

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

ANNUAL FINANCIAL REPORT

2010

CITY OF GARY

LAKE COUNTY, INDIANA



FILED
09/20/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	M. Celita Green	01-01-10 to 12-31-11
Mayor	Rudolph Clay, Sr.	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Geraldine B. Tousant	01-01-10 to 12-31-11
President of the Common Council	Ronier Scott	01-01-10 to 12-31-11
Director of Utilities	Luci Horton Rinzer Williams, III	01-01-10 to 02-09-10 02-18-10 to 12-31-11
President of the Board of Sanitary Commissioners and Storm Water Commissioners	Richard Comer	01-01-10 to 12-31-11



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

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

We have audited the accompanying financial statement of the City of Gary (City), for the year ended December 31, 2010. The financial statement is the responsibility of the City's management. Our responsibility is to express opinions on the financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The accompanying financial statement has been prepared assuming that the City will continue as a going concern. As discussed in Note 8 to the financial statement, the City has been forced to drastically reduce budgets and disbursements due to legislative tax caps. The amount of budget reductions that would be required for the City to fully implement the current tax legislation raises substantial doubt about the City's ability to continue as a going concern. The City's plans in regards to these matters are also discussed in Note 8. The financial statement does not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued a report dated August 15, 2011, 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.

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

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 integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

The City's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

August 15, 2011



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

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

We have audited the financial statement of the City of Gary (City), for the year ended December 31, 2010, and have issued our report thereon dated August 15, 2011. 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is 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. We did not audit the City's response and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

August 15, 2011

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FINANCIAL STATEMENT

CITY OF GARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ (9,794,028)	\$ 87,654,552	\$ 87,300,302	\$ (9,439,778)
Motor Vehicle Highway	318,525	2,798,426	2,820,354	296,597
Local Road And Street	94,255	960,430	968,863	85,822
Law Enforcement Continuing Education	111,444	118,806	79,806	150,444
Unsafe Building	158,899	-	-	158,899
Riverboat	557,506	18,585,211	17,154,554	1,988,163
Parks And Recreation	100,041	2,062,087	2,156,762	5,366
Ambulance/Ems Nonreverting	375,719	765,999	642,703	499,015
Protective Services Grant I	(1,033,929)	-	-	(1,033,929)
Protective Services Grant Ii	477,122	171,120	362,443	285,799
Equal Opportunity Commission Hr	9,957	49,650	41,798	17,809
Tourism Project	71,401	-	-	71,401
Local Law Enforcement Block Grant	79	-	-	79
Youth Services Bureau	247,357	212,721	197,125	262,953
Home Program	38,363	314,400	338,042	14,721
Emergency Shelter Grant	888	162,521	162,521	888
Brownfield	12	174,684	75,138	99,558
Healthy Families	16,042	1,700	962	16,780
Marquette Park	2,344	157,890	157,988	2,246
Gleason Golf Course	66	142,995	137,812	5,249
Emergency Shelter	(319,738)	430,475	467,917	(357,180)
Comprehensive Community Program	64,185	52,162	32,350	83,997
Homeownership	159	-	-	159
Landfill Closure	226,796	77,866	100,342	204,320
Landfill Trust	1,207,567	688	74,847	1,133,408
Solid Waste Recycling Project	585,780	316,470	621,169	281,081
Environmental Management	12,011	55,564	52,173	15,402
Pgci Project Grant	18,659	-	-	18,659
Health And Human Services	(178,476)	717,637	857,567	(318,406)
Supplemental Adult Probation Services	80,931	180,458	120,228	141,161
Gary Health Department Rental	5,545	-	-	5,545
Hiv Substance Abuse Prevention	8,523	-	-	8,523
Cops In School	504	-	-	504
Park Nonreverting	8,860	102,014	95,762	15,112
Park Pavilion	109	1,352	947	514
National Park Service	802	-	-	802
Vehicle Auction	184,309	64,260	193,618	54,951
Bioterrorism	62,690	161,957	241,101	(16,454)
C.O.P.S. Technology	(65,561)	326,190	260,629	-
Community Development Block Grant	190,397	3,286,955	3,340,161	137,191
Redevelopment Operating	177,512	176,944	323,360	31,096
Summer Jobs Training Program	16,084	5,000	-	21,084
Fair Housing Project	84,245	45,181	83,151	46,275
Genesis Civic Center	145,943	1,320,088	1,452,300	13,731
Media	563,355	386,230	681,007	268,578
Clerk Perpetuation	75,741	10,805	61,747	24,799
Genesis Center Operating	142,542	600,644	713,881	29,305
Leased Properties - Gary Bldg Corp.	(695,441)	44,911	-	(650,530)
State Air Grant	39,372	-	8,714	30,658
Hazardous Material	5,969	-	-	5,969
Lead Base Training	753	-	-	753
Dusable Apartments	5,240	-	-	5,240
Economic Development Bond Commission	2,186	13,502	-	15,688
Crime Victim Assistance	5,600	-	-	5,600
Alcohol And Drug Treatment	256,674	-	200,000	56,674
New Birth Grant	22	-	-	22
Neighborhood Revitalization	167,807	-	167,807	-
Boy Scouts	500	-	-	500
Remote Encoding Center	478,861	162,784	500,000	141,645
Edi Bar Code Center	8,296	-	-	8,296
Mayor Donations	9,550	2,375	11,925	-
Lakefront Development	1,169,739	-	45,000	1,124,739
Social Services	2	6,544	6,439	107

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

CITY OF GARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Special Events	111	18,075	8,177	10,009
City Council Donations	18,093	-	78	18,015
Lead Free 4 Me	(3,344)	23,329	21,717	(1,732)
Special Project Donations	4,420	-	-	4,420
Economic Development Trust	748,147	17,638	98,007	667,778
Community Development Loan Program	16,040	8	-	16,048
Police Donations	37,855	-	36,500	1,355
Weed And Seed	10,442	-	-	10,442
Welfare Excess	949,886	205,913	755,419	400,380
Human Relations	2,000	-	-	2,000
Homeland Security Fund	280	-	-	280
C.M.A.Q. Vehicles	-	3,077,651	3,077,651	-
Hope Vi Pilot	-	38,329	16,247	22,082
Energy Efficient	-	131,205	118,893	12,312
H.P.R.P.	-	888,168	883,900	4,268
C.D.B.G.-R Street Improvement	-	784,917	784,917	-
Filming Fees	2,350	9,900	6,000	6,250
C.H.R.P.	(117,655)	544,506	520,645	(93,794)
Neighborhood Stabilization Program	27,263	1,945,932	1,972,751	444
Lead Base Paint Hazzard Control Grant	(280)	1,335,494	1,332,935	2,279
Grand Trunk Corporation	1,187,500	-	-	1,187,500
Metro Center	(1,511)	141,705	126,924	13,270
Redevelopment Bond	3,500,500	14,716,595	15,625,801	2,591,294
2007 Multi Purpose Revenue Bonds	547,343	1,065	103,073	445,335
2007 G.O. Judgment Funding Bonds	233,857	679,417	879,749	33,525
Cumulative Capital Development	773,277	608,160	868,919	512,518
Cumulative Capital Improvement	390,580	309,708	505,146	195,142
Baseball Maintenance	11,214	-	79,481	(68,267)
15Th And Fulton Project	3,459	-	-	3,459
Burr Street Project	152,094	145,167	-	297,261
Grant/Buchanan Street Project	24,041	401,775	100,000	325,816
Park Construction	570	13,479	10,193	3,856
Mainwater Project	72,577	-	-	72,577
Casino Capital	-	274,473	272,056	2,417
Clean Up/Beautification	7,080	-	-	7,080
911 Equipment	1,295	-	-	1,295
Small Farms Tif District	394,874	518,588	484,102	429,360
Consolidated Area Tif District	125,859	1,655,065	1,564,723	216,201
Lakefront Tif District	450,478	2,689,586	66,515	3,073,549
6Th Avenue And Broadway Tif District	30,257	-	4,991	25,266
Tif Replacement	553,956	248,561	438,936	363,581
Marquette Renovation	-	662,726	662,726	-
Lady Liberty Restoration	-	212	-	212
Guea Properties	-	2,641	-	2,641
Downtown Mall Tif District	27,291	34,526	-	61,817
Madison Avenue Tif District	79,283	577,128	264,885	391,526
Washington Manor Tif District	11,299	5,549	1,186	15,662
Consolidated Area Exp Tif District	649,613	408,220	812,144	245,689
Midwest Center Tif District	48,652	238,884	-	287,536
Lancaster Dusable Tif District	17,655	261,518	187,688	91,485
Fema Grant - Fire Department	53,998	-	-	53,998
Joint Public Safety Training	11,666	1,375	-	13,041
Dalton Arms Tif District	76,885	22,882	53,486	46,281
County Market Tif District	180,553	1,068,217	1,246,295	2,475
S.R.912 No.1 Tif District	8,830	7,914	990	15,754
S.R.912 No.2 Tif District	64,577	89,099	12,471	141,205
Kenney's Ribs Tif District	45,264	138,989	-	184,253
Fire Capital Equipment	2,907	7,753	-	10,660
Major Moves Capital Projects	538,791	-	-	538,791
Gary City Center Allocation Area	-	35,497	-	35,497
Truck City Of Gary Allocation Area	-	282,883	211,954	70,929
Self-Insurance	(2,468,775)	12,813,268	10,163,126	181,367
Wci/Uci Benefit	(139,208)	1,148,528	1,073,977	(64,657)

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

CITY OF GARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Police Pension	477,888	9,332,364	8,328,589	1,481,663
Fire Pension	1,579,036	9,382,462	7,921,509	3,039,989
Payroll	33,433	6,099	38,929	603
County Health	1,528	6,189	6,235	1,482
Empowerment Zone	36,882	2,436,659	2,473,542	(1)
Nimboe Empowerment Zone	2,221	2	2,224	(1)
Empowerment Zone Revolving	327,897	847,595	821,528	353,964
Microloan	7,050	16,745	-	23,795
Empowerment Zone Sba Microloan	7,741	16,757	21,314	3,184
Empowerment Zone Sba Loss Reserve	30,202	49	-	30,251
Regional Development Authority	-	1,000,000	1,000,000	-
Miscellaneous Refunds	11,790	497	-	12,287
Redevelopment Depository Trust	63,952	106,638	2,688	167,902
Withholdings	1,627,596	22,288,629	22,136,865	1,779,360
Supplemental Public Defender	9,698	6,171	-	15,869
I.E.D.C. - Empowerment Zone	14,114	2,635	-	16,749
Confiscated Property	167,353	56,429	53,927	169,855
Salary Fee Judicial	4,578	45,043	31,802	17,819
City Clerk Civil Division	10,495	116,203	120,490	6,208
City Clerk Criminal Division	1,047,132	1,166,125	1,195,582	1,017,675
Storm Water Management District	425,037	1,764,177	2,123,088	66,126
G.S.D./G.S.W.M.D. Watershed Management Plan	1,004	1	905	100
G.S.D. Wwtp General Operating	1,261,663	28,504,094	28,507,847	1,257,910
G.S.D. Bond And Interest	1,477,178	1,533,808	1,876,694	1,134,292
G.S.D. Sewer Construction	27,726	2,499	75	30,150
G.S.D. Sewer Operating	281,997	2,578,933	2,423,625	437,305
G.S.D. Solid Waste Disposal	79,042	8,682,064	8,617,194	143,912
G.S.D. Debt Service	395,604	4,224,911	3,108,611	1,511,904
G.S.D. Capital Improvement	1,412	459	1,871	-
G.S.D. Grand Calumet Sedimentation	3,475,609	10,319	-	3,485,928
G.S.D. Debt Service Reserve	1,653,772	4,902	101	1,658,573
G.S.D. Equipment Replacement	182,806	2,375,068	2,108,626	449,248
G.S.D. Wrep Economic Development	2,180	2	201	1,981
G.S.D. Marquette Park Lagoon	1,029	1	1,030	-
G.S.D. S.R.F.	-	6,022,510	6,022,510	-
G.S.D. Beach Sampling	1,084	1	100	985
G.S.D. E Coli	34,358	43,937	34,186	44,109
G.S.D. Lagoon Restoration	1,006	-	1,006	-
Totals	<u>\$ 20,633,949</u>	<u>\$ 274,695,443</u>	<u>\$ 267,749,583</u>	<u>\$ 27,579,809</u>

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

CITY OF GARY
NOTES TO FINANCIAL STATEMENT

Note 1. 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 some or all of 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, storm water, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes, which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax county adjusted gross income tax, and other taxes that are set by the City.

Special assessments, which includes amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

License and permits which includes amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

permit. Examples of license and permits include: peddler licenses; dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits; and gun permits.

Intergovernmental receipts which includes receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts includes, but is not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the state.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records; copy machine charges; accident report copies, gun permit applications, 911 telephone services; recycling fees, dog pound fees; emergency medical service fees, park rental fees; swimming pool receipts; cable tv receipts; ordinance violations; fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which includes receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits help as performance guarantees (forfeitures).

Net proceeds from borrowings which includes receipts from general obligation bonds, notes and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which includes funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

Utility receipts which are comprised mostly of charges for current services.

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pensions funds from state and local sources.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services which includes outflows for salaries, wages and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

Supplies which includes articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which includes, but is not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance; and rental charges.

Debt service principle and interest which includes fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which includes all outflows for land, infrastructure, buildings, improvements, machinery and equipment having an appreciable and calculable period of usefulness.

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which includes funds authorized by statute, ordinance, resolution or court order to be transferred to another fund.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

The City may be 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; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

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 members' contributions, set by state statute at 3 percent 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. 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 Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan 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

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

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

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy

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

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11.

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is 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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

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

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

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

Note 7. General Fund Cash Deficit

The City ended the year 2010 with a cash deficit of \$9,439,778 in the General Fund. The primary cause is that the Final settlement of property tax distributions was delayed in 2010 and not distributed until January of 2011. Upon consideration of 2010 final settlement of property taxes of \$29,998,530.12 in January 2011, a return to the County for an amount of \$6,493,381.60 which was an over payment in property taxes for the 2010 final settlement, and 2010 Final Tax Anticipation Warrant repayment, the adjusted ending cash balance for 2010 would be a deficit of \$1,486,267.48.

It is projected that the Lake County Auditor's office will distribute the final property tax settlement by December 31 in 2011, which will provide more accurate cash balances at year end.

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. Current and Future Financial Considerations

A. The City

The City (including the Sanitary District) has sought assistance from the Distressed Unit Appeals Board (Board) pursuant to State statute. Indiana Code 6-1.1-20.6 has and continues to significantly reduce the amount of taxes that the City is able to collect.

In May 2009, the Board provided tax relief to the City by increasing the tax caps, commonly referred to as "circuit breaker" caps, imposed by Indiana Code 6-1.1-20.6. The tax caps for property owners across the State for 2009 were set at 1.5 percent, 2.5 percent and 3.5 percent for homeowners, landlords, and commercial properties, respectively.

To reduce costs for 2009, the City outsourced their solid waste collection and instituted a Garbage Collection Fee effective January 1, 2009. The City eliminated another 100 civilian employee positions in June 2009 in an effort to reduce 2009's cash shortfall. This brought the total number of layoffs in 2009 to 350. The City was required to hire a fiscal monitor to assist in identifying new cuts and Public Financial Management (PFM) was hired to assist in identifying new cuts as the City prepared for 2010 when the tax caps were set to decrease again.

The City again petitioned the Board for relief from the "circuit breaker" caps for 2010. On April 26, 2010, the Board reviewed the City's compliance with PFM's recommendations and provided tax relief to the City for 2010 by increasing the tax caps imposed by Indiana Code 6-1.1-20.6. The tax caps for property owners across the State for 2010 and beyond had been statutorily set at 1 percent, 2 percent and 3 percent for homeowners, landlords, and commercial properties, respectively. The tax caps for Gary residents were 1.5 percent, 2.65 percent and 3.79 percent.

Some of the initiatives undertaken by the City to reduce the property tax levy to \$49,000,000 in 2010, from \$63,000,000 in 2008, are as follows:

- Changes were made to health insurance and employee contributions were increased.
- An audit of landline telephone services and billings by staff resulted in nearly \$90,000 in credits and \$20,000 per month in savings.
- Civilian employees in tax-based funds took 10 furlough days per year; employees and most officials earning \$50,000 and over received an additional 5 percent reduction.
- Public Safety employees reduced overtime and reduced clothing allowances for the year.
- General Services, Planning, and Building departments were consolidated for cost efficiency.
- A \$3,100,000 federal grant was obtained and used to purchase 128 vehicles, of which the majority were for Public Safety.

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

In 2011, the City filed a petition with the Board seeking relief from property tax caps. The City has reduced the Civil City property tax levy from \$49,000,000 in 2010 to \$40,000,000 in 2011. Most of the cost saving initiatives remained in effect from 2010 to 2011; however, other initiatives were undertaken such as:

- Eliminated 34 firefighters from the 2011 General Fund budget, and then in June 2011, received a federal grant to rehire the firefighters.
- An energy grant will be used to purchase and install LED lighting throughout the City and City Buildings to improve efficiency and cost savings.
- Auditing the gas and electric services and billings in an effort to reduce costs.

Other initiatives which have begun and are expected to positively impact the property tax base are the United States Steel Coke Substitution project and the Gary-Chicago Runway Expansion project.

An amendment to Article 10, Section 1 of the Indiana Constitution was approved on November 2, 2010, making the tax caps permanent effective for the property taxes first due and payable in 2012. This amendment eliminates the City's ability to appeal the tax caps beginning with the 2012 budget. The City is aware of the need to identify and encourage economic development to grow the tax base as reductions alone will not provide long-term sustainability.

B. The Sanitary District (District)

The Garbage Collection Fee enacted (as noted above) was effective January 1, 2009. Due to legal proceedings challenging the passage of the fee, and appeals by the plaintiff of the lower court ruling, collections of the trash fee have been lower than budgeted. This has resulted in a receivable of approximately \$1,400,000, of which a material portion is 90 days to two years old, which may impact the collectability of the receivable.

The contracted provider of the trash service was owed approximately \$2,900,000 by the District at December 31, for services provided since May 2010.

The fund that accounts for trash service owed other funds of the District for temporary loans in the amount of \$4,324,000. The fund was also owed approximately \$2,000,000 by the District's Operating Fund. When these items, including the fund's cash balance at December 31, 2010, are viewed as a whole, the trash fund would have an estimated cash deficit of approximately \$3,900,000 at year end, which is impacting the fiscal condition of the District. This also indicates that the trash fee rates are inadequate to cover the related costs of trash service. The District is considering a rate increase for 2011.

The Sanitary District also has appealed to the Distressed Unit Appeals Board for relief from the property tax caps. As a requirement of relief, the District will have to eliminate its future reliance on property tax revenues. As of 2012, the District will be required to operate totally on user fees. In its efforts to generate cost savings, the District in 2010 negotiated a transition agreement with United Water (its former sewage operator). The purpose of the agreement was to provide a seamless transition of operations to District employees, and will be paid off in August 2011.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City of Gary's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Education	Unsafe Building	Riverboat	Parks And Recreation
Cash and investments - beginning	\$ (9,794,028)	\$ 318,525	\$ 94,255	\$ 111,444	\$ 158,899	\$ 557,506	\$ 100,041
Receipts:							
Taxes	38,265,276	-	-	-	-	-	1,401,306
Licenses and permits	738,572	-	-	-	-	-	-
Intergovernmental	2,123,399	2,798,369	958,822	-	-	16,534,087	62,921
Charges for services	836,552	-	-	72,097	-	-	25,222
Fines and forfeits	683,436	-	-	19,620	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>45,007,317</u>	<u>57</u>	<u>1,608</u>	<u>27,089</u>	<u>-</u>	<u>2,051,124</u>	<u>572,638</u>
Total receipts	<u>87,654,552</u>	<u>2,798,426</u>	<u>960,430</u>	<u>118,806</u>	<u>-</u>	<u>18,585,211</u>	<u>2,062,087</u>
Disbursements:							
Personal services	43,436,473	1,174,483	-	-	-	-	837,586
Supplies	783,051	107,337	925,036	64	-	-	28,878
Other services and charges	8,146,448	1,538,481	43,827	79,742	-	8,069,849	206,992
Debt service - principal and interest	-	-	-	-	-	949,961	-
Capital outlay	8,766	-	-	-	-	52,632	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>34,925,564</u>	<u>53</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,082,112</u>	<u>1,083,306</u>
Total disbursements	<u>87,300,302</u>	<u>2,820,354</u>	<u>968,863</u>	<u>79,806</u>	<u>-</u>	<u>17,154,554</u>	<u>2,156,762</u>
Excess (deficiency) of receipts over disbursements	<u>354,250</u>	<u>(21,928)</u>	<u>(8,433)</u>	<u>39,000</u>	<u>-</u>	<u>1,430,657</u>	<u>(94,675)</u>
Cash and investments - ending	<u>\$ (9,439,778)</u>	<u>\$ 296,597</u>	<u>\$ 85,822</u>	<u>\$ 150,444</u>	<u>\$ 158,899</u>	<u>\$ 1,988,163</u>	<u>\$ 5,366</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Ambulance/Ems Nonreverting	Protective Services Grant I	Protective Services Grant li	Equal Opportunity Commission Hr	Tourism Project	Local Law Enforcement Block Grant	Youth Services Bureau
Cash and investments - beginning	\$ 375,719	\$ (1,033,929)	\$ 477,122	\$ 9,957	\$ 71,401	\$ 79	\$ 247,357
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	49,650	-	-	212,721
Charges for services	760,366	-	(5)	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	5,633	-	171,125	-	-	-	-
Total receipts	765,999	-	171,120	49,650	-	-	212,721
Disbursements:							
Personal services	226,818	-	-	34,159	-	-	31,993
Supplies	70,351	-	37,416	-	-	-	159,666
Other services and charges	220,781	-	115,598	7,639	-	-	5,466
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	124,753	-	209,429	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	642,703	-	362,443	41,798	-	-	197,125
Excess (deficiency) of receipts over disbursements	123,296	-	(191,323)	7,852	-	-	15,596
Cash and investments - ending	\$ 499,015	\$ (1,033,929)	\$ 285,799	\$ 17,809	\$ 71,401	\$ 79	\$ 262,953

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Home Program	Emergency Shelter Grant	Brownfield	Healthy Families	Marquette Park	Gleason Golf Course	Emergency Shelter
Cash and investments - beginning	\$ 38,363	\$ 888	\$ 12	\$ 16,042	\$ 2,344	\$ 66	\$ (319,738)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	311,279	162,521	174,684	-	-	-	382,864
Charges for services	-	-	-	-	157,476	110,497	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	3,121	-	-	1,700	414	32,498	47,611
Total receipts	<u>314,400</u>	<u>162,521</u>	<u>174,684</u>	<u>1,700</u>	<u>157,890</u>	<u>142,995</u>	<u>430,475</u>
Disbursements:							
Personal services	85,147	-	-	-	63,674	68,957	445,735
Supplies	-	-	282	-	13,296	34,132	1,823
Other services and charges	252,895	162,521	74,856	962	78,317	34,723	20,359
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	2,701	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>338,042</u>	<u>162,521</u>	<u>75,138</u>	<u>962</u>	<u>157,988</u>	<u>137,812</u>	<u>467,917</u>
Excess (deficiency) of receipts over disbursements	<u>(23,642)</u>	<u>-</u>	<u>99,546</u>	<u>738</u>	<u>(98)</u>	<u>5,183</u>	<u>(37,442)</u>
Cash and investments - ending	<u>\$ 14,721</u>	<u>\$ 888</u>	<u>\$ 99,558</u>	<u>\$ 16,780</u>	<u>\$ 2,246</u>	<u>\$ 5,249</u>	<u>\$ (357,180)</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Comprehensive Community Program	Homeownership	Landfill Closure	Landfill Trust	Solid Waste Recycling Project	Environmental Management
Cash and investments - beginning	\$ 64,185	\$ 159	\$ 226,796	\$ 1,207,567	\$ 585,780	\$ 12,011
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	55,564
Charges for services	-	-	-	-	316,470	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	52,162	-	77,866	688	-	-
Total receipts	52,162	-	77,866	688	316,470	55,564
Disbursements:						
Personal services	-	-	-	-	493,083	-
Supplies	3,000	-	435	-	13,521	-
Other services and charges	29,350	-	99,907	-	36,859	52,173
Debt service - principal and interest	-	-	-	-	77,706	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	74,847	-	-
Total disbursements	32,350	-	100,342	74,847	621,169	52,173
Excess (deficiency) of receipts over disbursements	19,812	-	(22,476)	(74,159)	(304,699)	3,391
Cash and investments - ending	\$ 83,997	\$ 159	\$ 204,320	\$ 1,133,408	\$ 281,081	\$ 15,402

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Pgci Project Grant	Health And Human Services	Supplemental Adult Probation Services	Gary Health Department Rental	Hiv Substance Abuse Prevention	Cops In School
Cash and investments - beginning	\$ 18,659	\$ (178,476)	\$ 80,931	\$ 5,545	\$ 8,523	\$ 504
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	694,330	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	22,896	180,458	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	411	-	-	-	-
Total receipts	-	717,637	180,458	-	-	-
Disbursements:						
Personal services	-	639,360	120,228	-	-	-
Supplies	-	29,578	-	-	-	-
Other services and charges	-	178,767	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	9,862	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	857,567	120,228	-	-	-
Excess (deficiency) of receipts over disbursements	-	(139,930)	60,230	-	-	-
Cash and investments - ending	\$ 18,659	\$ (318,406)	\$ 141,161	\$ 5,545	\$ 8,523	\$ 504

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Park Nonreverting	Park Pavilion	National Park Service	Vehicle Auction	Bioterrorism	C.O.P.S. Technology
Cash and investments - beginning	\$ 8,860	\$ 109	\$ 802	\$ 184,309	\$ 62,690	\$ (65,561)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	326,190
Charges for services	-	1,352	-	-	161,834	-
Fines and forfeits	90,237	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	11,777	-	-	64,260	123	-
Total receipts	102,014	1,352	-	64,260	161,957	326,190
Disbursements:						
Personal services	52,057	-	-	4,142	18,839	-
Supplies	13,869	-	-	56,136	7,977	10,750
Other services and charges	29,836	947	-	80,816	196,719	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	52,524	17,566	249,879
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	95,762	947	-	193,618	241,101	260,629
Excess (deficiency) of receipts over disbursements	6,252	405	-	(129,358)	(79,144)	65,561
Cash and investments - ending	<u>\$ 15,112</u>	<u>\$ 514</u>	<u>\$ 802</u>	<u>\$ 54,951</u>	<u>\$ (16,454)</u>	<u>\$ -</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Community Development Block Grant	Redevelopment Operating	Summer Jobs Training Program	Fair Housing Project	Genesis Civic Center	Media
Cash and investments - beginning	\$ 190,397	\$ 177,512	\$ 16,084	\$ 84,245	\$ 145,943	\$ 563,355
Receipts:						
Taxes	-	104,387	-	-	1,318,877	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	3,280,151	7,876	-	45,181	973	-
Charges for services	-	1	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	6,804	64,680	5,000	-	238	386,230
Total receipts	<u>3,286,955</u>	<u>176,944</u>	<u>5,000</u>	<u>45,181</u>	<u>1,320,088</u>	<u>386,230</u>
Disbursements:						
Personal services	1,199,963	298,570	-	69,615	379,899	238,698
Supplies	5,377	3,894	-	2,134	3,005	10,362
Other services and charges	2,133,734	20,759	-	11,402	86,538	21,560
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	1,041	-	-	-	-	10,360
Utility operating expenses	-	-	-	-	-	-
Other disbursements	46	137	-	-	982,858	400,027
Total disbursements	<u>3,340,161</u>	<u>323,360</u>	<u>-</u>	<u>83,151</u>	<u>1,452,300</u>	<u>681,007</u>
Excess (deficiency) of receipts over disbursements	<u>(53,206)</u>	<u>(146,416)</u>	<u>5,000</u>	<u>(37,970)</u>	<u>(132,212)</u>	<u>(294,777)</u>
Cash and investments - ending	<u>\$ 137,191</u>	<u>\$ 31,096</u>	<u>\$ 21,084</u>	<u>\$ 46,275</u>	<u>\$ 13,731</u>	<u>\$ 268,578</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Clerk Perpetuation	Genesis Center Operating	Leased Properties - Gary Bldg Corp.	State Air Grant	Hazardous Material	Lead Base Training
Cash and investments - beginning	\$ 75,741	\$ 142,542	\$ (695,441)	\$ 39,372	\$ 5,969	\$ 753
Receipts:						
Taxes	-	12,936	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	10,805	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	587,708	44,911	-	-	-
Total receipts	<u>10,805</u>	<u>600,644</u>	<u>44,911</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	54,184	290,657	-	8,223	-	-
Supplies	-	206,210	-	-	-	-
Other services and charges	7,563	210,022	-	491	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	6,992	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>61,747</u>	<u>713,881</u>	<u>-</u>	<u>8,714</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(50,942)</u>	<u>(113,237)</u>	<u>44,911</u>	<u>(8,714)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 24,799</u>	<u>\$ 29,305</u>	<u>\$ (650,530)</u>	<u>\$ 30,658</u>	<u>\$ 5,969</u>	<u>\$ 753</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Dusable Apartments	Economic Development Bond Commission	Crime Victim Assistance	Alcohol And Drug Treatment	New Birth Grant	Neighborhood Revitalization
Cash and investments - beginning	\$ 5,240	\$ 2,186	\$ 5,600	\$ 256,674	\$ 22	\$ 167,807
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	13,500	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	2	-	-	-	-
Total receipts	-	13,502	-	-	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	167,807
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	200,000	-	-
Total disbursements	-	-	-	200,000	-	167,807
Excess (deficiency) of receipts over disbursements	-	13,502	-	(200,000)	-	(167,807)
Cash and investments - ending	<u>\$ 5,240</u>	<u>\$ 15,688</u>	<u>\$ 5,600</u>	<u>\$ 56,674</u>	<u>\$ 22</u>	<u>\$ -</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Boy Scouts	Remote Encoding Center	Edi Bar Code Center	Mayor Donations	Lakefront Development	Social Services
Cash and investments - beginning	\$ 500	\$ 478,861	\$ 8,296	\$ 9,550	\$ 1,169,739	\$ 2
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	162,784	-	2,375	-	6,544
Total receipts	-	162,784	-	2,375	-	6,544
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	11,925	45,000	6,439
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	500,000	-	-	-	-
Total disbursements	-	500,000	-	11,925	45,000	6,439
Excess (deficiency) of receipts over disbursements	-	(337,216)	-	(9,550)	(45,000)	105
Cash and investments - ending	\$ 500	\$ 141,645	\$ 8,296	\$ -	\$ 1,124,739	\$ 107

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Special Events	City Council Donations	Lead Free 4 Me	Special Project Donations	Economic Development Trust	Community Development Loan Program
Cash and investments - beginning	\$ 111	\$ 18,093	\$ (3,344)	\$ 4,420	\$ 748,147	\$ 16,040
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	309	-
Utility fees	-	-	-	-	-	-
Other receipts	18,075	-	23,329	-	17,329	8
Total receipts	18,075	-	23,329	-	17,638	8
Disbursements:						
Personal services	-	-	15,093	-	-	-
Supplies	-	-	-	-	92	-
Other services and charges	8,177	78	6,624	-	97,915	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	8,177	78	21,717	-	98,007	-
Excess (deficiency) of receipts over disbursements	9,898	(78)	1,612	-	(80,369)	8
Cash and investments - ending	\$ 10,009	\$ 18,015	\$ (1,732)	\$ 4,420	\$ 667,778	\$ 16,048

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Police Donations	Weed And Seed	Welfare Excess	Human Relations	Homeland Security Fund	C.M.A.Q. Vehicles
Cash and investments - beginning	\$ 37,855	\$ 10,442	\$ 949,886	\$ 2,000	\$ 280	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	3,077,651
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	205,913	-	-	-
Total receipts	-	-	205,913	-	-	3,077,651
Disbursements:						
Personal services	-	-	723,483	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	31,786	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	3,077,651
Utility operating expenses	-	-	-	-	-	-
Other disbursements	36,500	-	150	-	-	-
Total disbursements	36,500	-	755,419	-	-	3,077,651
Excess (deficiency) of receipts over disbursements	(36,500)	-	(549,506)	-	-	-
Cash and investments - ending	\$ 1,355	\$ 10,442	\$ 400,380	\$ 2,000	\$ 280	\$ -

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Hope Vi Pilot	Energy Efficient	H.P.R.P.	C.D.B.G.-R Street Improvement	Filming Fees	C.H.R.P.
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 2,350	\$ (117,655)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	38,329	131,205	888,168	784,917	-	544,506
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	9,900	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	38,329	131,205	888,168	784,917	9,900	544,506
Disbursements:						
Personal services	-	-	7,024	-	-	520,645
Supplies	-	2,032	-	-	-	-
Other services and charges	16,247	116,861	873,988	784,917	6,000	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	2,888	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	16,247	118,893	883,900	784,917	6,000	520,645
Excess (deficiency) of receipts over disbursements	22,082	12,312	4,268	-	3,900	23,861
Cash and investments - ending	<u>\$ 22,082</u>	<u>\$ 12,312</u>	<u>\$ 4,268</u>	<u>\$ -</u>	<u>\$ 6,250</u>	<u>\$ (93,794)</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Neighborhood Stabilization Program	Lead Base Paint Hazzard Control Grant	Grand Trunk Corporation	Metro Center	Redevelopment Bond	2007 Multi Purpose Revenue Bonds
Cash and investments - beginning	\$ 27,263	\$ (280)	\$ 1,187,500	\$ (1,511)	\$ 3,500,500	\$ 547,343
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	1,934,567	1,335,494	-	-	-	-
Charges for services	-	-	-	141,705	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	11,365	-	-	-	14,716,595	1,065
Total receipts	<u>1,945,932</u>	<u>1,335,494</u>	<u>-</u>	<u>141,705</u>	<u>14,716,595</u>	<u>1,065</u>
Disbursements:						
Personal services	63,270	62,511	-	-	-	-
Supplies	2,926	668	-	-	-	-
Other services and charges	1,751,015	1,269,756	-	126,924	-	-
Debt service - principal and interest	-	-	-	-	5,193,837	-
Capital outlay	155,540	-	-	-	-	103,073
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	10,431,964	-
Total disbursements	<u>1,972,751</u>	<u>1,332,935</u>	<u>-</u>	<u>126,924</u>	<u>15,625,801</u>	<u>103,073</u>
Excess (deficiency) of receipts over disbursements	<u>(26,819)</u>	<u>2,559</u>	<u>-</u>	<u>14,781</u>	<u>(909,206)</u>	<u>(102,008)</u>
Cash and investments - ending	<u>\$ 444</u>	<u>\$ 2,279</u>	<u>\$ 1,187,500</u>	<u>\$ 13,270</u>	<u>\$ 2,591,294</u>	<u>\$ 445,335</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	2007 G.O. Judgment Funding Bonds	Cumulative Capital Development	Cumulative Capital Improvement	Baseball Maintenance	15Th And Fulton Project	Burr Street Project
Cash and investments - beginning	\$ 233,857	\$ 773,277	\$ 390,580	\$ 11,214	\$ 3,459	\$ 152,094
Receipts:						
Taxes	618,994	603,236	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	28,422	4,378	300,837	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	32,001	546	8,871	-	-	145,167
Total receipts	<u>679,417</u>	<u>608,160</u>	<u>309,708</u>	<u>-</u>	<u>-</u>	<u>145,167</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	500	45,749	-	79,481	-	-
Debt service - principal and interest	878,713	-	-	-	-	-
Capital outlay	-	336,296	496,276	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	536	486,874	8,870	-	-	-
Total disbursements	<u>879,749</u>	<u>868,919</u>	<u>505,146</u>	<u>79,481</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(200,332)</u>	<u>(260,759)</u>	<u>(195,438)</u>	<u>(79,481)</u>	<u>-</u>	<u>145,167</u>
Cash and investments - ending	<u>\$ 33,525</u>	<u>\$ 512,518</u>	<u>\$ 195,142</u>	<u>\$ (68,267)</u>	<u>\$ 3,459</u>	<u>\$ 297,261</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Grant/Buchanan Street Project	Park Construction	Mainwater Project	Casino Capital	Clean Up/Beautification	911 Equipment
Cash and investments - beginning	\$ 24,041	\$ 570	\$ 72,577	\$ -	\$ 7,080	\$ 1,295
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>401,775</u>	<u>13,479</u>	<u>-</u>	<u>274,473</u>	<u>-</u>	<u>-</u>
Total receipts	<u>401,775</u>	<u>13,479</u>	<u>-</u>	<u>274,473</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	10,193	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	272,056	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>100,000</u>	<u>10,193</u>	<u>-</u>	<u>272,056</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>301,775</u>	<u>3,286</u>	<u>-</u>	<u>2,417</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 325,816</u>	<u>\$ 3,856</u>	<u>\$ 72,577</u>	<u>\$ 2,417</u>	<u>\$ 7,080</u>	<u>\$ 1,295</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Small Farms Tif District	Consolidated Area Tif District	Lakefront Tif District	6Th Avenue And Broadway Tif District	Tif Replacement	Marquette Renovation
Cash and investments - beginning	\$ 394,874	\$ 125,859	\$ 450,478	\$ 30,257	\$ 553,956	\$ -
Receipts:						
Taxes	518,588	1,655,065	2,689,586	-	239,675	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	8,886	662,725
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	1
Total receipts	<u>518,588</u>	<u>1,655,065</u>	<u>2,689,586</u>	<u>-</u>	<u>248,561</u>	<u>662,726</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	22,102	32,723	66,515	4,991	438,936	662,726
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>462,000</u>	<u>1,532,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>484,102</u>	<u>1,564,723</u>	<u>66,515</u>	<u>4,991</u>	<u>438,936</u>	<u>662,726</u>
Excess (deficiency) of receipts over disbursements	<u>34,486</u>	<u>90,342</u>	<u>2,623,071</u>	<u>(4,991)</u>	<u>(190,375)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 429,360</u>	<u>\$ 216,201</u>	<u>\$ 3,073,549</u>	<u>\$ 25,266</u>	<u>\$ 363,581</u>	<u>\$ -</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Lady Liberty Restoration	Guea Properties	Downtown Mall Tif District	Madison Avenue Tif District	Washington Manor Tif District	Consolidated Area Exp Tif District
Cash and investments - beginning	\$ -	\$ -	\$ 27,291	\$ 79,283	\$ 11,299	\$ 649,613
Receipts:						
Taxes	-	-	34,526	577,128	5,549	408,220
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	212	2,641	-	-	-	-
Total receipts	212	2,641	34,526	577,128	5,549	408,220
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	264,885	1,186	132,144
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	680,000
Total disbursements	-	-	-	264,885	1,186	812,144
Excess (deficiency) of receipts over disbursements	212	2,641	34,526	312,243	4,363	(403,924)
Cash and investments - ending	\$ 212	\$ 2,641	\$ 61,817	\$ 391,526	\$ 15,662	\$ 245,689

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Midwest Center Tif District	Lancaster Dusable Tif District	Fema Grant - Fire Department	Joint Public Safety Training	Dalton Arms Tif District	County Market Tif District
Cash and investments - beginning	\$ 48,652	\$ 17,655	\$ 53,998	\$ 11,666	\$ 76,885	\$ 180,553
Receipts:						
Taxes	238,884	261,518	-	-	22,882	1,068,217
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	1,375	-	-
Total receipts	<u>238,884</u>	<u>261,518</u>	<u>-</u>	<u>1,375</u>	<u>22,882</u>	<u>1,068,217</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	187,688	-	-	53,486	1,246,295
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>187,688</u>	<u>-</u>	<u>-</u>	<u>53,486</u>	<u>1,246,295</u>
Excess (deficiency) of receipts over disbursements	<u>238,884</u>	<u>73,830</u>	<u>-</u>	<u>1,375</u>	<u>(30,604)</u>	<u>(178,078)</u>
Cash and investments - ending	<u>\$ 287,536</u>	<u>\$ 91,485</u>	<u>\$ 53,998</u>	<u>\$ 13,041</u>	<u>\$ 46,281</u>	<u>\$ 2,475</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	S.R.912 No.1 Tif District	S.R.912 No.2 Tif District	Kenney's Ribs Tif District	Fire Capital Equipment	Major Moves Capital Projects	Gary City Center Allocation Area
Cash and investments - beginning	\$ 8,830	\$ 64,577	\$ 45,264	\$ 2,907	\$ 538,791	\$ -
Receipts:						
Taxes	7,914	89,099	138,989	-	-	35,497
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	7,753	-	-
Total receipts	<u>7,914</u>	<u>89,099</u>	<u>138,989</u>	<u>7,753</u>	<u>-</u>	<u>35,497</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	990	12,471	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>990</u>	<u>12,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>6,924</u>	<u>76,628</u>	<u>138,989</u>	<u>7,753</u>	<u>-</u>	<u>35,497</u>
Cash and investments - ending	<u>\$ 15,754</u>	<u>\$ 141,205</u>	<u>\$ 184,253</u>	<u>\$ 10,660</u>	<u>\$ 538,791</u>	<u>\$ 35,497</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Truck City Of Gary Allocation Area	Self-Insurance	Wci/Uci Benefit	Police Pension	Fire Pension	Payroll
Cash and investments - beginning	\$ -	\$ (2,468,775)	\$ (139,208)	\$ 477,888	\$ 1,579,036	\$ 33,433
Receipts:						
Taxes	282,883	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	6,581,665	6,630,199	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	12,813,268	1,148,528	2,750,699	2,752,263	6,099
Total receipts	<u>282,883</u>	<u>12,813,268</u>	<u>1,148,528</u>	<u>9,332,364</u>	<u>9,382,462</u>	<u>6,099</u>
Disbursements:						
Personal services	-	-	-	5,353,174	4,869,903	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	3,051,606	-
Debt service - principal and interest	211,954	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	10,163,126	1,073,977	2,975,415	-	38,929
Total disbursements	<u>211,954</u>	<u>10,163,126</u>	<u>1,073,977</u>	<u>8,328,589</u>	<u>7,921,509</u>	<u>38,929</u>
Excess (deficiency) of receipts over disbursements	<u>70,929</u>	<u>2,650,142</u>	<u>74,551</u>	<u>1,003,775</u>	<u>1,460,953</u>	<u>(32,830)</u>
Cash and investments - ending	<u>\$ 70,929</u>	<u>\$ 181,367</u>	<u>\$ (64,657)</u>	<u>\$ 1,481,663</u>	<u>\$ 3,039,989</u>	<u>\$ 603</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	County Health	Empowerment Zone	Nimboe Empowerment Zone	Empowerment Zone Revolving	Microloan	Empowerment Zone Sba Microloan
Cash and investments - beginning	\$ 1,528	\$ 36,882	\$ 2,221	\$ 327,897	\$ 7,050	\$ 7,741
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	6,189	2,436,659	2	847,595	16,745	16,757
Total receipts	<u>6,189</u>	<u>2,436,659</u>	<u>2</u>	<u>847,595</u>	<u>16,745</u>	<u>16,757</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	6,235	2,473,542	2,224	821,528	-	21,314
Total disbursements	<u>6,235</u>	<u>2,473,542</u>	<u>2,224</u>	<u>821,528</u>	<u>-</u>	<u>21,314</u>
Excess (deficiency) of receipts over disbursements	<u>(46)</u>	<u>(36,883)</u>	<u>(2,222)</u>	<u>26,067</u>	<u>16,745</u>	<u>(4,557)</u>
Cash and investments - ending	<u>\$ 1,482</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ 353,964</u>	<u>\$ 23,795</u>	<u>\$ 3,184</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Empowerment Zone Sba Loss Reserve	Regional Development Authority	Miscellaneous Refunds	Redevelopment Depository Trust	Withholdings	Supplemental Public Defender
Cash and investments - beginning	\$ 30,202	\$ -	\$ 11,790	\$ 63,952	\$ 1,627,596	\$ 9,698
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	49	1,000,000	497	106,638	22,288,629	6,171
Total receipts	49	1,000,000	497	106,638	22,288,629	6,171
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	1,000,000	-	2,688	22,136,865	-
Total disbursements	-	1,000,000	-	2,688	22,136,865	-
Excess (deficiency) of receipts over disbursements	49	-	497	103,950	151,764	6,171
Cash and investments - ending	\$ 30,251	\$ -	\$ 12,287	\$ 167,902	\$ 1,779,360	\$ 15,869

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	I.E.D.C. - Empowerment Zone	Confiscated Property	Salary Fee Judicial	City Clerk Civil Division	City Clerk Criminal Division	Storm Water Management District
Cash and investments - beginning	\$ 14,114	\$ 167,353	\$ 4,578	\$ 10,495	\$ 1,047,132	\$ 425,037
Receipts:						
Taxes	-	-	-	-	-	810,116
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	3,095
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>2,635</u>	<u>56,429</u>	<u>45,043</u>	<u>116,203</u>	<u>1,166,125</u>	<u>950,966</u>
Total receipts	<u>2,635</u>	<u>56,429</u>	<u>45,043</u>	<u>116,203</u>	<u>1,166,125</u>	<u>1,764,177</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	865,546
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	1,164,566
Other disbursements	<u>-</u>	<u>53,927</u>	<u>31,802</u>	<u>120,490</u>	<u>1,195,582</u>	<u>92,976</u>
Total disbursements	<u>-</u>	<u>53,927</u>	<u>31,802</u>	<u>120,490</u>	<u>1,195,582</u>	<u>2,123,088</u>
Excess (deficiency) of receipts over disbursements	<u>2,635</u>	<u>2,502</u>	<u>13,241</u>	<u>(4,287)</u>	<u>(29,457)</u>	<u>(358,911)</u>
Cash and investments - ending	<u>\$ 16,749</u>	<u>\$ 169,855</u>	<u>\$ 17,819</u>	<u>\$ 6,208</u>	<u>\$ 1,017,675</u>	<u>\$ 66,126</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	G.S.D./G.S.W.M.D. Watershed Management Plan	G.S.D. Wwtp General Operating	G.S.D. Bond And Interest	G.S.D. Sewer Construction	G.S.D. Sewer Operating	G.S.D. Solid Waste Disposal
Cash and investments - beginning	\$ 1,004	\$ 1,261,663	\$ 1,477,178	\$ 27,726	\$ 281,997	\$ 79,042
Receipts:						
Taxes	-	-	-	-	1,523,039	1,875,015
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	31,312	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	23,510,314	-	-	-	-
Other receipts	1	4,993,780	1,533,808	2,499	1,024,582	6,807,049
Total receipts	<u>1</u>	<u>28,504,094</u>	<u>1,533,808</u>	<u>2,499</u>	<u>2,578,933</u>	<u>8,682,064</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	5,660,000	1,759,753	-	1,068,793	3,571,445
Capital outlay	-	850,536	-	-	1,310,482	-
Utility operating expenses	-	17,523,560	-	-	-	5,045,599
Other disbursements	905	4,473,751	116,941	75	44,350	150
Total disbursements	<u>905</u>	<u>28,507,847</u>	<u>1,876,694</u>	<u>75</u>	<u>2,423,625</u>	<u>8,617,194</u>
Excess (deficiency) of receipts over disbursements	<u>(904)</u>	<u>(3,753)</u>	<u>(342,886)</u>	<u>2,424</u>	<u>155,308</u>	<u>64,870</u>
Cash and investments - ending	<u>\$ 100</u>	<u>\$ 1,257,910</u>	<u>\$ 1,134,292</u>	<u>\$ 30,150</u>	<u>\$ 437,305</u>	<u>\$ 143,912</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	G.S.D. Debt Service	G.S.D. Capital Improvement	G.S.D. Grand Calumet Sedimentation	G.S.D. Debt Service Reserve	G.S.D. Equipment Replacement	G.S.D. Wrep Economic Development
Cash and investments - beginning	\$ 395,604	\$ 1,412	\$ 3,475,609	\$ 1,653,772	\$ 182,806	\$ 2,180
Receipts:						
Taxes	1,015,359	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>3,209,552</u>	<u>459</u>	<u>10,319</u>	<u>4,902</u>	<u>2,375,068</u>	<u>2</u>
Total receipts	<u>4,224,911</u>	<u>459</u>	<u>10,319</u>	<u>4,902</u>	<u>2,375,068</u>	<u>2</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	3,107,368	-	-	-	1,536,000	-
Capital outlay	-	-	-	-	387,639	-
Utility operating expenses	-	-	-	-	184,987	-
Other disbursements	<u>1,243</u>	<u>1,871</u>	<u>-</u>	<u>101</u>	<u>-</u>	<u>201</u>
Total disbursements	<u>3,108,611</u>	<u>1,871</u>	<u>-</u>	<u>101</u>	<u>2,108,626</u>	<u>201</u>
Excess (deficiency) of receipts over disbursements	<u>1,116,300</u>	<u>(1,412)</u>	<u>10,319</u>	<u>4,801</u>	<u>266,442</u>	<u>(199)</u>
Cash and investments - ending	<u>\$ 1,511,904</u>	<u>\$ -</u>	<u>\$ 3,485,928</u>	<u>\$ 1,658,573</u>	<u>\$ 449,248</u>	<u>\$ 1,981</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	G.S.D. Marquette Park Lagoon	G.S.D. S.R.F.	G.S.D. Beach Sampling	G.S.D. E Coli	G.S.D. Lagoon Restoration	Totals
Cash and investments - beginning	\$ 1,029	\$ -	\$ 1,084	\$ 34,358	\$ 1,006	\$ 20,633,949
Receipts:						
Taxes	-	-	-	-	-	55,822,761
Licenses and permits	-	-	-	-	-	752,072
Intergovernmental	-	-	-	29,226	-	51,197,164
Charges for services	-	-	-	-	-	2,583,567
Fines and forfeits	-	-	-	-	-	1,017,661
Utility fees	-	-	-	-	-	23,510,314
Other receipts	1	6,022,510	1	14,711	-	139,811,904
Total receipts	1	6,022,510	1	43,937	-	274,695,443
Disbursements:						
Personal services	-	-	-	-	-	61,887,646
Supplies	-	-	-	-	-	2,533,298
Other services and charges	-	-	-	-	-	33,893,025
Debt service - principal and interest	-	-	-	-	-	24,881,076
Capital outlay	-	4,140,094	-	-	-	11,879,036
Utility operating expenses	-	1,882,416	-	31,027	-	25,832,155
Other disbursements	1,030	-	100	3,159	1,006	106,843,347
Total disbursements	1,030	6,022,510	100	34,186	1,006	267,749,583
Excess (deficiency) of receipts over disbursements	(1,029)	-	(99)	9,751	(1,006)	6,945,860
Cash and investments - ending	\$ -	\$ -	\$ 985	\$ 44,109	\$ -	\$ 27,579,809

CITY OF GARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

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

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 21,607,954
Infrastructure	135,005,624
Buildings	143,928,508
Improvements other than buildings	12,104,575
Machinery and equipment	46,412,657
Construction in progress	<u>5,597,791</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 364,657,109</u></u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Sanitary District - Wastewater:	
Capital assets, not being depreciated:	
Land	\$ 1,333,943
Construction in progress	6,507,777
Capital assets, being depreciated:	
Buildings and improvements	102,089,740
Transmission lines	193,360,421
Machinery and equipment	59,772,660
All other capital assets	<u>3,115,493</u>
 Total Wastewater capital assets	 <u><u>366,180,034</u></u>
 Sanitary District - Storm Water:	
Capital assets, not being depreciated:	
Land	114,354
Construction in progress	2,228,104
Capital assets, being depreciated:	
Buildings and improvements	1,367,825
Transmission lines	5,098,920
Machinery and equipment	<u>258,620</u>
 Total Storm Water capital assets	 <u><u>9,067,823</u></u>
 Total business-type activities capital assets	 <u><u>\$ 375,247,857</u></u>

CITY OF GARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2010

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
(3) Ten Ton Trucks, Salt Spreaders, Excavator & Accessories	\$ 258,534	\$ 137,761
Recycling Trucks	146,963	78,915
Notes and loans payable:		
Improving Neighborhoods Through Revitalization Revolving Loan	262,285	262,285
Use Agreement	594,300	339,600
Bonds payable:		
General obligation bonds:		
City of Gary GO Judgment Funding Bonds, Series 2007	3,970,000	878,713
Revenue bonds:		
Gary Redevelopment Authority Lease Rental Revenue Refunding Bonds, Series 2004 A	227,112	227,847
Gary Redevelopment Authority Lease Rental Revenue Refunding Bonds, Series 2004 B	533,508	534,585
Gary Redevelopment Authority Lease Rental Revenue Refunding Bonds, Series 2007	732,178	398,698
City of Gary Subordinate Multi Purpose Revenue Bonds, Series 2007A	1,720,000	1,033,260
General Revenue Notes of 2010	<u>8,500,000</u>	<u>1,623,389</u>
Total governmental activities debt	<u>\$ 16,944,880</u>	<u>\$ 5,515,052</u>
Business-type activities:		
Wastewater Utility:		
General obligation bonds:		
Special Taxing District Refunding Bonds, Series 2003	\$ 3,940,000	\$ 1,417,625
1993 SRF Bonds	3,158,000	1,118,080
Revenue bonds:		
2000 SRF Revenue Bond	<u>12,817,702</u>	<u>1,412,000</u>
Total business-type activities debt	<u>\$ 19,915,702</u>	<u>\$ 3,947,705</u>

CITY OF GARY
OTHER REPORT

The annual audit report presented herein was prepared in addition to the official report prepared for the individual City office listed below:

City Clerk

CITY OF GARY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The following lists the funds and overdrawn cash balances at December 31, 2010:

Fund/Fund Number	2010
General	\$ 9,439,778
Protective Services Grant I (202)	1,033,929 *
Emergency Shelter (222)	357,180 * #
Health and Human Services (240)	318,406 * #
Bioterrorism (258)	16,454 #
Leased Properties - Gary Bldg Corp. (281)	650,530 *
Lead Free 4 Me (804)	1,732 #
C.H.R.P. (808)	93,794 #
Baseball Maintenance (405)	68,267
WCI/UCI Benefit (792)	64,657 *

* - this fund has been overdrawn for three or more years

- reimbursable grant fund

Several of the funds have been overdrawn continuously for three or more years, as identified above. Some of the overdrafts are due to reimbursement grants which require disbursement prior to receipt of grant money. However, the Emergency Shelter Fund negative balance at year end continues to increase each year which may indicate disbursements in excess of grant awards. The General Fund deficit balance is partially due to the delay in the distribution of the second installment of property taxes, by the County

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)

ACCOUNTS PAYABLE VOUCHERS (CLAIMS)

Some checks to vendors and other suppliers of goods and services were issued up to eight months after the invoice dates. A similar comment appeared in the prior report.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TEMPORARY TRANSFER OF FUNDS (INCLUDES SANITARY DISTRICT)

Various temporary transfers between certain funds have been made and not repaid within the time frame permitted by statute. A similar comment appeared in the prior report. The following summarizes the temporary transfer activity of the City and Sanitary District for 2010:

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Loan To	Loan From	Loans Outstanding January 1, 2010	Loans	Repayments	Loans Outstanding December 31, 2010
General	Other governmental funds	\$ 7,765,000	\$ 6,600,000	\$ 555,000	\$ 13,810,000
	Sanitary District funds	12,437,127	-	2,000,000	10,437,127
Other governmental funds	Other governmental funds	1,170,000	474,000	1,170,000	474,000
Sanitary District funds	Sanitary District funds	<u>5,370,000</u>	<u>7,065,000</u>	<u>2,988,000</u>	<u>9,447,000</u>
Totals		<u>\$ 26,742,127</u>	<u>\$ 14,139,000</u>	<u>\$ 6,713,000</u>	<u>\$ 34,168,127</u>

Of the amounts outstanding and not repaid by December 31, 2010, \$21,617,127 has been outstanding since 2009 or prior, as noted below:

Receiving Funds	Disbursing Funds	Outstanding Balance	Outstanding Since The Year of
General	Various Sanitary District	\$ 10,437,127	2006
Various Sanitary District	Various Sanitary District	1,100,000	2007
General	Lakefront TIF District	4,000,000	2008
General	Lakefront TIF District	1,260,000	2009
General	Media	600,000	2009
General	Cumulative Capital Development	350,000	2009
General	Consolidated Area TIF	1,500,000	2009
Various Sanitary District	Various Sanitary District	<u>2,370,000</u>	2009
Total		<u>\$ 21,617,127</u>	

Temporary transfers of the City, totaling \$2,294,000, were made in 2010 with Council authorization; Council approval did not occur until June 21, 2011. The Sanitary District had three temporary transfers totaling \$946,000, which were made without approval of the Sanitary District Board.

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

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

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

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(Continued)

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

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

TIMELY RECORDKEEPING

Electronic bank transactions were not recorded in the records of the City on a timely basis. We observed that the original date of the transactions and the date of entry on the records differed by several months. These transactions included automatic withdrawals, electronic funds transfers (EFT), debt payments and other bank transactions.

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

TRAVEL EXPENSE

Several court employees received payment of monthly installments for mileage. These employees did not submit mileage claims using General Form 101 for reimbursement. The claims submitted for the payments contained only a memorandum from the Judge stating the amount the employees were to receive.

The following sets forth the audit position of the State Board of Accounts with regard to reimbursements made by local governmental units to their officers and employees for travel and meal expenses.

A local unit may reimburse such persons for actual miles traveled in their own motor vehicles on official business of the local unit at a reasonable rate per mile as fixed by an ordinance or resolution of the unit's legislative body. The mileage rate should be fixed by the board or commission having authority to approve claims for travel expenses. No particular mileage rate has been set by the State of Indiana for local units of government and, consequently, the mileage rate lies within the discretion of legislative body, board or commission, unless otherwise provided by statute. The body setting the mileage rate should also determine whether parking fees and toll charges are included in the rate or, on the other hand, whether such expenses are to be reimbursed separately based on the submission of receipts.

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(Continued)

Reimbursed mileage should not include travel to and from the officer's or employee's home and regular place of employment. If more than one person rides in the same vehicle, only one mileage reimbursement is allowable. General Form 101 (or an approved substitute) should be used for claiming mileage. The odometer reading columns on this form are to be used only when the distance between points cannot be determined by fixed mileage or official highway maps. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2004)

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)

USE OF CREDIT CARD – CITY COURT

The City Court is using a credit card issued by Harris Bank. The card is a business card issued in the name of the City Judge but the billings are sent to the Court. It is used by the Judge to purchase items and to pay for travel expenses, such as airfare, lodging, and registration fees. Some charges (including lodging) have been paid without an invoice or receipt for the charge, and sales tax has been paid on several purchases. Travel charges paid do not document the purpose of the travel expense. The credit card has also been used for oil changes on a City vehicle. The City has a vehicle maintenance facility to perform such services.

In 2010, the Common Council discontinued use of American Express credit cards except for one held by the Council.

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:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

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(Continued)

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.
8. If properly authorized, an annual fee may be paid. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

LOCAL LAW ENFORCEMENT CONTINUING EDUCATION FUND

The Local Law Enforcement Continuing Education Fund has revenues other than those authorized by statute being deposited into the fund. Fingerprinting fees are being accounted for in the fund. These fees should be deposited into the General Fund of the City.

The following types of revenue shall be deposited into the Local Law Enforcement Continuing Education Fund established under IC 5-2-8-2:

1. Law Enforcement Continuing Education fees (IC 33-37-5-8 and IC 33-37-8-3)
2. Inspection of Motor Vehicle fees (IC 9-29-4-2)
3. Vehicle Accident Reports fees (IC 9-29-11-1)
4. Handgun License fees (IC 35-47-2-3)
5. Proceeds from the Sale of Confiscated Weapons (IC 35-47-3-2)

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

PENALTIES, INTEREST, AND OTHER CHARGES

In 2010, there were two instances where penalties and interest were levied by the Internal Revenue Service (IRS) against the City. The first instance totaling \$16,554 occurred on April 9, 2010, and related to the tax period ended June 30, 2009. The second instance totaling \$1,520.37 occurred on July 27, 2010, and related to the tax period ended December 31, 2009.

The City Controller's staff had received correspondence from the IRS and did not follow up on the communications. The Controller had not been properly informed by staff regarding these instances. The Controller personally contacted the IRS on May 24, 2011, to obtain additional information about the two instances noted above. The Controller was advised that the first instance related to a Schedule B error. The Controller's office, with the assistance of a tax consultant, has researched the issue. The consultant responded to the IRS on behalf of the Controller's office with documentation on June 16, 2011, requesting

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(Continued)

an abatement of the penalties and interest. The second issue appears to be related to third party sick pay. The City has received conflicting information regarding this issue in the past and is currently working to amend the Form 941, based on the recent information from the IRS.

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

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PROMOTIONAL ORDINANCE, DONATIONS, AND OTHER CONCERNS

The City has not adopted an Ordinance in accordance with Indiana Code 36-1-3 which enables the City to pay for items considered promotional in nature. A similar comment appeared in the prior report.

The City reapplied to the Distressed Unit Appeals Board (DUAB) of the State for financial relief for 2010. Such relief came in the form of reducing the circuit breaker tax caps imposed by Indiana Statute. A DUAB report noted that "cost side reduction is the only option to address both circuit breaker caps and to restore fiscal stability."

The City spent \$1,962 in 2010 from various funds for "Grants and Subsidies" or promotion of the City. Some of the promotion of the City expenditures in 2010 included: Donations to various churches, schools and other organizations, including donations toward advertisements in publications and tickets for events such as dinners.

The Court spent from miscellaneous expenses and printing categories in the General Fund for the following: \$480 for flowers to individuals for various occasions, \$880 for a community picnic, \$291 for Thanksgiving baskets, \$387 for a Christmas party, and \$661 for Christmas cards.

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

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

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

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

DONATIONS RECEIVED

The City has several donation funds. Donations receipted in September and October 2010 from these funds were reviewed. Documentation for a donation received stated it was for "fire prevention for kids." No written documentation was attached to the other receipts regarding the intent or purpose of the donations received. The Council minutes noted no acceptance of donations by the Council.

Due to the lack of written documentation by donors, the City does not have the ability to ensure that these donations were spent in accordance with the donor's wishes or if they were receipted into the proper fund. The City does not have a procedure to formally accept and document the purpose of donations received. A similar comment appeared in the prior report.

Following is a brief list of procedures to be followed by city and town officials in receiving and accounting for monetary contributions, donations, or gifts received by the municipality. (Since the term "donation" in this instance is synonymous to "contribution" and "gift" that term will be used.)

1. Unrestricted donations are defined as those to which the donor has not attached terms, conditions, or purposes.
2. Restricted donations are defined as those to which the donor has attached terms, conditions, or purposes.
3. The governing body of the unit has the option and responsibility to either accept or reject, in writing, any proposed donation.
4. If the donation is a restricted donation, the board must agree, in writing, to the terms, conditions, or purposes attached to the proposed donation.
5. Restricted donations can only be accepted for purposes within the scope of general statutory authority.
6. Income or revenues in the form of tax distributions, tax receipts, fees, rentals, contractual payments, etc., are not to be considered donations.
7. Donations which are accepted must be handled in one of the two following methods:
 - A. Unrestricted donations shall be receipted into the applicable operating fund of the unit (i.e., city or town operating (general) fund; cemetery operating fund, park and recreation operating fund, airport operating fund, etc.). Expenditure of such donated revenue from the operating fund shall be made only after an appropriation has been provided for the purpose of the expenditure. Claims must be filed and approved in the regular legal manner.

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B. A restricted donation shall be placed into a separate fund after such fund is established by the legislative body of the unit. Any appropriate descriptive name may be given the donation fund. The donation can be expended only for the purpose and under the terms and conditions agreed to on accepting the donation.

Pursuant to Attorney General Official Opinion No. 68 of 1961, no further appropriation is required for expenditure of a restricted donation for the designated purpose. Even though no further appropriation is required, claims must be filed and approved in the regular legal manner before disbursements can be made from the fund. (The Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2006)

OFFICIAL BOND

The City of Gary did not file the official bonds in the Office of the County Recorder.

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

NONCOMPLIANCE WITH ORDINANCE

The Common Council adopted Ordinance 8380 concerning the sale of General Revenue Notes of 2010. The Notes were sold in August 2010. The Ordinance required that \$500,000 of the Note proceeds be deposited into a Debt Service Reserve (Reserve) account. A Reserve bank account was opened and the \$500,000 deposited, as required.

Part 9 of the Ordinance required monthly transfers of pledged Riverboat Revenues into the Reserve. It also required that if moneys in the Reserve are used to pay principal and interest, this depletion shall be made up from the next available pledged Riverboat Revenues. Three interest payments were made from the bank account in 2010. However, no transfers of funds were made into the bank account in 2010 as required by the Ordinance.

Monthly interest payments continued to be paid from this account in 2011. A deposit of \$125,000 was made in June 2011, which partially replenished the fund.

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

INVESTMENT MATURITY LIMITATIONS

The City's Landfill trust account has purchased 16 investments totaling \$752,710.45, which have a stated maturity in excess of two years. A similar comment appeared in the prior report.

Indiana Code 5-13-9-5.6 states in part: ". . . investments made under this chapter must have a stated final maturity of not more than: . . . two (2) years . . . after the date of purchase or entry into a repurchase agreement."

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(Continued)

COMPENSATION AND BENEFITS - CONTRACTED SERVICES

The City, including the Sanitary District, has contracted with individuals for services. These contracts were approved by the various boards. The contracts require the contractor to perform certain services, during hours of operation, and require that the individual report to an appropriate department head for direction. The contractors are submitting time invoices on a bi-weekly basis, and some are also using time clocks to account for hours worked. Under the guidelines of the Internal Revenue Service, these individuals would be considered employees of the City. Federal taxes were not withheld or remitted for these individuals.

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

IRS Publication 15, Part 2, states in part:

"Employee status under common law. Generally, a worker who performs services for you is your employee if you have the right to control what will be done and how it will be done. This is so even when you give the employee freedom of action. What matters is that you have the right to control the details of how the services are performed . . . If an employer-employee relationship exists, it does not matter what it is called. The employee may be called an agent or independent contractor. It also does not matter how payments are measured or paid, what they are called, or if the employee works full or part time."

"Treating employees as nonemployees. You will generally be liable for social security and Medicare taxes and withheld income tax if you do not deduct and withhold these taxes because you treated an employee as a nonemployee. You may be able to calculate your liability using special section 3509 rates for the employee share of social security and Medicare taxes and the federal income tax withholding. The applicable rates depend on whether you filed required Forms 1099. You cannot recover the employee share of social security, or Medicare tax, or income tax withholding from the employee if the tax is paid under section 3509. You are liable for the income tax withholding regardless of whether the employee paid income tax on the wages. You continue to owe the full employer share of social security and Medicare taxes. The employee remains liable for the employee share of social security and Medicare taxes. See Internal Revenue Code section 3509 for details. Also see the Instructions for Form 941-X."

PAYROLL

Some Community Development employees worked on grant projects after their scheduled work-day hours. Based upon time records provided, they were compensated the actual number of hours worked over the 40 hours at straight-time instead of time and one-half. For example, if the employee worked 16 hours on the grant project beyond their normal scheduled work week of 40 hours, they were compensated for 56 hours that week instead of the correct amount of 64 hours.

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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 Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PURCHASING PREFERENCES

The Redevelopment Commission Board used purchasing preferences to award contracts to Gary-owned businesses. City Ordinance Number 6972 states in Section 6(e) that "in evaluating the price of any vendor's or contractor's bid or proposal for goods or services, the bids or proposals shall be evaluated as though the prices proposed or bid by a Gary business were ten percent (10%) lower than actually proposed or bid. The said preference may not exceed ten percent (10%) of the total amount of the lowest, most responsible and most responsive bid by a Gary business. The Gary Board of Public Works shall adjust the lowest, most responsible, most responsive bid by a Gary business and if after said adjustment, a Gary business is the lowest, most responsible and most responsive bid, the Gary Board of Public Works may award said contract to the said Gary business, at the price originally bid." Section 6(f) states: "other departments, divisions, components and agencies of the City of Gary letting contracts shall follow the procedures outlined in Section 6(e) above." A similar comment appeared in prior reports.

Indiana Code 5-22-15-7 states:

"(a) An offeror may claim one (1) of the following types of preference for which the offeror is eligible:

- (1) An Indiana business preference under rules adopted under section 20 of this chapter or IC 4-13.6-6-2.5.
- (2) A preference for supplies as provided by sections 16, 18, 19, and 24 of this chapter.
- (3) An Indiana small business preference as provided by section 23 of this chapter.
- (4) An Indiana farm product preference as provided by section 23.5 of this chapter.

(b) An offeror may not claim more than one (1) preference as provided by sections 16, 18, 19, and 24 of this chapter for a given supply item.

(c) This section does not:

- (1) apply to; or

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(Continued)

(2) limit;

action of the Indiana department of administration under rules adopted under section 21 of this chapter."

REGIONAL DEVELOPMENT AUTHORITY

By statute, the City is responsible for funding a portion of the operations of the Regional Development Authority (RDA). The City is obligated to pay \$875,000 quarterly, totaling \$3,500,000 for the year. As of July 2011, the City owes a balance of \$7,350,000. The City is in the process of resolving an agreement with Don Barden of Majestic Star Casino which owes the City approximately \$14,000,000 in casino funds which the City uses to pay their portion to the RDA. The City continues to correspond with RDA to resolve the outstanding balance.

Indiana Code 36-7.5-4-2(c) states in part: ". . . each fiscal officer shall transfer eight hundred seventy-five thousand dollars (\$875,000) to the development authority fund before the last business day of January, April, July, and October of each year . . ."

TRAVEL POLICY

We noted instances of payment by the City for hotel/motel room costs and meals as part of a conference registration. The individuals attending the conference would also receive per diem from the City for travel expenses.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Per Diem is an allowance paid to your employees for lodging, meals, and incidental expenses incurred when travelling. This allowance is in lieu of paying their actual travel expenses. (www.irs.gov/pub/irs-regis/perdiemfaq&a.prn.pdf)

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)

TRUE-UP AGREEMENTS WITH CONTRACT CUSTOMERS – GARY SANITARY DISTRICT

Accounts receivable for three contract customers were adjusted in 2010. A true-up of costs owed for usage was calculated for 2008 and 2009 by the District's consultant. The contract customers are billed for service; but the current cost of that service has not yet been determined. After the end of the year occurs, the actual cost to provide the service is determined and the difference (a true-up) between the amount billed and amount of actual costs is calculated. Per letters sent by the consultant to the customers, the customers and the District agreed to settle at an agreed upon percent of the amount owed due to the true-up. One of the customers requested paying the balance over a period of time, with interest, and made the first payment. The minutes presented for audit did not indicate approval of these agreements by the governing body.

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Indiana Code 36-9-25-10 states in part:

"In performing its duties the board may do the following: (17) Prepare a schedule of reasonable service fees and collect them from persons who own, lease, or possess or control as tenants or as agents lots or lands located outside the boundaries of the district if the lots or lands are benefited by connection into the sanitary sewer system of the district as described in this chapter, with the proceeds from sewage connections and treatment service credited to the general fund of the district for general use and maintenance purposes. The fees may be fixed, repealed, or amended, or the service discontinued, by the board at its discretion."

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)

GARY SANITARY DISTRICT INTERFUND TRANSFERS

On December 29, 2010, several accounts held at Harris Bank were closed. Five of the accounts closed were for restricted funds that also held additional bank accounts at Fifth Third Bank. Instead of depositing the money from the Harris Bank accounts into the Fifth Third accounts for these funds, the money was deposited into the Chase Bank account for Fund 670 (WWTP Operating). This transfer of funds was not approved by the Board. The amount of transfer, totaling \$117,442.32, was posted as a receipt in Fund 670 and a disbursement in funds 239 (GSD/WREP Economic Development), 372 (Bond and Interest), 373 (Debt Service Reserve), 674 (Beach Sampling) and 675 (E Coli). An adjustment was made, dated December 31, 2010, to correct for \$116,700 of the transfer of debt service monies to Fund 670 which belonged in Fund 372. This then reduced the amount transferred from closed bank accounts and funds into Fund 670 to \$742.

On June 30, 2010, two transfers totaling \$1,098,000 were made from Fund 670 to Fund 672. The transfers were made to cover expenses of Fund 672. Officials stated that the transfers represented a portion of trash fees accumulated in Fund 670 which were owed to Fund 672. The Board approved both making and repaying a temporary loan for \$1,098,000 at its July 13, 2010 meeting, but not a transfer of funds. The Board has since approved a correcting resolution in June 2011 to address the trash fee transfer.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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EXCESSIVE OR UNREASONABLE COSTS - GARY SANITARY DISTRICT

The Sanitary District (District) set up and paid for a phone line which was used for a study related to Lake Michigan. The study was funded by a grant. The line was not disconnected after the completion of the grant and study, which resulted in the District paying \$3,472 for the line which was no longer needed. The District terminated the line in June 2011 when personnel became aware of the situation.

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)

ACCOUNTS RECEIVABLE REPORTS - GARY SANITARY DISTRICT

The accounts receivable report (End of Month) generated at the close of each month does not accurately report the outstanding balances. The report consists of accounts receivable for sewage, trash, and a combined total of all receivables. The sewage and trash amounts do not, when added together, agree to the combined totals. In order to determine the actual balances, the balances for trash must be manually computed.

The accounts receivable aging report does not accurately reflect the outstanding receivables at the end of the month. The report is automatically generated by the computer system overnight. The end of month does not close until several days later, which allows for differences to occur. Therefore, the aging report does not agree to the end of month report or reports generated to reflect the outstanding receivables at the end of a month or year. This results in inaccurate reporting of the accounts receivable balances at the end of each month.

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)

PARK DEPARTMENT – SEALED PURCHASING QUOTES

The City of Gary has a purchase policy which states that three sealed quotes should be obtained for purchases between \$5,000 and \$74,999. The Park Department obtained three sealed quotes for a pumping system (equipment only) for the driving range. The Park Board awarded the quote to the lowest bidder on February 24, 2010. This quote award was rescinded by the Board on March 24, 2010. The Board then awarded the contract to another company whose quote had not been selected at the February meeting. The contract was for the equipment, but now included installation, for a price slightly higher than the equipment only lowest bidder. Sealed quotes were not obtained for equipment with installation.

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

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PARK DEPARTMENT – RECEIPT ISSUANCE

Daily remittances to the Controller's office for park physical fitness fees exceeded the amount evidenced by receipts issued for each day, indicating that receipts were not being issued for all collections.

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

GENESIS CONVENTION CENTER PETTY CASH

The Genesis Convention Center (GCC) has a Petty Cash Fund of \$1,000. GCC also has a Cash Change Fund of \$3,000; its statutory purpose is for making change. There were five reimbursements to the Petty Cash Fund in 2010, two of which exceeded the approved \$1,000 Petty Cash Fund amount. These two amounts ranged from \$1,322 to \$1,953, indicating that cash change was used to make purchases.

Cash change and petty cash was counted on May 23, 2011. The GCC had invoices and receipts on hand for petty cash disbursements totaling \$3,926. Cash change and petty cash were counted again on July 27, 2011. The Petty Cash Fund had not yet been reimbursed in 2011. Although the fund had been increased to \$5,000 on June 30, 2011, there were invoices and receipts on hand for petty cash disbursements totaling \$8,136 as of July 27, 2011.

Several disbursements from petty cash did not appear to meet the defined use of petty cash. Individuals were reimbursed for gasoline purchases instead of filing mileage claims. Money orders were purchased to make payments instead of using the claim process. Sales tax was paid on purchases.

Indiana Code 36-1-8-3 states:

"(a) The fiscal body of a political subdivision may establish a petty cash fund for any of its offices in a like manner to that prescribed by section 2 of this chapter.

(b) The custodian of a petty cash fund shall use it to pay small or emergency items of operating expense. A receipt shall be taken for each expenditure made from the fund.

(c) The custodian of a petty cash fund shall periodically file a voucher, with all original receipts totaling the cash claimed expended being attached to it, so that the fund can be reimbursed for expenditures from it. Reimbursement must be approved and made in the same manner as is required for other expenditures of the political subdivision."

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

GENESIS CONVENTION CENTER CASH COUNT

As noted in the petty cash comment above, a cash count of petty cash and cash change was performed on May 23, 2011. The combined cash change and petty cash did not agree to the approved amounts, even after consideration of several adjustments, as detailed in the following table:

	Approved Amounts and Adjustments	On Hand May 23, 2011
Cash change	\$ 3,000	\$ 2,068
Parking cash change (not included in approved amounts)	80	80
Petty cash (including unreimbursed disbursements)	1,000	3,926
Collections withheld from deposit and used for cash change	1,000	*
Totals	5,080	6,074
Unidentified difference - cash long		\$ 994

* - this amount is already included in the petty cash (unreimbursed disbursements)

One petty cash invoice was for \$1,000 withheld from cash receipts in March 2011 and used for cash change. Cash change had been used for petty cash disbursements and was insufficient at that time for cash change purposes. Upon reimbursement of petty cash, the \$1,000 will need to be deposited and recorded as a receipt for Fund 279.

During the cash count, we observed documentation indicating that collections were being reduced for payments to waiters and used to make purchases of food and other petty cash type disbursements. These reductions in collections were occurring prior to the collections being remitted to the book-keeper.

A subsequent review of the 2011 disbursement ledger noted that as of July 22, 2011, no petty cash reimbursements had been made. Only a disbursement of \$4,000 was made on June 30, 2011, to increase the Petty Cash Fund amount from \$1,000 to \$5,000, as approved by the Board.

Another cash count was completed on July 27, 2011. The combined cash change and petty cash again did not agree to the approved amounts, as detailed in the following table:

CITY OF GARY
 AUDIT RESULTS AND COMMENTS
 (Continued)

	<u>Approved Amounts and Adjustments</u>	<u>On Hand July 27, 2011</u>
Cash change	\$ 3,000	\$ 2,262
Parking cash change (not included in approved amounts)	80	80
Petty cash (including unreimbursed disbursements)	5,000	11,474
Receipts dated between July 15 and July 27, 2011	<u>36,576</u>	<u>36,493</u>
Totals	<u>44,656</u>	<u>50,309</u>
Unidentified difference - cash long		<u>\$ 5,653</u>

Indiana Code 36-1-8-2 states:

"a) The fiscal body of a political subdivision may permit any of its officers or employees having a duty to collect cash revenues to establish a cash change fund. Such a fund must be established by a warrant drawn on the appropriate fund of the political subdivision in favor of the officer or employee, in an amount determined by the fiscal body, without need for appropriation to be made for it.

(b) The officer or employee who establishes a cash change fund shall convert the warrant to cash, shall use it to make change when collecting cash revenues, and shall account for it in the same manner as is required for other funds of the political subdivision.

(c) The fiscal body shall require the entire cash change fund to be returned to the appropriate fund whenever there is a change in the custodian of the fund or if the fund is no longer needed."

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)

Public funds deposited should be deposited in the same form in which they were received. This simply means all daily receipts by the political subdivision should be deposited intact. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2007)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

GENESIS CONVENTION CENTER DEPOSITS

As stated in the prior report, receipts were not remitted timely to the City Controller for deposit. Some receipts, issued in November and December 2010 by the Genesis Convention Center (GCC) staff, were not remitted to the City Controller for deposit until 5 to 6 days after collection.

We subsequently reviewed the 2011 receipts ledger through May. There were numerous instances of receipts not being taken timely by GCC staff to the City Controller for deposit. The GCC receipts are primarily accounted for in 2 accounts within Fund 279. The Miscellaneous Revenue account had 9 instances of 5 to 12 days between deposits into the account. The Bistro Revenue account had 10 instances of 5 to 14 days between deposits. The Bistro is a restaurant which generates daily revenues.

Another subsequent review of the 2011 receipts ledger in July noted no deposits after July 15, 2011, with the City Controller's office. A cash count completed on July 27, 2011 (as noted in the comment above) determined that receipts issued between July 15 and July 27, 2011, totaling \$36,493, were on hand in the box office. These collections were held up to 12 days before being remitted to the City Controller's office.

Indiana Code 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."

GENESIS CONVENTION CENTER CASH DISBURSEMENTS

Disbursements were not always made by check. As of July 27, 2011, the Petty Cash Fund had cash, receipts and invoices for purchases made totaling \$11,474. The receipts and invoices on hand for the purchases totaled \$8,136. The established amount of the Petty Cash Fund is \$5,000 as of June 30, 2011. In order to incur the disbursements greater than the amount of the established fund, collections were spent instead of being deposited with the City Controller's office. Due to the disbursement of collections, not all financial transactions were recorded in the records in the fund for the Genesis Center.

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

GENESIS CONVENTION CENTER PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$90.99 were paid to the Indiana Department of Revenue on April 9, 2010, for the period ending January 31, 2010.

As noted in the above petty cash comment, petty cash reimbursements were made for purchased money orders. One money order was made payable to the Indiana Department of Revenue. The information submitted with the claim stated it was for additional sales tax for January. Inquiry resulted in additional information being obtained from Genesis Convention Center (GCC) staff regarding the payment, which had not been included with the petty cash claim.

The Indiana Alcohol and Tobacco Commission sent a notice dated March 31, 2010, stating that the agency had received a protest filed by the Indiana Department of Revenue (IDOR) regarding the GCC alcohol license. The notice stated that the GCC alcohol license was to expire April 23, 2010. It also stated the license could not be extended or issued until the protest matter was cleared. If the matter was not resolved within 30 days, the license renewal could be rejected and GCC would not be able to reapply for one year.

The proposed assessment from IDOR stated that the amount due was penalty of \$89.18 and interest of \$1.81. The assessment stated that the amount had to be paid unless GCC disagreed. In that case, GCC had 45 days to submit a written protest with supporting documentation. It appears that GCC staff paid the penalty and interest to ensure that the alcohol license for the Convention Center could be renewed.

Per communications with IDOR, late filing for the January 2010 period was the cause for the assessment of penalty and interest.

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

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

GENESIS CONVENTION CENTER RENTALS

As noted in prior audit reports, the Genesis Convention Center (GCC) generates revenues from the leasing of the facilities and food and beverage sales related to those leases. Lease contracts are prepared for the various events and the GCC - User Guidelines are an extension of the lease agreements. Several items were noted during the review of the leases:

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

1. Individuals and organizations (other than governmental units) were allowed to pay the event fees after the event. The user guidelines require payments three or seven days prior to an event.
2. Several leases had errors:
 - A. in the calculation of charges (either over or undercharging), or
 - B. a price reduction which was not documented in the contract file.

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

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)

GENESIS CONVENTION CENTER FACILITY AND MEAL DISCOUNTS

As noted in prior reports, the Board of Managers (Board) previously adopted policy I-94. This policy grants discounts of 25 percent to 50 percent off food for staff and management, and 60 percent to Board members for events they hold at GCC. Both employees and the Board also use the facilities without paying rent, even if the event number of meals served is below 100. (Rent is waived for all facility users that have 100 meals or more at the rate of 20 percent of the food cost, up to the price of the room.)

Review of four events held by staff, management and Board members calculated lost revenues to the Center of \$3,299 in food and rent charges. This calculation did not take into account the reduction in service charges collections due to the discounts given.

No taxable benefits were reported for the discounts given to employees or Board members.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Exclusion from wages. You can generally exclude the value of an employee discount you provide an employee from the employee's wages, up to the following limits.

For a discount on services, 20% of the price you charge nonemployee customers for the service.

For a discount on merchandise or other property, your gross profit percentage times the price you charge nonemployee customers for the property. (Internal Revenue Service Publication 15-B)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

Compliance

We have audited the compliance of the City of Gary (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2010. 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 non-compliance 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 2010-1 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding suspension and debarment that are applicable to its Community Development Block Grants/Entitlement Grants; and ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R). Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

As described in items 2010-2 and 2010-3 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding procurement and Davis Bacon 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.

As described in items 2010-5 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding allowable costs that are applicable to its ARRA Homelessness Prevention and Rapid Re-Housing Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

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)

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, 2010. 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 2010-4.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1, 2010-2, 2010-3, and 2010-5 to be material weaknesses.

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

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

STATE BOARD OF ACCOUNTS

August 15, 2011

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education Child Nutrition Cluster Summer Food Service Program for Children	10.559		\$ <u>165,386</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Pass-Through Indiana Department of Natural Resources Coastal Zone Management Administration Awards Lake Michigan Shoreline Management Plan	11.419	C20813	<u>7,487</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218	B-08-MC-18005	47,873
		B-09-MC-18005	3,232,278
Neighborhood Stabilization Program (NSP1)		B-08-MN-18-0005	<u>1,934,567</u>
Total for program			<u>5,214,718</u>
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	14.253	B-09-MY-18-0005	<u>784,917</u>
Total for cluster			<u>5,999,635</u>
Emergency Shelter Grant	14.231	S-09-MC-18-0005	18,985
		S-10-MC-18-0005	143,536
Pass-Through Indiana Housing and Community Development Authority Emergency Shelter Grant		ES-009-031	<u>18,492</u>
Total for program			<u>181,013</u>
Direct Grant			
Supportive Housing Program	14.235	IN36B702036	<u>119,482</u>
HOME Investment Partnerships Program	14.239	M-01-MC-180203	112,223
		M-05-MC-180203	13,803
		M-06-MC-180203	83,580
		M-08-MC-180203	15,120
		M-09-MC-180203	65,723
		M-10-MC-180203	<u>20,830</u>
Total for program			<u>311,279</u>
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	S-09-MY-18-0005	<u>888,168</u>
Fair Housing Assistance Program - State and Local	14.401	FF205K105012	<u>45,180</u>
ARRA - Lead-Based Paint Hazard Control In Privately-Owned Housing	14.907	INLHB041908	<u>1,335,494</u>
Total for federal grantor agency			<u>8,880,251</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Federal Equity Sharing	16.XXX		<u>10,453</u>
Edward Byrne Memorial Formula Grant Program	16.579		<u>129,168</u>
ARRA Public Safety Partnership and Community Policing Grants COPS Hiring Recovery Program (CHRP)	16.710	2009-RKWX-0345	<u>426,851</u>

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

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE (continued)</u>			
Direct Grant (continued)			
Public Safety Partnership and Community Policing Grants Technology Grant		2004-CKWX-0085 2008-CKWX-0287 2005-CKWX-0024	7,923 70,956 <u>181,748</u>
Total for program			<u>687,478</u>
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	16.575	08VA166 10VANP055	54,059 <u>37,060</u>
Total for program			<u>91,119</u>
Violence Against Women Formula Grants Services, Training, Officers, and Prosecutors (STOP)	16.588	D3-11-5787	<u>13,894</u>
Total for federal grantor agency			<u>932,112</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction			
Congestion Mitigation and Air Quality (CMAQ) Vehicles and Fueling Infrastructure Marina Access Road - Phase 2A, Segment 1 Marina Access Road - Phase 2A, Segment 2 Grand/Buchanan Improvement Project	20.205	EDS#A249-10-320172 DES#0300679/0300911 DES#0900262/0300909 DES#0710384	3,077,651 9,115 265,357 <u>193,572</u>
Total for program			<u>3,545,695</u>
Recreational Trails Program Gary Green Link	20.219	IN76(001)	<u>55,564</u>
Total for federal grantor agency			<u>3,601,259</u>
<u>U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u>			
Direct Grant			
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002		<u>49,650</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant			
Community Action for a Renewed Environment (CARE) Program	66.035	RE 00E32801-0 RE 00E00567-0	10,519 <u>3,050</u>
Total for program			<u>13,569</u>
ARRA - Brownfield Job Training Cooperative Agreements	66.815	JT-00E97401-0	<u>61,116</u>
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00E40601	<u>25,000</u>
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	CS 18225801	<u>2,228,221</u>
Total for federal grantor agency			<u>2,327,906</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Grant			
ARRA - Energy Efficiency and Conservation Block Grant (EECBG)	81.128	SC0002853	<u>131,205</u>

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

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana Department of Health Public Health Emergency Preparedness Public Health Preparedness and Response for Bioterrorism	93.069	BPRS 196-14 BPRS 196-15 H1N1 196-66 H1N1 196-67	10,000 32,258 54,121 <u>65,455</u>
Public Health Emergency Preparedness and Response for H1N1			
Total for program			<u>161,834</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	A70-0-106029	<u>38,220</u>
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Levels in Children	93.197	CLP 775-2	<u>82,210</u>
Pass-Through Indiana Criminal Justice Institute Social Services Block Grant	93.667	45-10-5B-0732 09SSBG00	4,646 <u>16,940</u>
Total for program			<u>21,586</u>
Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	93.671	D3-10-4828	<u>20,050</u>
Pass-Through Indiana Department of Health HIV Prevention Activities - Health Department Based	93.940	196-8	<u>5,030</u>
Block Grants for Prevention and Treatment of Substance Abuse Prenatal Substance Abuse Prevention	93.959	09-B1-IN-SAPT 10-B1-IN-SAPT	66,478 <u>27,163</u>
Total for program			<u>93,641</u>
Pass-Through Indiana Criminal Justice Institute Preventive Health and Health Services Block Grant	93.991	09SOS005	<u>3,225</u>
Pass-Through Indiana Department of Health Preventive Health Services - Sexually Transmitted Disease Control Grants	93.977	196-4 196-5	73,251 <u>8,023</u>
Total for program			<u>81,274</u>
Maternal and Child Health Services Block Grant to the States	93.994	MCH 196-8	<u>125,145</u>
Total for federal grantor agency			<u>632,215</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Lake Area United Way Emergency Food and Shelter Program Cluster Emergency Food and Shelter National Board Program	97.024	LRO ID#271600-005	<u>4,000</u>
Total federal awards expended			<u>\$ 16,731,471</u>

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

CITY OF GARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Gary (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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, 2010:

Program Title	Federal CFDA Number	2010
Community Development Block Grants/Entitlement Grants	14.218	\$ <u>136,342</u>

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified for all programs except Community Development Block Grants/Entitlement Grants; ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R); and ARRA Homelessness Prevention and Rapid Re-Housing Program, which were qualified

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

CFDA Number	Name of Federal Program or Cluster
	CDBG - Entitlement Grants Cluster
14.257	ARRA - Homelessness Prevention and Rapid Re-Housing Program
16.710	ARRA Public Safety Partnership and Community Policing Grants
16.710	Public Safety Partnership and Community Policing Grants Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$499,436

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-01 - SUSPENSION AND DEBARMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants; ARRA - Community
Development Block Grant ARRA Entitlement Grants (CDBG-R)

CFDA Number: 14.218, 14.253

Award Number: B-09-MC-18005, B-08-MN-18-0005, B-08-MN-18-0005, B-09-MY-18-0005

The City of Gary did not have a system in place for determining whether or not a vendor has been excluded from doing business with the Federal Government. This determination was not being performed by the Controller's office or the CDBG-R grant staff. Inquiry of the staff overseeing the CDBG-R grants determined that they were not aware of the requirements regarding suspended or debarred parties. Inquiry of the staff overseeing the Community Development Block Grants indicated that the individuals who may have been aware of the requirements regarding suspended or debarred parties were no longer employed. Any records these former employees may have had regarding this compliance requirement were not available for audit.

24 CFR 200.31 (Debarment and suspension) states: "The requirements set forth in 2 CFR part 2424 apply to these programs."

2 CFR 2424.30 states:

"The HUD policies and procedures that you must follow are the policies and procedures specified in each applicable section of the OMB guidance in subparts A through I of 2 CFR part 180, as that section is supplemented by the section in this part with the same section number. The contracts that are covered transactions, for example, are specified by section 220 of the OMB guidance (i.e., 2 CFR 180.220), as supplemented by section 220 in this part (i.e., § 2424.220). For any section of OMB guidance in subparts A through I of 2 CFR 180 that has no corresponding section in this part, HUD policies and procedures are those in the OMB guidance."

The lack of control allows for the potential of a suspended or disbarred vendor doing business with the City of Gary and being paid from federal funds, which could result in the loss of federal funds to the City.

In June 2011, the City developed a policy regarding suspension and debarment, which is included in the Schedule of Prior Audit Findings.

We recommended that the City of Gary officials implement the controls in the City's policy to prevent the potential of a disbarred or suspended vendor being paid from federal funds.

FINDING 2010-02 - PROCUREMENT/DAVIS BACON

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants

CFDA Number: 14.218

Award Number: B-08-MC-18-0005, B-09-MC-18-0005

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

1. The City used funds from the Community Development Block Grants (CDBG) for repairs and renovations to the City's parks and fire stations. The City expended approximately \$525,000 for the repairs and renovations of nine projects which included two projects totaling \$200,703 that exceeded the \$75,000 threshold to solicit for sealed bids.

The City submitted Request for Quotations for separate portions of the projects. For example, in the renovation of Fire Station #1 totaling \$98,603, there were 10 requests for quotations submitted for different portions of the renovations. There were 8 different contractors used for the renovation of Fire Station #1. The renovation of a City park totaling \$102,000 had 5 requests for quotations with 4 different contractors used to complete the project instead of awarding the project in total to one contractor.

The City did not prepare general plans and specifications for the public work or publish notice in accordance with Indiana Code 5-3-1 calling for sealed proposals for the public work needed; therefore bypassing the City's procurement policy. The City's procurement policy is to follow Indiana Code.

Since the renovation services were not awarded in accordance with Indiana Code, \$200,703 of 2010 grant disbursements, made to the vendors, are considered questioned costs.

2. For one of the residential rehabilitations, the homeowner would not allow the contractor to complete the kitchen renovation. The homeowner wanted additional work performed prior to the installation of kitchen cabinets which was not eligible for grant funding. The contractor delivered the kitchen cabinets but did not install them. The City paid the contractor for the entire amount of the contract, which included labor to install the cabinets. After the overpayment was discussed with officials and the claim was reviewed, the City determined the contractor should reimburse the City \$850 because of labor not performed according to the contract.

The overpayment of \$850 is considered questioned costs.

3. Compliance with the Davis-Bacon Act requires payment of federal prevailing wage rates for construction, repair or alteration work. The grantee must establish controls for monitoring wages paid by contractors. They must obtain recent and applicable wage rates from the U.S. Department of Labor and incorporate them into the construction contracts.

Certified payroll records were not obtained from the contractor for monitoring purposes in 60 percent of the fire station projects and 71 percent of the park projects listed above. The proper labor standards provisions and correct wage decision were not always included in the construction contract.

The lack of monitoring of compliance with the Davis-Bacon Act could result in cancellation of contracts and/or the repayment of federal funds.

24 CFR 85.36 (b) states: "Procurement standards. (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

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

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

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

(1) at least seventy-five thousand dollars (\$75,000) in:

(A) a consolidated city or second class city;

(B) a county containing a consolidated city or second class city; . . .

(b) The board must comply with the following procedure:

(1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. If the project involves the resurfacing (as defined by IC 8-14-2-1) of a road, street, or bridge, the specifications must show how the weight or volume of the materials will be accurately measured and verified.

(2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).

(3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed.

(4) The notice must specify the place where the plans and specifications are on file and the date fixed for receiving bids.

(5) The period of time between the date of the first publication and the date of receiving bids shall be governed by the size of the contemplated project in the discretion of the board. The period of time between the date of the first publication and receiving bids may not be more than:

(A) six (6) weeks if the estimated cost of the public works project is less than twenty-five million dollars (\$25,000,000); and . . .

(6) If the cost of a project is one hundred thousand dollars (\$100,000) or more, the board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts.

(7) The board may not require a bidder to submit a bid before the meeting at which bids are to be received. The meeting for receiving bids must be open to the public. All bids received shall be opened publicly and read aloud at the time and place designated and not before.

(8) Except as provided in subsection (c), the board shall:

(A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or

(B) reject all bids submitted.

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

- (9) If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection.
- (10) In determining whether a bidder is responsive, the board may consider the following factors:
- (A) Whether the bidder has submitted a bid or quote that conforms in all material respects to the specifications.
 - (B) Whether the bidder has submitted a bid that complies specifically with the invitation to bid and the instructions to bidders.
 - (C) Whether the bidder has complied with all applicable statutes, ordinances, resolutions, or rules pertaining to the award of a public contract.
- (11) In determining whether a bidder is a responsible bidder, the board may consider the following factors:
- (A) The ability and capacity of the bidder to perform the work.
 - (B) The integrity, character, and reputation of the bidder.
 - (C) The competence and experience of the bidder.
- (12) The board shall require the bidder to submit an affidavit:
- (A) that the bidder has not entered into a combination or agreement:
 - (i) relative to the price to be bid by a person;
 - (ii) to prevent a person from bidding; or
 - (iii) to induce a person to refrain from bidding; and
 - (B) that the bidder's bid is made without reference to any other bid."

Indiana Code 36-1-12-16 states: "A contract for public work by a political subdivision or agency is void if it is not let in accordance with this chapter."

Failure to properly procure public works projects in accordance with state and federal guidelines could result in the contract for public work being voided and the City losing future federal awards.

We recommended the City establish control procedures to ensure that all contracts awarded, whether for consulting services or construction, are awarded in accordance with state and federal guidelines.

29 CFR 5.5(a) states in part:

"The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work

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

financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in Sec. 5.1, the following clauses (or any modifications thereof to meet the particular needs of the agency, Provided, That such modifications are first approved by the Department of Labor):

(1) Minimum wages. (i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of paragraph (a)(1)(iv) of this section; also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period. Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in Sec. 5.5(a)(4)."

29 CFR 5.5(a) (3) states in part:

"(ii) (A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate Federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under § 5.5(a) (3) (i) of Regulations, 29 CFR part 5. This information may be submitted in any form desired. Optional Form WH-347 is available for this purpose and may be purchased from the Superintendent of Documents (Federal Stock Number 029-005-00014-1), U.S. Government Printing Office, Washington, DC 20402. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors.

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

(iii) The contractor or subcontractor shall make the records required under paragraph (a) (3) (i) of this section available for inspection, copying, or transcription by authorized representatives of the (write the name of the agency) or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job.

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

If the contractor or subcontractor fails to submit the required records or to make them available, the Federal agency may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12."

We recommended the City amend all Davis Bacon applicable contracts to incorporate the Federal labor standards provisions and the appropriate wage decisions retroactive to the beginning of construction and compensate the contractor for any increases in wage resulting from such change. We also recommended the City establish controls to ensure these clauses are included in future bid specifications and contracts. We also recommended the City obtain the proper payroll documentation, review such documentation to ensure all employees were paid in accordance with the basic rate plus fringe benefits listed on the correct wage decisions for each contract, and pay any restitution necessary to the proper employee.

FINDING 2010-03 - PROCUREMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Program Title: Neighborhood Stabilization Program (NSP1)
Award Number: B-08-MN-18-0005

1. The City used funds from the Neighborhood Stabilization Program (NSP) for acquisition and rehabilitation of foreclosed residential homes. The City expended approximately \$845,461 purchasing and rehabilitating homes during 2010. The individual projects were less than \$75,000 and most were more than \$25,000, falling within the range established in Indiana Statute for quoting a project. Subsequent to purchasing the properties with NSP funds, the properties were rehabilitated. The rehabilitation bids were advertised and bids were accepted and awarded by the Community Development Department. The awarded bid was not presented to the Board of Works, which by statute has the authority to award contracts for quotes and bids. Four of the six bids reviewed were not awarded to the lowest bidder in accordance with State statute. The factors used to determine which bidder was the lowest responsible and responsive bidder and to justify the award were not stated in a public meeting.
2. A change order totaling \$11,700, 35 percent of the original contract, was not submitted to or approved by the Board of Works.
3. The City used funds from the NSP for demolition of blighted structures. The City expended approximately \$1,018,238 in demolition costs during 2010. The request for demolition bids was advertised and bids were accepted, awarded, and approved by the Redevelopment Commission. The Redevelopment Commission oversaw the demolition on behalf of the Community Development Department. Two of the bids reviewed totaling \$616,760 were not awarded to the lowest bidder. The Redevelopment Commission Board used purchasing preferences to award two contracts to Gary-owned businesses.

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

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

24 CFR 85.36(b) (1) states: "Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

Prior to its amendment, effective July 1, 2011, Indiana Code 36-1-12-4.7 stated:

"(a) This section applies whenever a public work project is estimated to cost:

- (1) at least twenty-five thousand dollars (\$25,000) and less than seventy-five thousand dollars (\$75,000) in:
 - (A) a consolidated city or second class city;
 - (B) a county containing a consolidated city or second class city; or
 - (C) a regional water or sewage district established under IC 13-26; or
- (2) at least twenty-five thousand dollars (\$25,000) and less than fifty thousand dollars (\$50,000) in a political subdivision or agency not described in subdivision (1).

(b) The board must proceed under the following provisions:

- (1) The board shall invite quotes from at least three (3) persons known to deal in the class of work proposed to be done by mailing them a notice stating that plans and specifications are on file in a specified office. The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes.
- (2) The board may not require a person to submit a quote before the meeting at which quotes are to be received. The meeting for receiving quotes must be open to the public. All quotes received shall be opened publicly and read aloud at the time and place designated and not before.
- (3) The board shall award the contract for the public work to the lowest responsible and responsive quoter.
- (4) The board may reject all quotes submitted."

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

Indiana Code 36-1-12-18 states:

"(a) If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor.

(b) If a licensed architect or engineer is assigned to the public work project, the change order must be prepared by that person.

(c) A change order may not be issued before commencement of the actual construction, reconstruction, or repairs except in the case of an emergency. In that case, the board must make a declaration, and the board's minutes must show the nature of the emergency.

(d) The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project.

(e) All change orders must be directly related to the original public work project.

(f) If additional units of materials included in the original contract are needed, the cost of these units in the change order must be the same as those shown in the original contract."

Indiana Code 36-1-12-4 states in part:

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

(1) at least seventy-five thousand dollars (\$75,000) in:

(A) a consolidated city or second class city; . . .

(8) Except as provided in subsection (c), the board shall:

(A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or

(B) reject all bids submitted."

Failure to properly procure public works projects in accordance with state and federal guidelines could result in the contract for public works being voided and the City losing future federal awards. Failure to establish internal controls over the issuance and approval of change orders could jeopardize the City's ability to secure future federal awards.

We recommended the City establish control procedures to ensure that all contracts awarded in accordance with state and federal guidelines. We also recommended that all changes orders be approved by the appropriate board.

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

FINDING 2010-04 - REPORTING

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: ARRA - Homelessness Prevention and Rapid Re-Housing Program
CFDA Number: 14.257
Award Number: S09-MY-18-0005

As part of the ARRA - Homelessness Prevention and Rapid Re-Housing grant agreement between the City and the U.S. Department of Housing and Urban Development (HUD), the City was required to submit Quarterly Performance Reports which include related financial data. The performance reports were filed with HUD on a quarterly basis. The information reported could not be verified to the City ledgers. The performance reports were completed by City staff based upon the Homeless Management Information System (HMIS). The HMIS system is used to maintain individual client information which should reflect the city's financial accounting system. The HMIS system tracks financial activity by client while the financial accounting system tracks financial activity by account category. The HMIS system did not include all of the expenditures. Staff did not timely enter case worker wage information into the system, as recorded in the city's financial accounting system; therefore, the amounts reported were not in agreement with the financial records of the City.

The directions for reporting Expenditures by Activity state the following:

"In the cells below, enter the amount of funds expended (costs incurred, not necessarily drawn down) for each activity type, in the current quarter and for the grant to date. If expenditure is incurred and reported in the grantee's financial system for the current quarter, report it below. This data will not necessarily reflect draws in IDIS."

24 CFR 85.20 states in part:

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

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
- (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.
- (4) Budget control. Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible."

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

2 CFR 176.50 states:

"Agencies are responsible for ensuring that their recipients report information required under the Recovery Act in a timely manner. The following award term shall be used by agencies to implement the recipient reporting and registration requirements in section 1512:

(a) This award requires the recipient to complete projects or activities which are funded under the American Recovery and Reinvestment Act of 2009 (Recovery Act) and to report on use of Recovery Act funds provided through this award. Information from these reports will be made available to the public.

(b) The reports are due no later than ten calendar days after each calendar quarter in which the recipient receives the assistance award funded in whole or in part by the Recovery Act.

(c) Recipients and their first-tier recipients must maintain current registrations in the Central Contractor Registration (<http://www.ccr.gov>) at all times during which they have active federal awards funded with Recovery Act funds. A Dun and Bradstreet Data Universal Numbering System (DUNS) Number (<http://www.dnb.com>) is one of the requirements for registration in the Central Contractor Registration.

(d) The recipient shall report the information described in section 1512(c) of the Recovery Act using the reporting instructions and data elements that will be provided online at <http://www.FederalReporting.gov> and ensure that any information that is pre-filled is corrected or updated as needed."

The U.S. Department of Housing and Urban Development cannot adequately monitor the grant funds, or adequately assess their needs if reports are incorrect. No attempt was made to reconcile the City's disbursements ledger to the quarterly reports. Internal controls are not in place to ensure the amounts reported agree to the City's ledger.

Failure to comply with these requirements could cause the City to be ineligible to receive future federal awards.

We recommended the City establish procedures to ensure the City's ledger is used when preparing the required reports as they are the City's official record. We also recommended that the Quarterly Performance Reports be filed with correct financial information that agrees with supporting documentation for the activity period. The officials should establish controls and procedures to ensure future reports are properly prepared in compliance with the U.S. Department of Housing and Urban Development's guidelines.

FINDING 2010-05 - ALLOWABLE COSTS

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: ARRA - Homelessness Prevention and Rapid Re-Housing Program
CFDA Number: 14.257
Award Number: S09-MY-18-0005

1. Homelessness Prevention and Rapid Re-Housing Program (HPRP) provides temporary financial assistance and housing relocation and stabilization services to individuals and families who are homeless or would be homeless but for this assistance. After receiving

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

the approval for funding regarding the HPRP, the City entered into a contract dated September 30, 2009, with a not-for-profit organization (grantee) to administer the entire HPRP grant. According to the contract, the grantee had the responsibility to administer the entire grant and the City was to reimburse the grantee for the related expenditures. According to the City Community Development Director, the grantee determined that was not feasible as it did not have the funding to upfront the funds prior to reimbursement by the City. The City did not void or amend the contract to more accurately reflect the contractual arrangement between the City and the subrecipient. The City did not disburse any funds to the not-for-profit organization during 2010, but paid all vendors directly.

2. The not-for-profit organization had entered into agreements with "independent contractors" to conduct the HPRP grant activities. These independent contractors were responsible for determining the eligibility of participants of the grant including preparing all the necessary paperwork and monitoring of services of the HPRP grant. The City paid these independent contractors directly, without a written contract between the City and the independent contractor. The invoices submitted for payment did not include detailed time records, description of service, or detailed rate of pay.

24 CFR 85.20 states in part:

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

- (6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

2 CFR, Part 225 Appendix B (32) states in part:

"Professional service costs. a. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the governmental unit, are allowable, subject to subparagraphs b and c when reasonable in relation to the services rendered . . . b. In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant: . . . (8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions)."

Failure to establish the proper controls over the payment of claims and complying with contractual agreements could jeopardize the City's ability to secure future federal awards.

We recommended that City officials establish procedures to review contracts. We also recommended that the City establish better controls to ensure compliance with Federal and State guidelines.



City Of Gary

Department of Finance

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RUDY CLAY
Mayor

GERALDINE B. TOUSANT
Deputy Mayor

M. CELITA GREEN
Director of Finance

MICHELE ROBY
Chief Accountant

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO.2009-1 REPORTING, LEAD-BASED PAINT HAZARD CONTROL IN PRIVATELY OWNED HOUSING (AARA)

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Lead –Based Paint Hazard Control in Privately Owned Housing
CFDA Number: 14.907
Award Numbers: INLHBO419-08

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

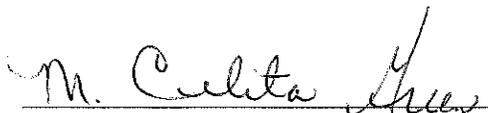
Response: The City concurs with the finding and the following action has been taken to improve the situation. In 2010, Finance had changed in personnel. The Internal Auditor is responsible for establishing and implementing procedures to ensure proper recording and reporting of program expenditures, left the position in 2010. With the transition of personnel, the Finance department has reviewed the negotiated budget and grant application and has taken the appropriate action to correct any inconsistencies.

A corrected report was submitted to HUD to update the financial report, since then training has been provided for the Program Coordinator to ensure all information is accurate, reliable and voucher grant payments are prepared in a timely manner. The grantee continues to use the HUD Quarterly Progress Reporting System.

The quarterly financial reporting of the detail expenditures for the quarter is reconciled against RDS quarterly reported revenue.

In addition, the Fiscal Manager reviews and verifies the amount requested for drawdown is approved and in balances with HUD’s voucher approval report which includes: drawdown for the period, cumulative LOCCS drawdowns to date and the available grant balance.

The City has taken the proper care to meet the standards for accurate financial reporting as prescribe under 24CFR85.20


M. Celita Green, Director of Finance

6/16/11
Date

Attachments:

PART 3

FINANCIAL REPORTING

HUD Lead Hazard Control Grant Funds

Grant Agreement Number:	INLHB041908
Grantee Organization:	City of Gary, Department of Community Development
Report Period:	Jan 1 – Mar 31 Jul 1- sep 31 year 2010 Apr 1 – Jun 30 x Oct – Dec 31

BUDGET CATEGORIES*	NEGOTIATED BUDGET	EXPENDED THIS PERIOD*	EXPENDED TO DATE*	AVAILABLE BALANCE
1. Personnel (Direct Labor)		\$ 15,169.82		
2. Fringe benefits		\$ 1,031.43		
3. Travel				
4. Equipment				
5. Supplies and materials		\$ 415.77		
6. Consultants				
7. Contracts / Sub-Grantees /				
7a. Amereco Inc.				
7b. Gary Health Dept.		\$ 3,946.98		
7c. Greentree Env. Svcs.		\$ 11,585.00		
7d. Environment Mgt. Inst.		\$ 3,750.00		
7e. Renee Sallee		\$ 2,436.00		
7f. Indiana Dept. of Health		\$ 750.00		
7g. Alverno Clinical		\$ 264.00		
7h. Rosemarie Walker		\$ 3,627.00		
7i.				
Subtotal Item 7 SEE ATTACHED SHEET		\$338,689.99		
8. others Direct Costs				
9. Indirect Costs	ADJUSTMENT	\$ 60.00		
10. TOTALS	\$ 10 a	\$ 381,725.99 10 b	\$ 10 c	\$ 10 d

Expenditures for quarterly

Yr Fnd F Prgm Acct Type Begin Date End Date Status
 10 816 0 0000 17200 B 1/01/10 12/31/10 C
 Title: REVENUE F11. Note Pad CLOSD

----- Accrual Based -----
 Beginning Balance .00
 Total Debits 5,361.88
 Total Credits 1,340,856.08
 Adjusted Balance 1,335,494.20-

	Debits by Month	Credits by Month	Balance by Month
Jan		4,001.13	4,001.13-
Feb		28,591.64	32,592.77-
Mar		82,722.49	115,315.26-
Apr		243,041.75	358,357.01-
May		127,162.80	485,519.81-
Jun		49,214.75	534,734.56-
Jul		21,358.32	556,092.88-
Aug		149,188.04	705,280.92-
Sep		248,487.29	953,768.21-
Oct		94,323.86	1,048,092.07-
Nov	2,411.91 LESS	96,868.95	1,142,549.11-
Dec	2,949.97 LESS	195,895.06	1,335,494.20-
Total	5,361.88	1,340,856.08	1,335,494.20-

ENTER=Next, F5=Next Yr, F7=Prior Yr, F12=Det, F13=RevDet, F24=Help, F16=Exit

G/L

Oct
 Rev 94,323.86 +
 94,323.86 *

Nov
 Rev 96,868.95 +
 Less 2,411.91 -
 94,457.04 *

Dec
 Rev 195,895.06 +
 Less 2,949.97 -
 192,945.09 *

0.00 *

Oct 94,323.86 +
 Nov 94,457.04 +
 Dec 192,945.09 +
 (A) 381,725.99 *

⇒ Total 4th Qtr Revenue

Revenue

Yr Fnd F Prgm Acct Type Begin Date End Date Status
 10 816 0 0000 24200 B 1/01/10 12/31/10 C
 Title: EXPENDITURES F11. Note Pad CLOSD

----- Accrual Based -----
 Beginning Balance .00
 Total Debits 1,360,182.01
 Total Credits 27,246.97
 Adjusted Balance 1,332,935.04

	Debits by Month		Credits by Month		Balance by Month
Jan	6,076.57				6,076.57
Feb	28,628.70				34,705.27
Mar	152,846.87				187,552.14
Apr	176,794.83		6,000.00		358,346.97
May	127,155.18				485,502.15
Jun	47,058.28				532,560.43
Jul	23,936.23				556,496.66
Aug	299,115.93		150.00		855,462.59
Sep	95,493.89				950,956.48
A Oct	94,519.86				1,045,476.34
B Nov	106,713.75	LESS	17,599.99		1,134,590.10
C Dec	201,841.92	LESS	3,496.98		1,332,935.04
Total	1,360,182.01		27,246.97		1,332,935.04

ENTER=Next, F5=Next Yr, F7=Prior Yr, F12=Det, F13=RevDet, F24=Help, F16=Exit

Expenditures

(A) Oct 94,519.86 +
 Exp 94,519.86 *

(B) Nov 106,713.75 +
 Exp 17,599.99 -
 89,113.76 *

(C) Dec 201,841.92 +
 Exp 3,496.98 -
 198,344.94 *

0.00 *

Revenue 381,725.99 + (A)
 Expenditures 381,978.56 - (AA)
 -252.57 *
 diff Accrued fringes

(AA) A 94,519.86 +
 B 89,113.76 +
 C 198,344.94 +
 381,978.56 *

**COS VRS Request
Voucher for Grant
Payment**

U.S. Department of Housing
and Urban Development
Office of Administration

OMB Approval No. 2535-0102
(exp. 5/31/2010)

Public reporting burden for this collection of information is estimated to average 10 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information collection is to request payment of grant funds or to designate the appropriate officials who can have access to HUD voice activated payment system. The HUD voice activated payment system has been especially designed to help the recipient when calling in for a request of funds and improves the payment process so the recipient will know right away whether their request will be paid or not. This information collection is required under 24 CFR Subpart C, 85.21 - Post Award Requirements, the information collection is needed in order to obtain or retain a benefit.

1. Voucher Number: **039 023988**

3. Period Covered by this Request (mm/yy):
from: **03/11** to **03/11**

4. Recipient Organization's Name : **City of Gary
Department of Community Develop.**

4b. Recipient Organization's Address: **839 Broadway, Suite 302N
Gary, IN 46402**

4a. Recipient organization's Employer Identification Number:
35-6001040

5. Balance on Hand :
\$ 0.00

6. Voice Response No. (5 digits, hyphen, 5 digits) :											Grant or Project No:	Amount :	(dollars)	(cents)	
0)	0	6	7	0	7	-	3	9	0	0	1	IN LHBO41908	\$	74,606	* 51
(2)															*
(3)						-									*
(4)															*
(5)						-									*
(6)						-									*
(7)						-									*
(8)															*
(9)															*
(10)															*

Voucher Total: **\$ 74,606 *51**

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012;

31 U.S.C. 3729, 3802) 7. Name & Title of Authorized Signatory (type or print clearly)
Adrian Yates, Fiscal Manager

3/14/11
Date of Request

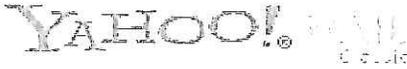
Adrian Yates

Privacy Act Statement: Public Law 97- 55, Financial Integrity Act, 31 U.S.C. 3512, authorizes the Department of Housing and Urban Development (HUD) to collect all the information (except th Social Security Number (SSN)) which will be used by HUD to protect disbursement data from fraudulent action The purpose of the data is to safeguard the Line of Credit Control System (LOCCS) from unauthorized access. The data are used to ensure that individual who n ir access capability promptly deleted. Failure to provide the information requested on the form may delay the processing of your approval for access to LOCCS. While the provision of the SSN is voluntary, HUD uses it as a unique identifier for safeguarding the LOCCS from unauthorized access. This information will not be otherwise disclosed or released outside of HUD, except as permitted or required by law.

Retain this form in your records for audit purposes

form HUD-27053

RE: Request for drawdown (approved) - 'att.net Mail'



Verification by HUD

Tuesday, March 15, 2011 9:50 AM

RE: Request for drawdown (approved)

"Beatty, Frazier B" <Frazier.B.Beatty@hud.gov>

"Adrian Taylor" <taylor.adrian@sbcglobal.net>

INLHB041908 CITY OF GARY
Lead-Based Paint Abatement (LBA)

User: F. Beatty

Voucher 039023988 is approved.

General

Region: 11 WASHINGTON LBP
Office: 98 HEADQUARTERS
Tax ID: 35-6001040 → LBA
DUNS: 196116268
VRS No: 06707-39001

Authorized:	3,000,000.00
YTD Disbursed:	1,542,507.59
In Process:	74,606.51
Balance:	1,382,885.90

Recovery Act Grant - Funded under the 2009 American Recovery and Reinvestment Act (ARRA).

Program Area Level Payment Information

LOCCS Created: 04-16-2009
Effective Date: 04-01-2009

ABA No.: 0740-0001-0
CHASE
Account No.: 816486286 Checking
Pymt Mthds: ACH

Contractual Organization Tax ID: 35-6001040

CITY OF GARY
401 BROADWAY
GARY, IN 46402-0000

Payee Organization Tax ID: 35-6001040

- same as above -

Correspondence Mailing Address

- same as contractual-

\$1,617,114.10

From: Adrian Taylor [mailto:taylor.adrian@sbcglobal.net]
Sent: Monday, March 14, 2011 2:35 PM
To: Beatty, Frazier B
Subject: Request for drawdown

Beq. YTD - 1,542,507.59 +
pending - 74,606.51 +
Ending YTD - 1,617,114.10 *

Please review and process this drawdown request. I am faxing a copy of the attachments.

Adrian R. Yates, Fiscal Manager
City of Gary, Department of Community Development
839 Broadway, Suite 302 N
Gary, IN 46402
(219) 881-5075
(219) 881-5085 (Fax)

**PART 3
FINANCIAL REPORTING
HUD Lead Hazard Control Grant Funds**

Grant Agreement Number:	INLHB041908
Grantee Organization:	City of Gary, Department of Community Development
Report Period:	x Jan 1 – Mar 31 Jul 1- sep 31 year 2011 Apr 1 – Jun 30 Oct – Dec 31

BUDGET CATEGORIES*	NEGOTIATED BUDGET	EXPENDED THIS PERIOD*	EXPENDED TO DATE*	AVAILABLE BALANCE
1. Personnel (Direct Labor)	\$190,524.86	\$ 2,219.14	\$ 102,593.44	\$ 87,931.42
2. Fringe benefits	\$ 38,831.40	\$ 320.34	\$ 8,939.46	\$ 29,891.94
3. Travel	\$ 5,160.00	\$ 89.47	\$ 4,247.51	\$ 912.49
4. Equipment	\$ 23,320.00	\$	\$ 23,027.99	\$ 292.01
5. Supplies and materials	\$ 27,025.00	\$ 215.56	\$ 23,258.89	\$ 3,766.11
6. Consultants				
7. Contracts / Sub-Grantees /				
7a. Amereco Inc.	\$ 1,650.00	\$	\$ 1,650.00	\$ 0.00
7b. Gary Health Dept.	\$ 169,150.00	\$	\$ 29,282.88	\$ 139,867.12
7c. Greentree Env. Svcs.	\$ 160,000.00	\$ 1,920.00	\$ 83,825.00	\$ 76,175.00
7d. Environment Mgt. Inst.	\$ 16,650.00	\$ 1,200.00	\$ 16,650.00	\$
7e. Renee Sallee	\$ 8,640.00	\$	\$ 8,189.76	\$ 450.24
7f. Indiana Dept. of Health	\$ 3,250.00	\$ 150.00	\$ 2,850.00	\$ 400.00
7g. Alverno Clinical	\$ 1,200.00	\$	\$ 792.00	\$ 408.00
7h. Rosemarie Walker	\$ 33,918.00	\$ 1,692.00	\$ 11,898.00	\$ 22,020.00
7i. Christina Lyn Collins	\$ 22,505.00	\$	\$	\$ 22,505.00
Subtotal Item 7 SEE ATTACHED SHEET	\$ 1,085,767.15	\$ 66,800.00	\$1,075,567.15	\$ 10,200.00
8. others Direct Costs	\$ 224,282.00	\$	\$ 224,282.00	\$
9. Indirect Costs			60.02	-60.02
10. TOTALS	\$ 2,011,873.41 10 a	\$ 74,606.51 10 b	\$1,617,114.10 10 c	\$ 394,759.31 10 d

LEAD GRANT DRAWDOWNS REPORT

<u>LOCCS VOUCHER NUMBER</u>	<u>REQUESTED AMOUNT</u>	<u>RECEIPT DATE</u>	<u>RECEIPT NUMBER</u>
039 023578	\$ 2,112.28	01/21/11	248600
039 023722	\$ 66,630.82	02/08/11	249530
039 023791	\$ 15,231.63	02/17/11	249946
039 023860	\$ 9,351.58	03/03/11	250633
039 023988	\$ 74,606.51	03/17/11	251184
039 024077	\$ 23,824.69	03/28/11	251679
039 024099	\$ 2,257.30	03/29/11	251720
1ST QUARTER TOTAL	\$ 194,014.81		

TOTAL DRAWN AS OF DECEMBER 31, 2010	\$ 1,449,181.28
TOTAL DRAWN THIS QUARTER	\$ 194,014.81
TOTAL DRAWN AS OF MARCH 31, 2011	<u>\$ 1,643,196.09</u>

**OFFICE OF HEALTHY HOMES AND LEAD HAZARD CONTROL
 GRANTEE QUARTERLY PROGRESS REPORT**

Grant Program:	Lead Hazard Control	
1. Grant Agreement Number:	INLHB0419-08	
2. Grantee Organization:	City of Gary, Department of Community Development	
3. Type of Organization	City Government	
4. Special Sources	ARRA	
5. DUNS Number	196116268	
6. Project Title:		
7. Organization Address	839 Broadway Gary IN 46402 219-881-5075	
8. Report Period:	Jan 1 - Mar 31	Year 2011
9. Project Period of Performance: (Start - Expiration Date)	9a. Original	9b. Current
	04/15/2009 - 04/14/2012	
10. Total Grant Amount:	10a. Original	10b. Current
		\$3,000,000.00
11. Cumulative Federal Grant Funds Drawn (LOCCS) Through End Date of Report Period:	11a. Dollar Amount	11b. Percentage of Total
	\$1,536,262.14	51.21%
12. Number of Projected Units per HUD Grant Agreement (HUD 1044)	177	
13. Cumulative Number of Units Completed Through End of Report Period:	13a. Units Completed	13b. Percentage of Total
	79	44.63%
14. Project Manager:	Tracey Gillis 219-881-5075 traceygillis641@hotmail.com	

Quarterly Report Narrative Overview

General Instructions

Part 1

A. Project Management

Within the context of the current work plan and grant agreement, summarize your overall progress in completing your project/study. As part of your summary, please address the topics listed below, as applicable.

A1. Describe any obstacles to performance and measures taken to overcome those obstacles:
 Several major and unforeseen obstacles were presented to the LF4M program this quarter. A key member of the contracted environmental services vendor experienced a medical emergency virtually halting an expected influx of lead inspections/ risk assessments for three weeks. The wheels of our municipality's finance system turned slowly this year resulting in the Program's books not opening until the last week of February. The only measure that could be taken to overcome the obstacles presented was to work harder than ever.

A2. Describe efforts to enhance the coordination and integration of lead hazard control work with other housing, health, and environmental programs (i.e. childhood lead poisoning prevention programs, health and housing code enforcement, housing rehabilitation, weatherizations, etc.). Describe other services to be provided such as blood lead screening and community education and outreach; intra- and inter- agency partnerships and public and private partnerships.

Coordination and integration of the Lead program with existing departmental housing rehab programs is underway due mostly to federal requirements regarding Lead in CDBG, NSP and HOME projects. The integration will have a substantial affect on our final unit numbers, match obligations and dollars spent. Northwest Indiana Community Action Corporation is now actively onboard as a partner providing weatherization services to those clients having received lead work. The partnering of the two programs within a single unit will have a monumental impact on families participating in the Lead Program . Our primary outreach and referral partner the Gary Health Department continuesalth

Department's Childhood Lead Prevention Program continues to identify and refer residential units with children 6 years & under and pregnant women with elevated lead blood levels to the program. Outreach by partners is gaining momentum for a massive Spring effort. We look forward to the expansion of our program to include more outreach, weatherization, and legislation.

A3. Describe the availability of lead-based paint contractors in your area. Describe activities you have taken to increase the number of contractors available to provide lead hazard control work as part of your grant. Our (Lead) Contractor Enhancement Program has made notable and significant strides in increasing the number of lead based paint contractor in the area. Where there was none, there are more than 10 Certified Lead Abatement Firms and close to forty (40) persons trained, licensed and working as lead abatement workers and supervisors. Both workers and supervisors have been certified under the EPA's RRP rule.

A4. Describe any changes in key personnel in the program, and among sub-grantees or other entities directly involved in your grant program and its impact. Provide information on any new program participants, including resumes of key individuals. (Include letters of commitments, MOUs, or other arrangements with community-based organizations and other partners.) Describe any significant changes to the work plan or budget that have occurred. Describe methods used to collect program data and what criteria were used to evaluate the performance of your grant program. Describe the effectiveness of the financing mechanisms used in enrolling property owners, including owners of rental properties, in the program. Describe any efforts undertaken to develop and utilize a lead-safe housing registry. (Include information on the number of units included, the public availability of the system, and examples of how the registry has been used.) Describe any proposed or actual changes in State or local laws, regulations, or policies that may affect your grant program. There have been no changes in key personnel or with entities directly involved in the grant. Discussions with new community based organizations are on-going. There have been no changes to our work plan or budget. Data collected from intake records, blood draws, inspection reports, contract awards, and etc. is placed in an continually updated database and evaluated regularly to make sure proposed benchmarks are being met. The Program is a 100% grant program and we have found it to be totally effective in the enrollment of property owners. We hope to soon be able to develop a lead safe housing registry. Thus far there are no proposed or actual changes in State or local laws, regulations, or policies that may affect our grant program.

A5. Describe the types of jobs created and jobs retained. "Jobs or positions created" means those new positions created and filled, or previously existing unfilled positions that are filled, as a result of this grant funding. "Jobs or positions retained" means those previously existing filled positions that are retained as a result of this grant funding. This description may rely on job titles, broader labor categories, or the contractor's existing practice for describing jobs as long as the terms used are widely understood and describe the general nature of the work. These jobs relate to the numbers of jobs included in Item A6 and A7 below.

The first entry should include discussion of Employment Baseline, the number of jobs that existed when the grant agreement was signed. Subsequent reports will not have to repeat that information.

Copied from previously submitted Quarterly Progress Report - Oct 1 - Dec 31, 2010:

Existing filled positions are as follows: Program Director, Program Manager, Project Coordinator, Nurse Coordinator, Fiscal Officer, Inspector, Program Evaluator, Environmental Specialist and an intake specialist.

A6. **Employment Baseline.** The number of jobs that existed at the signing of the grant agreement.

Baseline employment	Jobs - At beginning of award	Green Jobs - At beginning of award
Grantee	0	0
First tier sub-grantees and contractors	0	0

A7. **Job Creation and Retention**

Enter the number of jobs created and retained by you, the Grantee, and your first tier sub-grantees and contractors.

Activity- number of jobs funded under the grant	Jobs - This Quarter	Jobs - Cumulative	Green Jobs - This Quarter	Green Jobs - Cumulative
Created in your agency	a. 0	e. 1	i. 0	m. 0
Created by first tier sub-grantees or contractors	b. 0	f. 5	j. 0	n. 0
Retained in your agency	c. 8		k. 0	
Retained by first tier sub-grantees or contractors	d. 2		l. 0	

Quarterly Report Narrative Overview

B. Community Education, Outreach and Training

B1. Describe education and outreach activities and events completed this quarter. Discuss the expected results of your efforts. Describe your outreach efforts at reaching specific groups you have targeted (door-to-door), presentations, training, broadcast media, mailings) and the intended recipients of this outreach (tenants, landlords, parent groups, child-care providers). These activities should be included in Item B5 below.

(Outreach activities were performed in conjunction with an Indiana State Department of Health grant).

Health Care Providers- Presentations were conducted for the staff of three (3) Women, Infant and Children (WIC) Clinics and (1) Managed Health Care Organization Community Meeting. Topics discussed included the dangers of lead, the importance of having at-risk children tested for lead poisoning, and the Lead Free 4Me Program.

Schools & Parent Groups, Places of Worship-The GHD collaborated with three (3) preschools/schools to raise parent/caregiver lead poisoning prevention awareness, perform blood lead testing and increase Lead Free 4Me program recognition. "Keep your child safe from lead, Channing-Bete, March 2009 edition) and Test Your Home, Test Your Child" postcards were distributed to fifty-seven (57) parents/guardians of children ages 6 years old and younger.

On-site blood lead testing was conducted at the three events. Twenty-six (26 children were tested at the events). None of the children tested had blood lead levels greater than 10 mcg/dL.

Landlords/Property Owners/Housing Corporation- The Housing Choice Section 8 Voucher Program agreed to place a Lead Free 4Me pamphlet in the February 2011 check envelopes of 1000 Section-8 landlords.

Community or Target Area Wide- The GHD provided information regarding lead poisoning prevention and the Lead Free 4Me Program at five (5) community venues, distributing (107) "Lead Poisoning and Your Children" (United States Environmental Protection Agency) pamphlets.

Real Estate Professionals- Mailings were sent to nine (9) realtors containing Lead Free 4Me pamphlets and applications

Other-Pregnant Women- Forty-five(45)participants of the local Prenatal Care Coordination Program were contacted via telephone to educate them about the effects of lead poisoning and the importance of having young children tested according to Centers for Disease Control/Indiana State Department of Health recommendations, and housing remediation assistance available through the Lead Free 4Me Program. Ten (10) existing children of the prenats were brought into the Gary Health Department for testing. None of the children tested had blood lead levels greater than 10 mcg/dL.

B2. Describe outreach techniques and/or particular methods, materials, and formats that have proven to be most effective (copies of any media coverage and materials, including press clippings, should be submitted to the Office of Healthy Homes and Lead Hazard Control, Attn: Data and Information Manager).

Scheduled meetings with the staff of local health care agencies that share the mission of reducing the incidence of lead poisoning to discuss strategies to overcome barriers to testing and to encourage increased promotion of Lead Free 4Me Program activities.

B3. Describe training efforts completed this quarter. Discuss the types of training provided and any certifications received. These efforts should correspond to Item B4 below.

The mission of the Lead Free 4Me Program is to build a strong contractor pool. This quarter four contractors were trained as Lead Abatement Supervisors.

B4. Skills Training and Economic Opportunities

Skills Training Conducted (For Report Quarter)	Number of Individuals Trained	Number of Individuals Employed as a Result of Training	Cumulative Total
Low-Income Individuals	B4a. 0	B4b. 0	B4i. 0
Property Owners / Tenants / Remodelers / Renovators / Maintenance Workers	B4c. 0		B4j. 0
Lead-Based Paint Contractors	B4d. 4		B4k. 74
Grant Program & Partnering Entities Staff	B4e. 0		B4l. 2
Lead-Safe Work Practices (1012-1013)	B4f. 0		B4m. 20
Other (specify)	B4g. 0		B4n. 0
Total Trained this Quarter	B4h. 4		B4o. 96

B5. Community Education and Outreach Activities

Target Audiences	Activities Conducted (For Report Quarter)	Number of Events	Number of Individuals Reached	Cumulative Number of Events
Health & Child Care Providers	B5a. Presentations/Educational Site Visits	B5m. 4	B5b. 25	B5v. 22
Schools, Parent groups, Places of Worship	B5c. Distribution of brochures to parents & blood lead testing	B5n. 3	B5d. 57	B5w. 69
Landlords / Landlord Groups, Tenants / Tenant Groups, Housing Corporations	B5e. Lead Free 4Me Pamphlets included in Section 8 landlord checks	B5o. 1	B5f. 1000	B5x. 9
Community or Target Area Wide	B5g. Presentations/ Distribution of brochures to parents	B5p. 5	B5h. 107	B5y. 36
Real Estate Professionals	B5i. Direct mailings to realtors	B5q. 1	B5j. 9	B5z. 5
Other (specify) Pregnant Women	B5k. Education(telephonic)/Blood lead testing	B5r. 1	B5l. 45	B5aa. 11
Total		B5s. 15	B5t. 1243	B5u. 152

Click [Help](#) for instructions about completing these questions. Explanations for any of the above entries may be included as narrative in Part 1C.

Quarterly Report Narrative Overview

C. Lead Hazard Control Activities

C1. Describe the extent to which lead hazard control activities were conducted in conjunction with other work. (i.e., rehabilitation, code correction, weatherization, etc.).

Units completed this quarter were all eligible and subsequently referred to our weatherization partner Northwest Indiana Community Action Corp.

C2. Describe the lead hazard control methods or combination of methods used. To the extent possible, describe the number of housing units completed and cleared for the methods used (e.g., low-level interventions, interim controls, hazard abatement). Discuss the lead hazard control and rehabilitation costs for units completed this quarter.

Six(6) units were completed and cleared this quarter. All used interium controls - consisting of priming, painting and cleaning. Four(4)used abatement and replacement. Ground cover, soffit and fascia were installed at four of the

units. Windows were again the biggest part of this quarter's costs. A total of 54 windows were abated this quarter.

C3. Describe any post-hazard control maintenance plans for units where lead hazard control grant work has been completed. Copied from previously submitted Quarterly Progress Report - Oct 1 - Dec 31, 2010: Copied from previously submitted Quarterly Progress Report - Jul 1 - Sep 30, 2010:

Our post hazard control plan focuses on leaving the property owner and tenant with knowledge on unit maintenance and precautionary measures that can be used to maintain a lead-hazard free environment.

C4. Lead Hazard Evaluations and Units in Progress

Activity	Number Completed This Quarter	Number Completed Cumulatively
Number of Units Receiving Lead Hazard Evaluations	C4a. 48	C4d. 173
Number of Units with Lead Hazards Identified	C4b. 45	C4e. 173
Number of units enrolled	C4c. 47	C4f. 137
Number of Units in Progress or Under Contract	C4g. 39	

C5. Lead Hazard Control - Unit Production

Number of Units Completed and Cleared	Number Completed and Cleared*	Number of Units With Other Rehab, Code work	Number of Units Where Occupants Were Relocated
Occupied Rental Units	C5a. 4	C5b. 4	C5c. 0
Vacant Units	C5d. 0	C5e. 0	
Owner-Occupied Units	C5f. 2	C5g. 2	C5h. 0
Quarter Total	C5i. 6	C5j. 6	C5k. 0
Cumulative Total (since inception of Grant)	C5l. 79	C5m. 18	C5n. 1

Click [Help](#) for instructions about completing these questions. Explanations for any of the above entries may be included as narrative in Part 1C.

C6. Age of Housing Units Completed and Cleared

Age of Housing Units Completed and Cleared This Quarter	Pre-1940	1940-1959	1960-1977	Unknown
	C6a. 3	C6b. 2	C6c. 1	C6d. 0
Cumulative Units	C6e. 53	C6f. 25	C6g. 1	C6h. 0

Click [Help](#) for instructions about completing these questions. Explanations for any of the above entries may be included as narrative in Part 1C.

C7. Occupant Information of Units Completed

Number of Occupants Residing in Units when Lead Hazard Control Work was Initiated	Children < 6 Years of Age	Children under 6 Years of Age Receiving Medicaid	Other Occupants >= 6 Years of Age (including adults)
	C7a. 32	C7b. 29	C7c. 21
Cumulative Units	C7d. 187	C7e. 156	C7f. 258

Click [Help](#) for instructions about completing these questions. Explanations for any of the above entries may be included as narrative in Part 1C.

C8. Blood Lead Values of Children

Blood Lead Values of Children Under 6 of Age Residing in Units when Lead Hazard Control Work was Initiated	BLL under 10 ug/dL	BLL between 10-19 ug/dL	BLL >20 ug/dL	Not Tested or results not available
	C8a. 31	C8b. 1	C8c. 1	C8d. 0

Cumulative Total	C8e. 180	C8f. 3	C8g. 4	C8h. 0
-------------------------	-----------------	---------------	---------------	---------------

Click [Help](#) for instructions about completing these questions. Explanations for any of the above entries may be included as narrative in Part 1C.

In addition to the quarterly report, the HUD Office of Lead Hazard Control is always interested in the accomplishments of our Lead Hazard Control grantees and in sharing these with lead poisoning prevention advocates. If you have a particular "success story" which may reflect innovative approaches in implementing your program, or if you have overcome any obstacles that would be of interest or benefit to others, please submit the information as an email attachment to grantee_quarterly@hud.gov.

Part 2
Listing of Units Completed and Cleared

Grant Agreement Number:	INLHB0419-08
Grant Organization:	City of Gary, Department of Community Development
Report Period:	Jan 1 - Mar 31 Year 2011

Please submit the following information for units that have undergone lead hazard control activities and subsequently cleared:

Lead Hazard Control -- Unit Production Using HUD OHHLHC Grant Funds

Housing Unit Counter	Housing unit information				Eligible Income		Costs			Where		What												
	Street Address	Apt #	City	State	Zip Code	Housing Unit Area	Total Number of Rooms	Over 50% and upto including	At or below	Above 80%	Lead Hazard Control Intervention	Reliab or other work	Relocation	Total Project Cost	Interior	Exterior	Soil	No. Rooms Treated	Dust cleaning only	Stabilize	Replace component	Abatement	Other	

9. Indirect Costs	0	0.00	60.00	(60.00)
10. TOTALS*	3,000,000	194,014.81	1,536,262.14	1,463,737.86

* Administrative costs included in totals expended **are not** to exceed 10-percent.



[LF4MAActivity%20ReportJanFebMar2011\(2\).xls](#) [LHC_Gary2008\(1\) logic model.xlsm](#) [ATTNKVOJ.xlsm](#)



City Of Gary

Department of Finance

401 Broadway

Gary, Indiana 46402

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

RUDY CLAY

Mayor

GERALDINE B. TOUSANT

Deputy Mayor

M. CELITA GREEN

Director of Finance

MICHELE ROBY

Chief Accountant

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO.2009-2 CONTROL OVER MACTCHING REQUIREMENTS, BROWNFIELDS CLEANUP REVOLVING LOAN FUND

Federal Agency: U.S. Environmental Protection Agency

Federal Program: Brownfield's cleanup Revolving Loan Fund

CFDA Number: 66.818

Award Numbers: BF965222-01-0

Auditee Contact Person: M. Celita Green

Title of Contact Person: Director of Finance

Response: The City concurs with the finding and the following action has been taken to correct the findings. In December 2010, the City met the required cash match for the Brownfield's Cleanup Revolving Loan Fund grant. We disbursed \$50,000 as required under the agreement.

The status of the remaining \$100,000 is uncertain. We have contacted Gary Sanitary District and Empowerment Zone to secure the remaining amount of \$100,000 but to date have received no commitment.

M. Celita Green, Director of Finance

Date

Attachments:

Vendor: 149980 BROWNFIELDS REVOLVING LOAN FND
Entr By: DFLORES 839 BROADWAY STE N206
F11. Note Pad

Seq: 9998 PAID
Xref:
Appr/Hold: (H, ' ' or P)

Claim#: 64680 GARY IN
A/P Acct: 20200
Description: GRANT MATCH

46402
Pymt Sel Cds: A 1099 Pmt:
F4. Vend Ref: BROWNFIELDS
Purchase Order: 31755
Claim Total: 50,000.00
Disc Amount:
50,000.00

Date: 122810
Disc Date:
Pay Date: 122910 Check #: 198237 Rqstr: CAREY Amt:

Yr	Fnd	F	Prgm	Acct	Objct	Dept	B	Title	Amount	Bank
10	101			43900	43940	600		GRANTS & S	50,000.00	11

ENTER=Next, F10=Modify, F24=Help, F16=Exit



City Of Gary

Department of Finance

401 Broadway

Gary, Indiana 46402

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

RUDY CLAY

Mayor

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Deputy Mayor

M. CELITA GREEN

Director of Finance

MICHELE ROBY

Chief Accountant

INTEROFFICE MEMORANDUM

TO: RINZER WILLIAMS
FROM: CELITA GREEN
SUBJECT: AUDIT FINDING 2009-2 BROWNFIELD'S CLEANUP REVOLVING LOAN FUND GRANT AGREEMENT
DATE: 12/22/2010
CC: ROXANNE WILLIAMS

Dear Mr. Williams:

As part of the agreement under the Brownfield Assessment and Cleanup Cooperative program, Gary Sanitary District is required to match \$50,000 of the \$200,000. As of December 16, 2010, the \$50,000 is still outstanding.

In effort to reduce the \$50,000, the City is requesting authorization to use available allocated funds from GSD WR Community Development and GSD WR Loan Guarantee accounts, totaling \$16,047.97 to cover a portion of the amount due. If permission is granted, it will decrease your balance to \$33,952.03. The remaining balance of \$33,952.03 must still be paid by December 31, 2010. We know you are committed to meeting your obligation as prescribed and outlined by the Grantor.

In addition, as stated by CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act) 104(k) (9) (B) (iii) requires the recipient of this cooperative agreement to pay a cost share (which may be in the form of a contribution of money, labor, material, or service from a non-federal source) of at least 20 percent (i.e., 20 percent of the total federal funds awarded).

We await your immediate response to this pressing matter via email or interoffice memo. Thank you in advance for your cooperation.

Regards,

Celita Green
City Controller

Roxanne Williams

From: Roxanne Williams
Sent: Wednesday, December 22, 2010 12:15 PM
To: Rinzer Williams
Cc: Celita Green; Romeka Bonds
Subject: Brownfield Cleanup Grant
Attachments: Brownfield Cleanup.doc

Importance: High

Tracking:	Recipient	Read
	Rinzer Williams	
	Celita Green	Read: 12/28/2010 4:04 PM
	Romeka Bonds	

Hello,

Please see the attachment.

Thanks,
Roxanne Williams,MSA
City of Gary, Office of Finance
Analytical Accountant
(219) 881-1363



City Of Gary

Department of Finance

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Gary, Indiana 46402

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RUDY CLAY

Mayor

GERALDINE B. TOUSANT

Deputy Mayor

M. CELITA GREEN

Director of Finance

MICHELE ROBY

Chief Accountant

INTEROFFICE MEMORANDUM

TO: SCOTT UPSHAW
FROM: CELITA GREEN
SUBJECT: AUDIT FINDING 2009-2 BROWNFIELDS CLEANUP REVOLVING LOAN FUND GRANT AGREEMENT
DATE: 12/22/2010
CC: ROXANNE WILLIAMS

Dear Mr. Upshaw:

As part of the agreement under the Brownfield Assessment and Cleanup Cooperative program, Empowerment Zone is required to match \$50,000 of the \$200,000. As of December 16, 2010, the \$50,000 is still outstanding.

We know you are committed to meeting your obligation as prescribed and outlined by the Grantor. We recommend that arrangements be made to pay at least \$10,000 (20% of the \$50,000) or all of the \$50,000 owed by December 31, 2010.

In addition, as stated by CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act) 104(k) (9) (B) (iii) requires the recipient of this cooperative agreement to pay a cost share (which may be in the form of a contribution of money, labor, material, or service from a non-federal source) of at least 20 percent (i.e., 20 percent of the total federal funds awarded).

We await your immediate response to this pressing matter via email or interoffice memo. Thank you in advance for your cooperation.

Regards,

Celita Green

City Controller



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Department of Finance

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RUDY CLAY

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M. CELITA GREEN

Director of Finance

GERALDINE B. TOUSANT

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MICHELE ROBY

Chief Accountant

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO.2009-3 PROCUREMENT, SUSPENSION AND DEBARMENT-COPS TECHNOLOGY GRANT

Federal Agency: U.S. Department of Justice

Federal Program: Public Safety Partnership and Community Policing Grants

CFDA Number: 16.710

Award Numbers: 2004-CKWX-0085

Auditee Contact Person: M. Celita Green

Title of Contact Person: Director of Finance

Response: The City concurs with the finding and the following action will be taken to improve the situation.

In 2010, Finance had changed in personnel. The Internal Auditor was responsible for establishing and implementing policies and procedures to prevent the potential of disbarred or suspended vendors from being paid from federal funds, left the position in 2010.

During the transition, the Analytical Accountant has established written policies and procedures regarding suspension and debarment. The City will consolidate the new procedures into our purchasing manual that has been made available to all department heads and City agencies as of May 10, 2011 and effective immediately but no later than 6/01/2011.

The policy and procedures outlines the required criteria needed during the procurement process for organizations and individual receiving governmental contracts, loans, grants and other assistance programs.

Each City department or agencies is responsible for checking the contractor or vendors status against the federal debarment and suspension list by accessing the Excluded Parties List System (EPLS) website at www.epls.gov/epls/search.

City department and board shall use supporting documents before awarding and accepting bids and contracts.

The new guidelines are aimed at eliminating suspended or disbarred vendors from doing business with the City and being paid with federal funds. We respect, adhere to and enforce the rules, policies and guidelines established under the federal assistance programs or grants.

M. Celita Green, Director of Finance

Date

Attachments:



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Department of Finance

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RUDY CLAY

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GERALDINE B. TOUSANT

Deputy Mayor

M. CELITA GREEN

Director of Finance

MICHELE ROBY

Chief Accountant

INTEROFFICE MEMORANDUM

TO: ALL DEPARTMENT AND AGENCIES

FROM: ROXANNE WILLIAMS

SUBJECT: IMPEMATATION OF SUSPENSION AND DEBARMENT POLICY; PROVISION FOR 28 CFR 66.35

DATE: 5/10/2011

CC: GERALDINE TOUSANT; ARLENE COLVIN; CELITA GREEN; SUSAN SEVERTSON; MARIANETTA BARBER; CARL JONES; MICHELE ROBY; KAREN TINSLEY; CHRISTOPHER MEYERS; KATRINA STINSON

Dear All:

Attached to this memo is the policy and procedures outlining the required criteria needed for organizations and individuals receiving governmental contracts, loans, grants and other assistance programs.

Purpose: This policy is intended to provide guidance regarding processing procedures for departments and agencies.

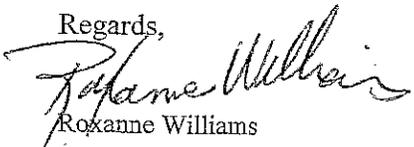
Scope: This memorandum applies to all City of Gary's Departments Heads and Agencies, should therefore ensure that the attached policy is implemented along with the purchasing policy requirements.

Nature: The Office of Controller has implemented a policy to ensure that all requests for contracts and awards follow the necessary procedures needed in advance of receiving approval. The policy is effective immediately but no later than 6/01/2011.

Goal: The policy will aim to eliminate potential risk of losing future federal funds.

I trust this information will be useful. If you have any questions about this memorandum or policy, please free to contact me at (219) 881-1363.

Regards,


Roxanne Williams

4.2.1 Suspension and Debarment Policies

The City is prohibited from doing business with individuals/recipients/ companies including subsidiaries, and parent companies who pose a business risk to the government as stated under the Suspension and Debarment.

28 CFR 66.35 states: "Grantees and sub- grantees must not make any awards or permit any award (sub grant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension".

Suspension and Debarment actions prevent organization and individuals from participating in government contracts, subcontracts, loans, grants and other assistance programs.

Suspension is temporary actions which may last up to one year and are effective immediately. Suspensions may be indictments, information or adequate evidence involving environmental crimes, contract fraud, embezzlement, theft, forgery, bribery, poor performance, non performance, or false statements.

Debarment results in the imposition of a set period of time decided on a case by case basis. Debarment is based upon convictions, civil judgments or facts based cases involving environmental crimes, contract fraud, embezzlement, theft, forgery, bribery and collusion on prices, poor performance, non performance, or false statements as well as any other offenses that indicates lack of business integrity.

4.2.2- Suspension and Debarment Procedures

In effort, to ensure the City is in compliance practices with Suspension and Debarment policy. It is the agency responsibilities prior to entering into a contract that the following procedures must be followed:

1. Agencies shall inform the City Attorney's Office that the contract will use federal grant funding and therefore the contract shall include a standard clause certifying that the, vendor, contractor and subcontractor is not suspended or debarred.
2. Departments shall notify the Purchasing Department that the purchase order will utilize federal funds and therefore the purchase order shall include language certifying that vendors, contractors or subcontractors are not suspended or debarred.
3. Agencies shall verify and document the vendor, contractor and subcontractor is not suspended or debarred by accessing the Excluded Parties List System (EPLS): [www. epis.gov/epis/search](http://www.epis.gov/epis/search). Agencies shall document this verification. The supporting document must be attached or included with all Quotes, Bids, Awards and Contracts. The search should included the following information and printed as proof of eligible or ineligible:
 - a. Name (s),addresses, state of all vendor, contractors or subcontractors

Eligible candidates will be displayed as "Your search returned no results".

- b. Name(s) , addresses and state of all vendor /contractors debarred or suspended, proposed for debarment, or declared ineligible;
 1. Name of the agency or other authority taking the action;
 2. Cause for the action;
 3. Termination date for each listing.

4.2.3 Awards in Violation of Suspension and Debarment

1. Prior to award; if prior to award, it is discovered that propose award of a contract is in violation of compliance, then the pending award shall either be voided or canceled.

2. After Award; if after an award is offered; it is determined that award of a contract is violation of regulations, and then if the individual or firm awarded the contract has acted fraudulently or in bad faith at the decision of the City:

- a. The contract may be ratified and affirmed, provided it is determined that doing so is in the best interest of the City or
- b. The contract may be terminated or void.



CITY OF GARY

PROCUREMENT, SUSPENSION AND DEBARMENT

STATUS VERIFICATION FORM

Name of Vendor/Contractor: _____

Address: _____

City, State, Zip: _____

STATUS OF SUSPENSION AND DEBARMENT:

Disbarred: YES NO

Suspended: YES NO

Other (explain): _____

POTENTIAL CONTRACT INFORMATION:

Summary of Services: _____

Name of Federal Grant: _____

Amount to be paid for services: _____

Signature of Department Head or Designated Employee

Date Verified



City Of Gary

Department of Finance

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RUDY CLAY

Mayor

M. CELITA GREEN

Director of Finance

GERALDINE B. TOUSANT

Deputy Mayor

MICHELE ROBY

Chief Accountant

CORRECTIVE ACTION

FINDING NO. 2010-1, SUSPENSION AND DEBARMENT

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

Federal Program: Community Development Block; Grant/Entitlement Grants;

ARRA-Community Development Block Grant AARA Entitlement Grants (CDBG-R)

CFDA Number: 14.218, 14.253

Award Numbers: B-09-MC18005, B-08-MN-18-0005, B-08-MN-18-0005,
B-09-MY-18-0005

Auditee Contact Person: M. Celita Green

Title of Contact Person: Director of Finance

The City concurs with the finding and recommendation. Currently, the City of Gary has a suspension and debarment policy and procedures in places.

The following actions will be taken to improve the suspension and debarment policy and procedures:

-Provide training and guidance to departments and agencies to improve consistency and documentation during the bidding and award process.

-Use supportive verification of document for suspension and debarment and included in contracts.

-Monitor and reinforce agencies participation in the Government wide Excluded Parties List System (EPLS) during the procurement process.

We are certain that the corrective actions taken will eliminate potential risk of losing future federal funds.


M. Celita Green, Director of Finance

8/15/11

Date



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RUDY CLAY

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Deputy Mayor

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Director of Finance

MICHELE ROBY

Chief Accountant

CORRECTIVE ACTION

FINDING NO. 2010-02, PROCUREMENT/DAVIS BACON

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Program Title: Neighborhood Stabilization Program (NSP1)
Award Numbers: B-08-MC-18-0005, B-09-MC-18-0005

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

The City concurs with the finding and recommendations and the following actions will be taken to improve Procurement/Davis Bacon:

The City of Gary Department of Community Development currently has in place Policy and Procedure with regard to General Plans and Scope of work for all projects determined to be eligible for funding through CDBG. The following will be instituted to ensure projects are properly bid, inclusive of the entire scope and Davis Bacon is in place where applicable in ALL contractual agreement and payment packages as follows:

- a. All projects for rehabilitation ranging from \$1.00 to \$25,000.00 are subject to inspection by the Construction Manager and/or Construction Inspector for the purpose of determining to scope of work and cost estimate. ALL Projects under any entitlement program exceeding the \$25,000.00 threshold for rehabilitation will be submitted to the City of Gary Board of Public Works for processing and publication and awarding of contractual agreement. **Note:** Residential Rehabilitation does not trigger Davis Bacon at \$2,000.00 threshold. Public Facilities/Parks etc., trigger Davis Bacon at the \$2,000.00 threshold.
- b. Upon completion of the determination of Scope of work the Construction Department Manager and/or Inspector prepares a "cost estimate. This estimate must be inclusive of the entire project. Work cannot be divided into sub-section, and the only exclusion would be "**Work Order Change**". This change would only allow for 20% of the original cost estimate of the entire project. Work order changes over the 20% threshold would be required to re-bid.
- c. The scope of work and cost estimate are reviewed by the Department Manager and upon the development of quotes and bids scopes and any project will be forwarded to the Board of Works. The Board of Public Works will advertise, open bids and awards.

- d. All bid packages will contain Davis Bacon information, and all bid packages are made available at the front desk of the Department of Community Development 839 Broadway- Suite 302N, Gary, Indiana.
- e. Publication inclusive of all projects under entitlement funding dollars are placed in the Post Tribune and/or the Times news paper. The Publication is inclusive of the wording "General Contractors", as the Department will only contract with Licensed and Bonded General Contractors. Contractors are verified through the City of Gary Building Department, as well as Federal to ensure contractor has not been suspended or disbarred.
- f. All bids must be sealed and submitted to the indicated location on the time and by the time so indicated on the Bid Package. All bids are stamp filed the date of receipt of same.
- g. The Construction Manager and the Construction Inspector are responsible for reviewing and making a recommendation to The Board of Work as the lowest/most responsive Bid. Note: that the lowest bidder may not be the most responsive. The bid must be within 20% high or low of the original cost estimate to be considered.
- h. Should the awarded bid not go to the lowest bidder, the Construction Manager will note for the record, in writing the rationale for awarding of the bid for future audit purposes and list all amounts received.
- i. The Department of Community Development will adhere to the City of Gary Procurement Process and all contractual agreements will be reviewed by the Legal Council prior to publication; acceptance of bids, opening of bids, awarding of bids and execution of contractual agreements. The check list sheet for each step must be signed and/or initialed by Legal Council.

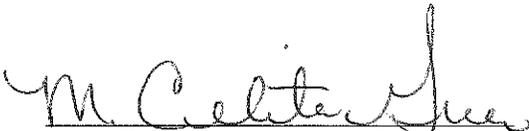
Awarding on Contractual Agreement and Payment Package

- a. The General Contractor will be notified in writing (if not present at the awarding) of a successful bid.
- b. Legal Council for Department of Community Development will prepare and/or review all contractual agreements prior to the execution of same. All Stipulations inclusive of Davis Bacon reporting are incorporated in the written contractual agreement.**
- c. Upon execution of the agreement, which must be signed by the Director, the General Contractor, Legal Council and homeowner (if party to agreement) in order to be fully executed, a copy will be kept in the Central file for that activity, a copy to the Finance Department for the opening of Purchase Order.
- d. The Notice to proceed will be issued by the Construction Department along with **Davis Bacon Information** for reporting of wages/salaries.
- e. The Construction Manager/Housing Specialist and Fiscal Manager will be responsible for processing of claims by the General Contractor upon completion and partial waiver liens. **No claim requiring Davis Bacon reporting will be processed without the payroll information** in accordance with 29 CFR 5.5(a) and 29 CFR 5.5(a) (3) noting failure is grounds for disbarment pursuant to 29 CFR 5.12. Copy of Davis Bacon payroll must be maintained in the Central File and copy must be submitted to the Construction Manager for Annual Davis Bacon Report.
- f. ALL final payment packages must be tabulated by the Construction Manager; Housing Specialist

and Fiscal Manager prior to making final payment. A Payment tabulations sheet/tape must be completed and signed by Construction Manager, Housing Specialist and Fiscal Manager to ensure no overpayment of any package. No final payment package will be signed by the Director without all tabulation sheets to ensure no overpayment of any file.

- g. The City of Gary Department of Community Development will review files for Public Facilities and park improvement facilities activities, obtain all payrolls to ensure employees were paid in accordance with basic rate, plus fringe, (Davis Bacon) and clear any such disparity as verified.

We are certain that the corrective actions taken will eliminate potential risk of losing future federal funds.


M. Celita Green, Director of Finance

8/18/11
Date



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Department of Finance

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RUDY CLAY

Mayor

GERALDINE B. TOUSANT

Deputy Mayor

M. CELITA GREEN

Director of Finance

MICHELE ROBY

Chief Accountant

CORRECTIVE ACTION

FINDING NO. 2010-03, PROCUREMENT NSP 1

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Program Title: Neighborhood Stabilization Program (NSP1)
Award Numbers: B-08-MN-18-0005

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

The City concurs with the finding and recommendations. The Department of Community Development hereby responds with the following corrective action:

Issue: The properties acquired through the Neighborhood Stabilization program were acquired in accordance with NSP regulations. The Department of Community Development did in fact advertise for bids in accordance with the City of Gary procurement process. The properties scheduled for rehabilitation were all single family dwellings, none of which triggered Davis Bacon. The awarded contracts were not presented to the Board of works, and further all contracts were not awarded to "lowest" bidder. Further concerns was the "change order totaling \$11,700.00 which represented 35% change in the project

Correction item #1 Bid awards : The City of Gary Department of Community Development has established additional policy procedure to ensure all contracts exceeding the approved \$25,000.00 allocation for eligible activities are executed through the Board of Works as follows:

- a. All scope of work cost estimates are to be reviewed by the Construction Manager, Compliance Manager and Fiscal Manager to ensure the dollar amount does not exceed \$25,000.00.
- b. All cost estimates exceeding the \$25,000.00 threshold will be forwarded to the City of Gary Board of Public Works for processing in accordance with the City of Gary Procurement procedure.
- c. Contracts which exceed the \$25,000.00 threshold which have NOT been executed and signed through the Board of Works will not be utilized by the Fiscal Manager for the purpose of opening a Purchase order and/or setting up the activity until such time as a properly executed agreement has been completed. Thereby allowing for additional check and balance within the department.

Correction item #2: **FURTHER Correction Change Orders:** **Bids will contain written explanation** with regard to the award to those contractors who are not the "lowest" bidder. All bids are reviewed with regard to the lowest, most responsive bidder which can result on occasion with bid not awarded to the "lowest" bidder. In an effort to clarify "responsive" bidder will be defined as a contractor with

“city” preference (Local contractor); must not exceed 20% of the estimated scope of work either high or low; utilized materials which were superior to those listed in the scope of work, but remained within the 20% high/low dollar amount; must produce performance bond to ensure fiscal responsibility.

In an effort to ensure change order do not exceed the 20% allowable dollar amount; ALL Change Order forms must contain the following information:

1. Name of Client
2. Address/City State
3. Date work was commenced
4. Dollar amount Originally Awarded
5. Dollar % of change \$ _____
6. Explanation of Change order

Further all change order must be signed by the General Contractor, the Housing Construction Manager/ Inspector assigned, the Homeowner and the Director. A tabulation sheet must be attached to the Change Order ensuring the 20% or lower dollars allocation. The change order will be forwarded to Board of Works for approval, if the original amounts exceeded \$25,000.

The fiscal Manager may not process any claims on change orders which have not been executed in the above manner.

Correction item #3 NSP Demolition: In an effort to ensure all Demolition Bids are awarded in accordance with City of Gary Procurement Procedure for contracts for demolition exceeding \$25,000.00 through the Redevelopment Department must adhere to the procurement procedure set forth by the City of Gary.

Procedure pursuant to 24 CFR 85.36(b) (1); 2 CFR, Part 225 Appendix B (32); IC 36-1-12-18; IC 5-22-15-7, inclusive of IC 5-22-15-20 or IC 4-13-6.6-2.5; sections 16,18 and 19 of IC 5-22-15 and section 23 of IC 15-22-15; Indiana Code 36-1-12-4; Should all be reviewed by the Department of Redevelopment for correct policy and procedure in accordance with corrective action with a copy of new policy and procedure to the Department of Community Development monitoring file.

All will be in compliance with Board of Public Works state and federal guidelines, allowing for the internal controls as follows:

1. Contracts from the Department of Redevelopment for the demolition of properties within the City of Gary utilizing federal and state entitlement funding which are over the allowable \$25,000.00 threshold must be executed by the City of Gary Board of Public Works. If contractual agreement has not been properly executed the financial department of the Department of Community Development will not open a purchase order or process any claims for said activity.

We are certain that the corrective actions taken will eliminate potential risk of losing future federal funds.


M. Celita Green, Director of Finance

8/18/11
Date



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Department of Finance

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Deputy Mayor

M. CELITA GREEN

Director of Finance

MICHELE ROBY

Chief Accountant

CORRECTIVE ACTION

FINDING NO. 2010-4 , REPORTING

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

Federal Program: ARRA Homelessness Prevention and Rapid Re-Housing Program

CFDA Number: 14.257

Award Numbers: S09-MY-18-0005

Auditee Contact Person: M. Celita Green

Title of Contact Person: Director of Finance

The City concurs with the finding and recommendations and the following initiatives will be taken to implement controls and procedures for reporting:

-Implementation of reconciliation process to ensure that all transactions posted, correctly recorded and balance to both City's general ledger system and Homeless Management Information System (HMIS)

-Develop a process for monitoring and assessing how well staff adhere to the new established procedures.

-Establish internal control to ensure the accuracy of transactions, reliable and timely information; regulations and guidelines are aligned with U.S. Department of Housing and Urban Development (HUD) and fairly disclosed in reporting.

-Identify compliance areas where deficiencies exist.

We are certain that the corrective actions taken will eliminate potential risk of losing future federal funds.

M. Celita Green, Director of Finance

8/15/11

Date



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MICHELE ROBY

Chief Accountant

CORRECTIVE ACTION

FINDING NO. 2010-5, ALLOWABLE COSTS

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

Federal Program: ARRA Homelessness Prevention and Rapid Re-Housing Program

CFDA Number: 14.257

Award Numbers: S09 -MY-18-0005

Auditee Contact Person: M. Celita Green

Title of Contact Person: Director of Finance

The City concurs with the findings and recommendations and the following initiatives will be taken to implement policies and procedures for reviewing contracts:

- Review contract processes to outline policies and procedures to ensure that proposed actions will comply with Federal and State guidelines
- Establish uniform policies and procedures for thoroughly reviewing and modifying contracts and appropriate resources for obtaining procedural assistance in contract negotiation.
- Create guidelines for proper internal control over the payment of claims and adequacy of contractual agreement for service.
- Develop procedures for expediting awarded contract requirements
- Perform on-site agency reviews to ensure contracts compliance and verify supportive documentation of claims

We are certain that the corrective actions taken will eliminate potential risk of losing future federal funds.


M. Celita Green, Director of Finance


Date

CITY OF GARY
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2011, with Rudolph Clay, Sr., Mayor; Ronier Scott, President of the Common Council; Mary Brown, Council member; M. Celita Green, Controller; and Geraldine B. Tousant, Deputy Mayor and President of the Board of Public Works and Safety. The Official Response has been made a part of this report and may be found on pages 125 through 128.

CITY OF GARY

2010 RESPONSE TO AUDIT RESULTS AND COMMENTS

ACCOUNTS PAYABLE VOUCHERS (CLAIMS)

An investigation was conducted to determine the source of late payments to vendors. It was determined that some departments were submitting invoices to the finance department for payment in an untimely manner. The policy for submitting claims and invoices has been reiterated and distributed to all departments, along with the consequences for continued noncompliance. Any late submissions that do not fall within the policy guidelines must be accompanied by a written explanation.

TEMPORARY TRANSFERS OF FUNDS

Due to delayed property tax distributions from the County to the City and decreased property tax collections in a recessed economy, the City has not been able to repay all loans in a timely manner. The City does and will continue to repay loans as funds are available, until they are fully repaid.

Gary Sanitary District (GSD) resolutions have since been approved and ratified. Resolution 10-53 will be rescinded and set up as an inter-fund loan instead of a repayment at the September 13th board meeting. Going forward, GSD will implement a monthly checklist to compare the wire transfers and the loan schedule against approved resolutions

TIMELY RECORDKEEPING

The City believes that timely recordkeeping contributes to effective and accurate decision making, and therefore will make all necessary efforts to record bank transactions and electronic transfers timelier.

LOCAL LAW ENFORCEMENT CONTINUING EDUCATION FUND

The Police Department has been informed that fingerprinting fees must be deposited to the General Fund, instead of Local Law Enforcement Fund. Current year fingerprinting deposits have been transferred to the General Fund.

PENALTIES, INTEREST, AND OTHER CHARGES

The Finance Department is continuing to communicate with IRS to resolve any outstanding tax issues and seeking to identify more experienced staff to oversee taxes and reporting responsibilities.

DONATIONS RECEIVED

Departments and revenue staff have been informed that any donations, monetary and nonmonetary, must be accompanied by written documentation regarding the intended use.

Also, they have been informed that donations must be received by City Council and appropriated, if necessary. The Revenue Staff must inform finance management when a department deposits a donation, so that an ordinance can be prepared for Council acceptance.

OFFICIAL BOND

The Official Bonds are being filed with the Office of the County Recorder pursuant to recent legislation.

STADIUM AGREEMENT AND PAYMENTS

Original invoices were processed for payment for \$23,740.00. However, after the previous year's audit, the invoices were removed to discuss new procedures with the Rail cats and Dept. of Redevelopment. It appears that the invoices were not properly returned in the file, however, copies have been provided to support the amounts of the payment.

TRAVEL POLICY

The City is in the process of identifying any inconsistencies in the travel policy with IRS. Changes will be made in the policy as identified.

COMPENSATION AND BENEFITS – GSD Contracted Services

GSD concurs with the findings and will follow the guidelines stated.

TRUE-UP AGREEMENTS WITH CONTRACT CUSTOMERS

GSD and the Contract Customers jointly agreed through various meetings and correspondences to settle the 2008 and 2009 amounts due to operation, maintenance and replacement costs and resolve outstanding issues related to those years. GSD will approve and ratify a resolution at its September 13th board meeting.

GARY SANITARY DISTRICT INTER-FUND LOANS

During October 2010, various current bank accounts balances were transferred to the new bank accounts leaving minimal balances of (\$100 - \$150) to cover possible outstanding items. Prior to year end, it was determined that there would be little or no activity in these particular accounts in the future and that it would be best to close the funds out to Fund 670.

The Fund 372 (Bond and Interest) transaction for \$116,700 was deposited into the old bank account in error due to a timing issue with the new bank account. This has since been corrected. Bank accounts for Fund 674 (Beach Sampling) and Fund 675 (E Coli) were set up from Fund 670 and those funds, if not transferred, would have been closed out to Fund 670 as stated in the resolutions attached. Going forward we will ensure funds are transferred and closed out within the guidelines stated.

EXCESSIVE AND UNREASONABLE COSTS – GARY SANITARY DISTRICT

We have developed a project tracking checklist for all new projects to circumvent this from re-occurring.

ACCOUNTS RECEIVABLE REPORTS – GARY SANITARY DISTRICT

1. There was error in the logic for the computation of the sewer and trash balance. The logic for all reports is being reviewed and will be corrected as needed to accurately compute the balances for both trash and sewer thus eliminating the need to manual determine the account balances.
2. In accordance with the Gary Sanitary District (GSD) utility bill software (System 36) business rules, the Final Month End report is not generated until three (3) business days following the last business day of the month. Therefore, the report headings shall be changed to accurately reflect what is being reported.
 - a. The report generated on the last business day of the month shall be titled “Preliminary End Month Report”.
 - b. The report generated on the third business day of the each month shall be titled “End of Month Report”.
 - c. The report generated on the last business day of each year shall be titled “Preliminary Year End Month Report 20xx”.

The report generated on the third business day of each New Year shall be titled “Year End of Month Report 20XX”.

PETTY CASH-GENESIS CENTER

As of July 27, 2011 there had been an increase in expenditures from the petty cash fund which had a total of \$4,210.00. No reimbursements had been processed prior to July 27th due to lack of capital. The Genesis Center has taken steps to address this issue and on August 2, 2011, the petty cash fund was reimbursed \$4,648.98 which brought the total receipt amount owed to \$3,488.00.

At present, a definite increased effort is being implemented to reimburse the petty cash fund at least once per month. In addition, the Genesis Center’s Managing Board is closely monitoring fund expenditures and reimbursements to ensure compliance.

The fund will not be used for non-approved purchases in the future in that the Genesis Center has reduced operating costs by contracting revenue generation operations which do not yield immediate profits.

CASH CHANGE FUND – GENESIS CENTER

As of August 29, 2011, the cash change fund total was \$2,600 which is \$400 short of the established limit of \$3,000. The Genesis Center will reimburse the \$400, once the petty cash fund is fully replenished.

CASH OVERAGES – GENESIS CENTER

The cash overages discovered by the State Board of Accounts were due to receipts left in the Genesis Center's safe for a 12 day period in which no verifiably qualified employee was available to perform bookkeeping functions which include making deposits.

DAILY DEPOSITS-GENESIS CENTER

After the first audit, the Genesis Center immediately took steps to ensure deposits were made daily. However, for a 12 day period, which includes non-deposit weekend days, no verifiably qualified employee was available to make daily deposits. Consequently, no deposits were made during this 12 calendar day period. However, on June 27th steps were taken by the Genesis Center to achieve the resumption of daily deposits. At present, daily deposits are being made as required by state statute.

COLLECTIONS-GENESIS CENTER

The Genesis Center is rapidly reducing operational costs and has thus eliminated the need to use collections to support daily operational costs. At present, all cash deposits are immediately sent to the bank in accordance with state law.