticket sales reports were prepared, but report totals did not always agree to the cash collected. Furthermore, nonprescribed receipts were issued by controller's office employees that were on-site for collections made at various times during the event.

Concessions Agreement

The agreement between the Hammond Fire Fighters Association and the Hammond Parks and Recreation states in part: "The Fraternal Order of Police and the Hammond Fire Fighters Association have agreed to split 22% of the profit from the 2008 Festival of the Lakes beer concessions after product is paid for . . ." Per the summary report, the total beer concessions were \$70,464.08. The claim attached to the agreement was for Hammond Firefighters in the amount of \$15,502.10 (22% of \$70,464.08). It is unclear if the Fraternal Order of Police received their share of the profit.

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)

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission." Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

EXPENDITURES NOT COUNCIL APPROVED

The City has appropriated the Gaming Revenues Fund to allow for the Mayor and each Council Member to have "discretionary" funds. The Mayor and each Council member can decide how to spend their specific allotment. Some of the funds are used to pay for street paving and purchases of vehicles for the Street department. In these instances, the vendor is paid directly and the claim is submitted to the Council for approval. In other instances, the Mayor or Council member may decide to donate funds to other City departments. For example, funds are donated to the "Festival of the Lakes" or to the "Henry Unit." In these examples, a claim is prepared; however, it is not submitted to the Council for approval. These donations account for a significant dollar amount of the expenditures made from the Gaming Funds; therefore, the majority of these donations are not approved by the Council.

IC 5-11-10-1.6 (c) states: "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."

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

ACCOUNTS PAYABLE VOUCHERS

Use of Credit Cards

Payments made by the City for the Mayor's American Express Card were not always supported by itemized vendor invoices. In addition, the business nature of the expenditure was not always noted.

Untimely Reimbursement

On February 1, 2008, a Council member was reimbursed \$1,961.85 for a trip to Las Vegas taken in May, 2007. Nothing was indicated on the claim as to why this reimbursement was made at least eight months after the travel occurred.

Unreasonable, Excessive or Undocumented

Payments were made for at least three council members and the Mayor to attend the International Council on Shopping Centers Conference in Las Vegas from May 16 to May 21, 2008. Some of the expenditures reimbursed were not supported by itemized vendor invoices. Others included reimbursements for room upgrade and other extras. (Basic room rates paid ranged from \$299 per night to \$480 per night.)

The City also reimbursed a council member for his hotel stay in Chicago for a "Gang Crime" conference at a cost of \$795.85.

Per Section 37.093 of the travel policy for the City:

"The Mayor, the Clerk, the Judge and the members of the Common Council may, at their option, be reimbursed for their expenses either by reimbursement, as provided above for other employees, or by a per diem rate as follows:

- (A) No more than \$60 per day for meals, when such expenses are evidenced by original receipts or bills are attached to the purchase order;
- (B) Lodging at the prevailing rate of a hotel or motel for single occupancy rooms; and
- (C) Reimbursement for travel expenses."

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. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee. (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)

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

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. 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)

DISBURSEMENTS EXCEED APPROPRIATIONS

Disbursements exceeded appropriations in the funds indicated:

<u>Fund</u>	<u>2008</u>
Local Road and Street	\$ 314,853
Cumulative Capital Development	<u>14,165</u>
Total	<u>\$ 329,018</u>

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."

OFFICIAL BONDS

The official bonds were not filed in the Lake County Recorder's office. A similar comment appeared in prior audit reports. Furthermore, the current Controller has not yet obtained bond coverage.

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

COUNTY'S SHARE OF COURT COSTS

Distributions for court costs are made from the Court Cost Due County Fund (503) to the Lake County Auditor. Court costs for January through May were distributed in June 2008. Court costs for June through October were distributed in each subsequent month; however, distributions for November and December were not made until February 2009. The County's share of court costs should be distributed to the County Auditor once a month.

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

IC 33-37-7-8 (b) states:

"The city or town fiscal officer shall distribute monthly to the county auditor as the county share twenty percent (20%) of the amount of fees collected under the following:

- (1) IC 33-37-4-1(a) (criminal costs fees).
- (2) IC 33-37-4-2(a) (infraction or ordinance violation costs fees).
- (3) IC 33-37-4-4(a) (civil costs fees).
- (4) IC 33-37-4-6(a)(1)(A) (small claims costs fees).
- (5) IC 33-37-5-17 (deferred prosecution fees)."

ACTUARIAL STUDY REQUIRED

The City, Sanitary District, and Utilities offer post employment health insurance benefits to all employees who leave employment after meeting eligibility requirements for retirement benefits from the Public Employees Retirement Fund (PERF). An actuarial study of the post employment benefits is required by Statement 45 issued by the Governmental Accounting Standards Board; however, the actuarial study was not performed.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 7)

EMPLOYEE SERVICE RECORDS

Employee service records are maintained for all employees of the City by each department; however, many do not have proper leave balances maintained. Not all records show leave time earned or used. Thus, we were unable to determine compliance with leave policies for all employees. Additionally, service records reviewed from the Fire Department were not on prescribed or approved forms.

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

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

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS (PORT AUTHORITY)

Accounts Receivable Controls

A Computer software program is used to account for boat slip rentals. When year-end closing procedures are performed the system deletes all prior balances and transactions. Computer generated reports and transactions were not retained for audit. Furthermore, there is no centralized system for following up on unpaid balances from prior years. We reviewed current reports but found that the financial information recorded did not always agree with the information in the individual customer files.

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

Correction (Adjustment) Entries

Reports from the computerized system are not retained for audit to support adjustments made to customer accounts. Current period reports reviewed do not provide adequate documentation to support the correcting entries made; therefore, we were unable to determine the validity of such adjustments. Furthermore, there is not a system in place for management to approve adjustments to customer accounts.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Receipt Controls

Collections from the various cash collection points are remitted to the Port Authority office and the cash composition (cash, check, credit card, etc.) is verified; however, the receipt is not issued until after the collections have been deposited at the bank. It is unclear why receipts are not issued at the time collections are remitted and verified.

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)

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

Payroll Controls

The Port Authority processes payroll transactions and checks electronically. One person is responsible for entering the wage amounts, computing the payroll, verifying the hours and computed wages to the source documents, and generating the payroll checks. The Port Authority director reviews and approves a preliminary payroll report.

Segregation of duties is the concept of having different people do different tasks within the organization. It provides the foundation of good internal control by assuring that no one individual has the capability to perpetuate and conceal errors or irregularities in the normal course of their authorized duties. Segregation of duties is achieved within information technology systems by appropriate assignment of security profiles that define the data the users can access and the functions that they can perform. Access must be restricted to the minimum required for the user to perform their job function. Access rights must be periodically reviewed and approved by management. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

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)

RECEIPT ISSUANCE (PORT AUTHORITY)

Slip Rental Fees

The Port Authority collects annual fees for slip rental payable in two installments. The first payment is due December 1st of the prior year. The final payment is due by March 15th. We noted while auditing the slip rental fees that a \$25 late penalty fee was added to the bill when the boater paid after March 15th. The late penalty fee is not on the fee schedule. In addition, on the invoices sent to the boaters it states: "Failure to make this payment by due date will result in late penalties of \$25 to \$75 and/or loss of slip." A policy stating how late penalties are calculated was not presented for audit.

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)

Clipper Room Lease Agreement

The Port Authority rents out the Clipper Room for special occasions and meetings. The people renting the room sign an agreement. We noted two local entities using the facility but a rental agreement was not presented for audit. In addition, the fees were waived for these two entities, but documentation was not presented that the board authorized waiving the fees.

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

The terms and conditions of the agreement state in part: "An equipment/cleanup deposit in the amount of three hundred dollars (\$300.00) is due and payable ten (10) business days prior to the first date of the Lease Term. If Lessee defaults hereunder, Lessor may apply said deposit or any pay thereof, to compensate Lessor for any loss, damage or expense sustained due to such default. The balance of such security deposit shall be returned to Lessee within thirty (30) days of Lessee's use of the Clipper Room." For 100% of the leases audited none had documentation that the \$300 deposit was collected. Per inquiry of the ship store manager they do not deposit nor receipt the \$300 deposit. The lessees either give cash, a blank signed check, or a credit card number for the deposit. The cash and checks are kept in the safe and right after the event they are given back to the lessees.

Per the agreement the final payment is required ten (10) business days prior to the first date of the lease term. We noted final payments made from one day after the event to 68 days after.

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)

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

CAPITAL ASSET RECORDS (PORT AUTHORITY)

The Port Authority records some capital asset additions and disposals, but the records are not complete. The Port Authority is undergoing several building and renovation projects which are not being reported as construction in progress. For example, during 2008, the Port Authority awarded contracts for Indianapolis Boulevard landscape improvements totaling \$1,578,248, a guardhouse and main entrance \$974,250, and for construction of the Lost Marsh Clubhouse \$9,183,000 of which \$4,554,589 had been paid on the contract as of December 31, 2008.

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. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

REDEVELOPMENT DEPARTMENT RECEIPTS

Prescribed Forms

The Redevelopment Department did not use prescribed or approved receipt forms. Instead, they used receipt books purchased from an office supply company. The receipts are prenumbered, in duplicate and include the Department's name, address and phone number.

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)

Fees Not Approved

Any fees charged, other than loan payments, were not approved or set by the Redevelopment 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)

Timely Deposits

Deposits were not made in a timely manner to the City Controller's office. On average, deposits were made 6 days after receipt of the funds. A similar comment appeared in the prior report.

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 the town; and (2) approved as depositories of state funds."

UNCLAIMED PROPERTY (CITY CLERK)

The Clerk's Trust Register includes money held in excess of five years. Additionally, some money being held has been listed in the register as dormant. The funds have not been remitted to the Attorney General's office as unclaimed funds. A similar comment appeared in prior reports.

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

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . . (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under Indiana Code 32-34-3."

IC 32-34-1-26(a) states: "A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property."

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

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

INTERNAL CONTROLS PAYROLL (SANITARY DISTRICT)

The Sanitary District's policy regarding vacation leave states, "Vacation time may not be carried into the next calendar year, unless the employee's scheduled vacation time has been canceled by the Sanitary District and there is insufficient time to reschedule the vacation during the calendar year." The Sanitary District's compensatory time policy states, "Comp time must be taken within a reasonable amount of time. Only Comp time earned in the month of December may be carried over into the first quarter of the new year."

In June 2008, the payroll clerk requested permission from the Sanitary District Manager to convert her compensatory time used from February 1, 2008 through June 30, 2008, to vacation time used. Written documentation of the number of hours to be converted was not provided to the Sanitary District Manager. Additionally, the Business Manager, who is responsible for approving the time sheets of the Payroll Clerk was not informed of this request. All compensatory time used during this period was converted to vacation leave which was 44 hours. In December 2008, the Sanitary District Manager approved the payment of the payroll clerk's balance of 191 compensatory hours for which one-half was paid in December 2008 with the remainder being paid after the board approved the payment of the compensatory time in January 2009. The conversion of the compensatory time to vacation resulted in her receiving an additional \$797.72 (44 hours at \$18.13/hour).

Furthermore, the Business Manager, who became a contractor in 2008, stopped signing the time sheets for the employees in the finance department. This employee had access to a signature stamp which was used occasionally by the Business Manager for other purposes. Since the Sanitary District Manager or Business Manager had not designated anyone to sign the time sheets, this employee used this signature stamp to indicate that her time sheets had been reviewed and approved.

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 for Special Districts, Chapter 10)

RATE NOT APPROVED BY COUNCIL (SANITARY DISTRICT)

The Sanitary District Board approved a resolution increasing the garbage collection fee for the Sanitation Utility. This increased fee has not been approved by the Hammond City Council in the form of an Ordinance.

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

IC 36-9-25-11 (c) states:

"Fees may not be established until a public hearing has been held at which all the users of the sewage works and owners of property served or to be served by the works, including interested parties, have had an opportunity to be heard concerning the proposed fees. After introduction of the resolution fixing fees, and before they are finally adopted, notice of the hearing setting forth the proposed schedule of fees shall be given by publication in accordance with IC 5-3-1. After the hearing the resolution establishing fees, either as originally introduced or as amended, shall be passed and put into effect. 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."

ACCOUNTS PAYABLE VOUCHERS (SANITARY DISTRICT)

General

Accounts payable vouchers for the attorney and a lab cleaning service did not have properly itemized invoices attached. The attorney was paid based upon the attached purchase order, and the cleaning service invoices did not indicate a rate of pay for the service provided.

Travel

When mileage is claimed for reimbursement, the Mileage Claim Form 101 is not always used.

Employees are reimbursed for registration fees for conferences and meals based upon submission of cancelled checks, money orders, or personal credit card statements. Invoices are not always provided to support amounts claimed.

An employee attended a conference in Georgia. The conference ran from January 28 thru January 31; however, hotel and meals paid for on February 2, 2008, were reimbursed totaling \$212.86. No justification was provided for the additional costs to the Sanitary District.

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. 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 Special Districts, Chapter 10)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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Web Site: www.in.gov/sboa

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

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

Compliance

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

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

As described in item 2008-4 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding allowable costs and activities allowed that are applicable to its Community Development Block Grants/Entitlement Grants. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended December 31, 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 item 2008-3.

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

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 item 2008-4 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

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 item 2008-4 to be a material weakness.

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 City Council, 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

November 3, 2009

CITY OF HAMMOND
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 HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG - Entitlement and Small Cities Cluster			
Community Development Block Grants/Entitlement Grants	14.218		
Entitlement		B-05-MC-18-0006	\$ 160,650
Entitlement		B-06-MC-18-0006	130,274
Entitlement		B-07-MC-18-0006	<u>2,094,429</u>
Total for cluster			<u>2,385,353</u>
Emergency Shelter Grants Program	14.231		
		S-07-MC-18-0006	99,566
		S-08-MC-18-0006	<u>37,652</u>
Total for program			<u>137,218</u>
HOME Investment Partnerships Program	14.239		
		M-04-MC-18-0006	54,396
		M-05-MC-18-0006	598,211
		M-06-MC-18-0006	364,999
		M-07-MC-18-0006	<u>24,649</u>
Total for program			<u>1,042,255</u>
Community Development Block Grants - Section 108 Loan Guarantees	14.248		
		B-00MC-18-006	<u>473,762</u>
Fair Housing Assistance Program - State and Local	14.401		
		FF205K075024	15,300
		FF205K085024	<u>44,427</u>
Total for program			<u>59,727</u>
Total for federal grantor agency			<u>4,098,315</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Edward Byrne Memorial Formula Grant Program	16.579		
		2006	18,756
		2007	64,024
		2008	<u>3,617</u>
Total for federal grantor agency			<u>86,397</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Northwestern Indiana Regional Planning Commission			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205		
		STP-9945(071) & STP-9945(049)	2,714
		9945046 DES No. 0201176	309,743
		STP-N933(005)	<u>156,498</u>
Total for cluster			<u>468,955</u>

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

CITY OF HAMMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 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 TRANSPORTATION (continued)</u>			
Pass-Through Northwest Indiana Regional Planning Commission Federal Transit Cluster Federal Transit-Formula Grants	20.507	IN-90-X547	<u>806,844</u>
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety	20.600	PT-09-04-01-30	<u>12,531</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants Big City/Big County Seatbelt Enforcement	20.601	PT-08-04-01-29	<u>64,202</u>
Total for cluster			<u>76,733</u>
Total for federal grantor agency			<u>1,352,532</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management Air Pollution Control Program Support Section 105 Asbestos Trust Fund Federally Enforceable State Operating Permit (FESOP)	66.001		<u>101,318</u> <u>20,600</u> <u>13,500</u>
Total for program			<u>135,418</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>1,025,149</u>
Total for federal grantor agency			<u>1,160,567</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-Through Indiana Department of Education Twenty-First Century Community Learning Centers	84.287		<u>373,819</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters) Severe Storms and Flooding No. 1795	97.036	1795	<u>762,632</u>
Total federal awards expended			<u>\$ 7,834,262</u>

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

CITY OF HAMMOND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

II. Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$ 500,245
HOME Investment Partnership Programs	14.239	88,026

III. Loans Outstanding

The City had the following loan balances outstanding at December 31, 2008:

Program Title	Federal CFDA Number	Outstanding Loan Balance
Community Development Block Grants – Section 108 Loan Guarantees	14.248	<u>\$ 3,449,000</u>

IV. Subsequent Event

The Redevelopment Department has been awarded \$3,860,473 from the U.S Department of Housing and Urban Development (HUD) from the Home and Economic Recovery Act of 2008. This award is the Neighborhood Stabilization Program - NSP. The City will acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. No funds were expended in 2008. Very little administration money has been expended so far in 2009. The City should have all the approvals and be ready to start the program in November 2009. The funds were released/"unblocked" by HUD on July 27, 2009.

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	no

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

Qualified for the Community Development Block Grants/Entitlement Grants.
All other major programs are unqualified.

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.239	CDBG – Entitlement and Small Cities Cluster HOME Investments Partnerships Program Highway Planning and Construction Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2008-1, REVIEW OF BANK RECONCILEMENTS

The bank reconcilements are not reviewed by management after they are prepared to ensure the reconciled bank balances agree to the ledger balances for the City. The Controller indicated that he does not review the reconcilements because the person responsible for reconciling the bank accounts has limited responsibilities over cash handling functions. Furthermore, he indicated that he is to receive

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

notice from the bank if cash balances are reduced to a predetermined amount. This control deficiency could result in materially misstating the financial statement cash and investment balances for the City overall. Adjustments to the bank balances could be included as reconciling items and errors could go undetected and not be corrected in a timely or efficient manner.

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.

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

We recommended that the Controller or his designee review the bank reconciliations to ensure they agree to the financial records, are performed timely, and that adjusting entries are properly and promptly posted.

FINDING 2008-2, INTERNAL CONTROLS (PORT AUTHORITY)

Accounts Receivable Controls

A computer software program is used to account for boat slip rentals. When year-end closing procedures are performed they system deletes all prior balances and transactions. Computer generated reports and transactions were not retained for audit. Furthermore, there is no centralized system for following up on unpaid balances from prior years. Current computer record information does not always agree to supporting information per individual customer files.

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

Correction (Adjustment) Entries

Reports from the computerized system are not retained for audit to support adjustments made to customer accounts. Current period reports reviewed do not provide adequate documentation to support the correcting entries made; therefore, we were unable to determine the validity of such adjustments. Furthermore, there is not a system in place for management to approve adjustments to customer accounts.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all

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

transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Receipt Controls

Collections from the various cash collection points are remitted to the Port Authority office and the cash composition (cash, check, credit card, etc.) is verified; however, the receipt is not issued until after the collections have been deposited at the bank. It is unclear why receipts are not issued at the time collections are remitted and verified.

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)

Payroll Controls

The Port Authority processes payroll transactions and checks electronically. One person is responsible for entering the wage amounts, computing the payroll, verifying the hours and computed wages to the source documents, and generating the payroll checks. The Port Authority director reviews and approves a preliminary payroll report.

Segregation of duties is the concept of having different people do different tasks within the organization. It provides the foundation of good internal control by assuring that no one individual has the capability to perpetuate and conceal errors or irregularities in the normal course of their authorized duties. Segregation of duties is achieved within information technology systems by appropriate assignment of security profiles that define the data the users can access and the functions that they can perform. Access must be restricted to the minimum required for the user to perform their job function. Access rights must be periodically reviewed and approved by management. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

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

We recommended that Port Authority officials establish controls to ensure computer generated information is complete and accurate. Reports generated from the system should be reviewed and verified to supporting documentation and reports should be maintained for audit, including documentation for adjustments to customer accounts. Officials should establish proper segregation of payroll function duties.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-3, CONTROLS OVER ALLOWABLE COSTS, HOME PROGRAM

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

Federal Program: HOME Investment Partnerships Program

CFDA Number: 14.239

Award Numbers: M-04-MC-18-0006, M-05-MC-18-0006, M-06-MC-18-0006, M-07-MC-18-0006

The Rehab Specialist/Inspector is responsible for verifying that the invoices to be paid from HOME program funds are allowable costs under the grant guidelines. Accounts payable vouchers paid from HOME program funds are not signed by the Rehab Specialist/Inspector indicating that he has reviewed the invoices. The Rehab Specialist/Inspector indicated that he is responsible for entering the accounts payable vouchers into the electronic payment system for the City; thus, it is not necessary for him to sign the vouchers to indicate that he has reviewed or approved the voucher for payment. The electronic payment system does not have user identification or password controls which would prevent others from entering accounts payable vouchers for payment from the HOME program funds. Furthermore, at least two other employees enter HOME program accounts payable vouchers for payment.

24 CFR 85.20 states in part: "(b) The financial management systems of other grantees and sub-grantees must meet the following standards:

- (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

We recommended that officials design and implement controls that would ensure compliance with federal requirements.

FINDING 2008-4, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT MONITORING REPORT FINDINGS

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

Federal Program: Community Development Block Grants

CFDA Number: 14.218

Award Numbers: B-06-MC-18-0006, B-07-MC-18-0006

The Indianapolis Office of Community Planning and Development of the U.S. Department of Housing and Urban Development conducted an on-site monitoring review of the B-06-MC-0006 and B-07-MC-0006 grants during the time period of August 19 thru 21, 2008. The monitoring review noted that systems and procedures in place are informal and developing. The objective of the review was to ensure that the City was able to demonstrate that each activity that it funds meets a national objective under Section 570.208 of the program regulations and is eligible under Section 105 (a) of the Housing and Community Development Act of 1974, as amended, and the regulations at 24 CFR 570.201-207, both at the time of initial determination for funding and throughout the implementation of the activity.

The following details the findings and follow up action reported to the City by the Indianapolis Office of Community Planning and Development of the U.S. Department of Housing and Urban Development:

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

Sufficient Records

The City has not established and maintained records sufficient to determine that the City has met the requirements for activity eligibility and national objective compliance. There must be documentation that at the time of the funding and throughout the implementation, activities were eligible, funds disbursed towards activities were eligible costs, and that the activities met a national objective. At the time of the review, the City did not have written policies and procedures for management to follow. Thus, it could not be determined that all activities were eligible and met the national objective requirements per 24 CFR 507.208.

HUD determined the following activities were not documented properly to show the costs were eligible and met the national objectives:

Activity Name	Program Year	Activity #	Amount Ineligible	Amount Eligible	Remaining Questioned Costs
Administration of Non-Profit Program	2007	992	\$ 171,988.24	\$ (23,498.37)	\$ 148,489.87
Program Delivery of Non-Profit Program	2008	1083	26,306.84	(25,726.95)	579.89
Acquisition Match for Special Impact Area	2006	901	286,509.23	-	286,509.23
Acquisition and Disposition	2007	990	266,472.91	-	266,472.91
Acquisition and Disposition	2008	1081	38,861.72	-	38,861.72
Revolving Loan	2006	904	81,785.06	(81,785.06)	-
Revolving Loan	2007	1019	14,859.94	(14,859.94)	-
Economic Development Administration	2006	903	189,927.49	-	189,927.49
Economic Development Administration	2007	994	207,346.00	(207,346.00)	-
Economic Development Planning	2007	996	942.87	-	942.87
Economic Development Administration	2008	1085	15,079.39	-	15,079.39
Economic Development Planning	2008	1091	4,402.50	-	4,402.50
Other ineligible disbursements	NI	NI	67,364.14	-	67,364.14
Totals			<u>\$ 1,371,846.33</u>	<u>\$ (353,216.32)</u>	<u>\$ 1,018,630.01</u>

CFR 570.208 states in part: "The following criteria shall be used to determine whether a CDBG-assisted activity complies with one or more of the national objectives as required under § 570.200(a)(2):

(a) *Activities benefiting low-and moderate-income persons.*

- (1) *Area benefit activities.* (i) An activity, the benefits of which are available to all the residents in a particular area, where at least 51 percent of the residents are low and moderate income persons.
- (2) *Limited clientele activities.* (i) An activity which benefits a limited clientele, at least 51 percent of whom are low- or moderate-income persons. (The following kinds of activities may not qualify under paragraph (a)(2) of this section: activities, the benefits of which are available to all the residents of an area; activities involving the acquisition, construction or rehabilitation of property for housing; or activities where the benefit to low- and moderate-income persons to be considered is the creation or retention of jobs, except as provided in paragraph (a)(2)(iv) of this section).
- (3) *Housing activities.* An eligible activity carried out for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by low- and moderate- income households.

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

- (4) *Job creation or retention activities.* An activity designed to create or retain permanent jobs where at least 51 percent of the jobs, computed on a full-time equivalent basis, involve the employment of low- and moderate-income persons.
- (b) *Activities which aid in the prevention or elimination of slums or blight.* Activities meeting one or more of the following criteria, in the absence of substantial evidence to the contrary, will be considered to aid in the prevention or elimination of slums or blight:
- (1) *Activities to address slums or blight on an area basis.*
 - (2) *Activities to address slums or blight on a spot basis.*
 - (3) *Activities to address slums or blight in an urban renewal area.*
- (c) *Activities designed to meet community development needs having a particular urgency.* In the absence of substantial evidence to the contrary, an activity will be considered to address this objective if the recipient certifies that the activity is designed to alleviate existing conditions which pose a serious and immediate threat to the health or welfare of the community which are of recent origin or which recently became urgent, that the recipient is unable to finance the activity on its own, and that other sources of funding are not available. A condition will generally be considered to be of recent origin if it developed or became critical within 18 months preceding the certification by the recipient.
- (d) *Additional criteria.*
- (1) Where the assisted activity is acquisition of real property, a preliminary determination of whether the activity addresses a national objective may be based on the planned use of the property after acquisition. A final determination shall be based on the actual use of the property, excluding any short-term, temporary use. Where the acquisition is for the purpose of clearance which will eliminate specific conditions of blight or physical decay, the clearance activity shall be considered the actual use of the property. However, any subsequent use or disposition of the cleared property shall be treated as a "change of use" under § 570.505.
 - (2) Where the assisted activity is relocation assistance that the recipient is required to provide, such relocation assistance shall be considered to address the same national objective as is addressed by the displacing activity. Where the relocation assistance is voluntary on the part of the grantee the recipient may qualify the assistance either on the basis of the national objective addressed by the displacing activity or on the basis that the recipients of the relocation assistance are low and moderate income persons.
 - (3) In any case where the activity undertaken for the purpose of creating or retaining jobs is a public improvement and the area served is primarily residential, the activity must meet the requirements of paragraph (a)(1) of this section as well as those of paragraph (a) (4) of this section in order to qualify as benefiting low and moderate income persons.
 - (4) CDBG funds expended for planning and administrative costs under § 570.205 and § 570.206 will be considered to address the national objectives.

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

- (5) Where the grantee has elected to prepare an area revitalization strategy pursuant to the authority of § 91.215(e) of this title and HUD has approved the strategy, the grantee may also elect the following options:
- (i) Activities undertaken pursuant to the strategy for the purpose of creating or retaining jobs may, at the option of the grantee, be considered to meet the requirements of this paragraph under the criteria at paragraph (a)(1)(vii) of this section in lieu of the criteria at paragraph (a)(4) of this section; and
 - (ii) All housing activities in the area for which, pursuant to the strategy, CDBG assistance is obligated during the program year may be considered to be a single structure for purposes of applying the criteria at paragraph (a)(3) of this section.
- (6) Where CDBG-assisted activities are carried out by a Community Development Financial Institution whose charter limits its investment area to a primarily residential area consisting of at least 51 percent low-and moderate income persons, the grantee may also elect the following options:
- (i) Activities carried out by the Community Development Financial Institution for the purpose of creating or retaining jobs may, at the option of the grantee, be considered to meet the requirements of this paragraph under the criteria at paragraph (a)(1)(vii) of this section in lieu of the criteria at paragraph (a)(4) of this section; and
 - (ii) All housing activities for which the Community Development Financial Institution obligates CDBG assistance during the program year may be considered to be a single structure for purposes of applying the criteria at paragraph (a)(3) of this section.
- (7) Where an activity meeting the criteria at § 570.209(b)(2)(v) may also meet the requirements of either paragraph (d)(5)(i) or (d)(6)(i) of this section, the grantee may elect to qualify the activity under either the area benefit criteria at paragraph (a)(1)(vii) of this section or the job aggregation criteria at paragraph (a)(4)(vi)(D) of this section, but not both. Where an activity may meet the job aggregation criteria at both paragraphs (a)(4)(vi)(D) and (E) of this section, the grantee may elect to qualify the activity under either criterion, but not both."

24 CFR 570.506 states in part: "Each recipient shall establish and maintain sufficient records to enable the Secretary to determine whether the recipient has met the requirements of this part. At a minimum, the following records are needed:

- (a) Records providing a full description of each activity assisted (or being assisted) with CDBG funds, including its location (if the activity has a geographical locus), the amount of CDBG funds budgeted, obligated and expended for the activity, and the provision in subpart C under which it is eligible.
- (b) Records demonstrating that each activity undertaken meets one of the criteria set forth in § 570.208. (Where information on income by family size is required, the recipient may substitute evidence establishing that the person assisted qualifies under another program having income qualification criteria at least as restrictive as that used in the definitions of "low and moderate income person" and "low and moderate income household" (as applicable) at

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

§ 570.3, such as Job Training Partnership Act (JTPA) and welfare programs; or the recipient may substitute evidence that the assisted person is homeless; or the recipient may substitute a copy of a verifiable certification from the assisted person that his or her family income does not exceed the applicable income limit established in accordance with § 570.3; or the recipient may substitute a notice that the assisted person is a referral from a state, county or local employment agency or other entity that agrees to refer individuals it determines to be low and moderate income persons based on HUD's criteria and agrees to maintain documentation supporting these determinations.)"

We recommended that officials remain in contact with the U.S. Department of Housing and Urban Development to resolve the questioned costs of \$1,018,630.01. Officials should continue the process of writing a policies and procedures manual. Furthermore, officials need to maintain proper records to document that costs paid from HUD funds are allowable under the guidelines.

CITY OF HAMMOND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



Robert Lendi
Controller

CITY OF HAMMOND

Indiana State Board of Accounts
302 W Washington St Room E418
Indianapolis, IN 46204

Audit of the City of Hammond Financial Statements of 2008
Corrective Action Plan for Finding 2008-1

For all bank reconcilements, the following procedure shall be internally implemented in the Controller's Office:

One employee shall complete all bank reconcilements.

A second managerial employee (Controller, Deputy Controller, or Office Manager) shall review each reconciliation as it is completed to ensure completeness and accuracy. The second reviewing employee shall sign a confirmation on each reconciliation indicating that a review was performed and the reviewing employee is in agreement with the reconciling employee's adjustment(s).

Robert Lendi

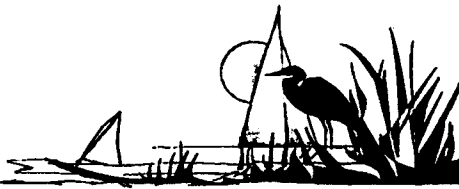
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Controller's Office
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Hammond, Indiana 46320

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Hammond Port Authority

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701 Casino Center Drive
Hammond, IN 46320
219-659-7678 • 219-659-7679 (Fax)

Hammond Marina • Lost Marsh Golf Course • Wolf Lake Memorial Park • Forsythe Park • Lakefront

Date: 11/2/09

Corrective Action Plan

Finding Number 2008-2 Internal Controls (Port Authority)

Accounts Receivable Controls:

As soon as possible, the Hammond Port Authority staff shall submit for approval (to the HPA Board) a written policy and procedure for the writing off of bad debts and uncollectible accounts receivable.

Prior to any write-offs, the HPA staff shall document all efforts to collect amounts owed and preserve on file for a period to be determined by the HPA Board.

Correction Entries

The HPA staff will review, with the software vendor, to ascertain (1) the audit trail, (2) transaction history, and (3) user identification capabilities of the accounting system. They will ensure the system is capable of tracing transactions from the final results produced by the system...through different levels of system processing...to the original source of entry into the system. Additionally, the staff will review the ability of the software's security system to protect the audit trails from modification and deletion. If the current system is unable to address these concerns, the HPA staff shall implement or update the recommended software.

Receipt Controls:

The HPA staff shall issue receipts at the time the collections are verified at the Port Authority office to establish and ensure the chain of command for the collections.

Payroll Controls:

In the plans for 2010, the HPA accounting personnel will cross-train across functions. The objective is to provide for proper segregation of payroll duties, to create a back-up bench strength and to increase productivity through job enrichment.



Richard Szany
Administrative Director
Hammond Port Authority



Thomas M. McDermott, Jr.
Mayor

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND

PHIL TAILLON
Executive Director

November 3, 2009

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

RE: CORRECTIVE ACTION PLAN

To Whom It May Concern:

This letter is in response to the findings of State Board of Accounts during our 2009 Audit:

Redevelopment Department Receipts Procedure:

The Redevelopment Department did not use prescribed or approved receipt forms. Instead, they used receipt books purchased from an office supply company. The receipts are pre-numbered, in duplicate and include the Department's name, address and phone number. Any fees charged, other than loan payments, were not approved or set by the Redevelopment Board. In addition, deposits were not made in a timely manner to the City Controller's office. On average, deposits were made 6 days after receipt of the funds. A similar comment appeared in the prior report.

Corrective Action on Previous Comment:

A memo was sent to all employees of Planning and Development that stated the following (A copy of the memo to the staff is included):

"Per our audit by State Board of Accounts, we are changing over to a new receipt which going forward will be the only acceptable form of receipt that we use in our office. I am attaching a copy of the new receipt. It is currently being created at the printer and we do not have the official copy back yet. Going forward, please use this receipt for any and all transactions (See attached)."

This new receipt process will be monitored by our Finance Manager.

Also, any fees that we currently are charging in accordance with programs that we are offering, need to be written down and formally accepted by the Redevelopment Commission if they have not previously been formally accepted.

Thank you,

Phil Taillon
Executive Director of Planning and Development
City of Hammond



Thomas M. McDermott, Jr.
Mayor

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND

PHIL TAILLON
Executive Director

November 2, 2009

Everyone,

Per our audit by State Board of Accounts, we are changing over to a new receipt which going forward will be the only acceptable form of receipt that we use in our office. I am attaching a copy of the new receipt. It is currently being created at the printer and we do not have the official copy back yet. Going forward, please use this receipt for any and all transactions. (See attached)

Thank you,

Phil Taillon
Executive Director of Planning and Development
City of Hammond
Email: taillonp@gohammond.com
Phone: (219) 853-6508 Ext: 310
Fax: (219) 853-6334

FORM PRESCRIBED BY STATE BOARD OF ACCOUNTS

GENERAL FORM NO. 352 (REV. 1997)

RECEIPT

Name of UNIT, AGENCY, BOARD OR DEPARTMENT _____

NO. _____

Payment Type and Amount

Cash Amount	Check/Draft Amount	MO Amount	Credit Card/ Bank Card Amount	EFT Amount	Other

_____ IN _____

RECEIVED FROM _____

THE SUM OF _____

\$ _____

ON ACCOUNT OF _____

100

DOLLARS

SAMPLE

AUTHORIZED SIGNATURE



Thomas M. McDermott, Jr.
Mayor

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND

November 3, 2009

PHIL TAILLON
Executive Director

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

RE: CORRECTIVE ACTION PLAN

To Whom It May Concern:

This letter is in response to the findings of State Board of Accounts during our 2009 Audit:

FINDING NUMBER 2008-3 Controls over allowable costs, Home Program

RECOMMENDATION: Officials design and implement controls that would ensure compliance with stature for effective internal controls.

Corrective Action Plan for Finding Number 2008-3:

We are implementing a new control system for our Home Rehab Specialist/Inspector so that he will be signing any invoices or purchase orders that are part of his program. We plan on having the new system implemented by the end of November, 2009. The plan will be monitored by our Finance Manager once it is fully implemented. While the new system is being finalized, the Home Rehab Specialist/Inspector is signing all invoices and purchase orders that are done right now.

FINDING NUMBER 2008-4 U.S. Department of Housing and Urban Development's Monitoring Report Findings

RECOMMENDATION: We recommended that officials remain in contact with the U.S. Department of Housing and Urban Development to resolve the questioned costs of \$1,018,630.01. Officials should continue the process of writing a policies and procedures manual. Furthermore, officials need to maintain proper records to support cost paid from HUD funds are allowable under the guidelines

Correction Action Plan for Finding Number 2008-4:

We are working very closely with U.S. Department of Housing and Urban Development to finalize the questioned costs mentioned above. Although we believe all monies were spent according to guidelines and did qualify under HUD guidelines and national objectives, we are implementing a system to make sure that all proper records will be maintained to support that any monies used were allowable under their guidelines. We have already implemented changes to ensure we will keep all records necessary, but feel a completely new system with new internal controls and also a new internal monitoring system will be set up by the end of this year, 2009.

Thank you,

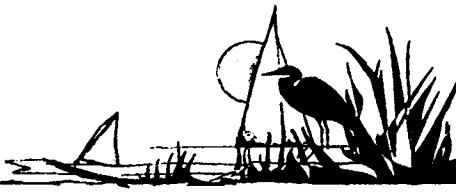
Phil Taillon
Executive Director of Planning and Development
City of Hammond

CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2009, with Robert Lendi, Controller; Rick Calinski, Chief of Staff; Robert Markovich, Common Council member; Stanley Dostatni, Board of Public Works and Safety Member and Sanitary District Board President; Ramona Campbell, Deputy Controller; Richard Szany, Administrative Director of the Port Authority; Philip Taillon, Director of Planning and Development; Owana Miller, Director of Community Development; and Thomas M. McDermott Jr., Mayor. The official response (corrective action plan – Redevelopment Department Receipt Procedures) has been made a part of this report and may be found on pages 96 through 98.

The comments for the Port Authority were discussed on November 3, 2009 with Richard Szany, Administrative Director of the Port Authority; Milan A. Kruszynski, Port Authority Director; and Thomas E. Kuhn, Chairman of the Port Authority Board. The official response to these comments have been made a part of this report and may be found on pages 96 through 98.

The comments for the Sanitary District were discussed on November 3, 2009 with William Biller, Business Manager for the Sanitary District; Michael Unger Ph. D., Sanitary District Manager; and Joseph Allegretti, Attorney for the Sanitary District. The official response to the comments for the Sanitary District have been made a part of the Annual Financial Report of the Sanitary District.



Hammond Port Authority

Hammond Port Authority
701 Casino Center Drive
Hammond, IN 46320
219-659-7678 • 219-659-7679 (Fax)

Hammond Marina • Lost Marsh Golf Course • Wolf Lake Memorial Park • Forsythe Park • Lakefront

Date: 11/10/09

Official Response

Receipt Issuance at the Port Authority

Slip Rental Fees:

On September 8th the Port Authority Director submitted a recommendation to the HPA board to adopt a boater slip late fee policy. The policy states how late penalties are to be calculated.

On September 22nd the HPA board approved the motion to adopt the boater slip late fee policy.

Clipper Room Lease Agreement

The HPA staff will submit a recommendation to the HPA board requiring the Clipper Room to (1) have the HPA board authorize all waived fees (2) require receipt of a security deposit upon collection, (3) issuance of a Purchase Order for reimbursable portion of security deposit within 30 days of the event, and (4) change the "Clipper Room Lease Agreement" to read lessee's final payment due the day of the event.

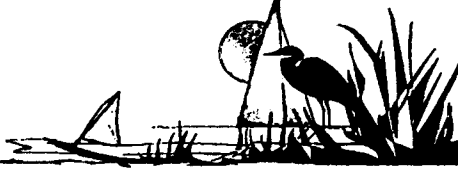
Capital Asset Records (Port Authority):

The HPA staff shall include in the Capital Asset Records a Construction and Progress report.

Signed:

Title:

ADMINISTRATIVE DIRECTOR



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Date: 11/2/09

Corrective Action Plan

Finding Number 2008-2 Internal Controls (Port Authority)

Accounts Receivable Controls:

As soon as possible, the Hammond Port Authority staff shall submit for approval (to the HPA Board) a written policy and procedure for the writing off of bad debts and uncollectible accounts receivable.

Prior to any write-offs, the HPA staff shall document all efforts to collect amounts owed and preserve on file for a period to be determined by the HPA Board.

Correction Entries

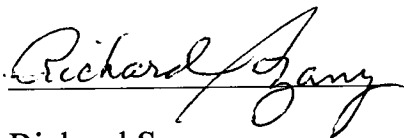
The HPA staff will review, with the software vendor, to ascertain (1) the audit trail, (2) transaction history, and (3) user identification capabilities of the accounting system. They will ensure the system is capable of tracing transactions from the final results produced by the system...through different levels of system processing...to the original source of entry into the system. Additionally, the staff will review the ability of the software's security system to protect the audit trails from modification and deletion. If the current system is unable to address these concerns, the HPA staff shall implement or update the recommended software.

Receipt Controls:

The HPA staff shall issue receipts at the time the collections are verified at the Port Authority office to establish and ensure the chain of command for the collections.

Payroll Controls:

In the plans for 2010, the HPA accounting personnel will cross-train across functions. The objective is to provide for proper segregation of payroll duties, to create a back-up bench strength and to increase productivity through job enrichment.



Richard Szany
Administrative Director
Hammond Port Authority