

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF HAMMOND  
LAKE COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
01/14/2013



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SCHEDULE OF OFFICIALS

| <u>Office</u>  | <u>Official</u>                         | <u>Term</u>                                  |
|--|---|--|
| Controller   | Robert Lendi, CPA                       | 01-01-11 to 12-31-12                         |
| Mayor  | Thomas M. McDermott, Jr.                | 01-01-08 to 12-31-15                         |
| President of the Board of<br>Public Works and Safety         | William J. O'Connor                     | 01-01-11 to 12-31-12                         |
| President of the Common Council                              | Anthony Higgs<br>Michael Opinker        | 01-01-11 to 12-31-11<br>01-01-12 to 12-31-12 |
| President of the Redevelopment<br>Commission                 | Jimmie Lambert                          | 01-01-11 to 12-31-12                         |
| President of the Park Board                                  | Arthur Peschke, Jr.                     | 01-01-11 to 12-31-12                         |
| Chief Executive Operator of the<br>Water Utility             | Edward Krusa                            | 01-01-11 to 12-31-12                         |
| President of the Utility<br>Service Board                    | Sharon Daniels                          | 01-01-11 to 12-31-12                         |
| Water Utility Office Manager                                 | Deborah Van Meter                       | 01-01-11 to 12-31-12                         |
| Sanitary District Manager                                    | Michael T. Unger, Ph.D.                 | 01-01-11 to 12-31-12                         |
| President of the Sanitary District<br>Board of Commissioners | Stanley J. Dostatni                     | 01-01-11 to 12-31-12                         |
| Sanitary District Business Manager                           | Alan M. Arendt, CPA<br>Rachael Peterson | 01-01-11 to 07-22-11<br>09-19-11 to 12-31-12 |
| Director of the Port Authority                               | Milan Kruszynski                        | 01-01-11 to 12-31-12                         |
| Chairman of the Port Authority<br>Board of Directors         | Thomas J. Puplava<br>Dennis Hardesty    | 01-01-11 to 12-31-11<br>01-01-12 to 12-31-12 |
| Port Authority Financial Director                            | Richard Szany                           | 01-01-11 to 12-31-12                         |



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the City of Hammond (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2011.

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, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 28, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards 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 Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They 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.

STATE BOARD OF ACCOUNTS

August 28, 2012



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

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

We have audited the financial statement of the City of Hammond (City), for the year ended December 31, 2011, and have issued our report thereon dated August 28, 2012. 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

Management of the City is responsible for establishing and maintaining effective 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1, 2011-2, 2011-3, and 2011-4 to be material weaknesses.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1, 2011-2, and 2011-4.

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

This report is intended solely for the information and use of the City's management, Common Council, Board of Public Works and Safety, Redevelopment Commission, Park Board, Water Utility Service Board, Sanitary District Board of Commissioners, Port Authority Board of Directors, 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 28, 2012



## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF HAMMOND  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
REGULATORY BASIS  
For The Year Ended December 31, 2011

| Fund  | Cash and<br>Investments<br>01-01-11 | Receipts      | Disbursements | Cash and<br>Investments<br>12-31-11 |
|---|-------------------------------------|---------------|---------------|-------------------------------------|
| General   | \$ (28,203,729)                     | \$ 61,596,138 | \$ 52,990,526 | \$ (19,598,117)                     |
| Motor Vehicle Highway (MVH)                                       | (1,069,267)                         | 2,753,480     | 3,344,890     | (1,660,677)                         |
| Local Road and Street (LRS)                                       | 287,537                             | 779,229       | 1,229,671     | (162,905)                           |
| Clerk's Records Perpetuation                                      | 102,695                             | 21,846        | 22,740        | 101,801                             |
| Deferral Program  | 37,406                              | 126,303       | -             | 163,709                             |
| Gaming Revenues   | 10,132,896                          | 33,580,463    | 32,567,503    | 11,145,856                          |
| Parks and Recreation  | (2,159,874)                         | 5,271,348     | 3,962,250     | (850,776)                           |
| Pretrial Deferral Program   | 5,814                               | 53,450        | 37,214        | 22,050                              |
| Hazardous Materials   | 32,474                              | 4,000         | 29,291        | 7,183                               |
| Major Moves   | 17,351                              | -             | -             | 17,351                              |
| Cumulative Capital Development                                    | 254,120                             | 277,663       | -             | 531,783                             |
| Cumulative Capital Improvement                                    | 474,119                             | 238,494       | 304,293       | 408,320                             |
| TIF Allocation Marina Expansion                                   | 11,414,206                          | 3,797,481     | 14,211,871    | 999,816                             |
| Self Insurance  | (2,216)                             | 19,845,300    | 18,903,647    | 939,437                             |
| 1925 Police Pension   | 680,477                             | 6,426,357     | 5,173,974     | 1,932,860                           |
| 1937 Fire Pension   | 97,570                              | 7,486,128     | 5,070,247     | 2,513,451                           |
| Façade Rebate Program   | 188,993                             | -             | 147,457       | 41,536                              |
| Centrex   | (15,437)                            | 12,727        | 75,390        | (78,100)                            |
| Diesel Fuel Tax   | (6,341)                             | 18,925        | 15,658        | (3,074)                             |
| College Bound   | 256,315                             | 2,533,449     | 3,095,073     | (305,309)                           |
| Demolition  | 269,457                             | 517,255       | 640,197       | 146,515                             |
| Cut and Clean   | 238,040                             | 156,612       | 366,269       | 28,383                              |
| Graffiti Removal  | 13,241                              | -             | 6,277         | 6,964                               |
| Homebound   | 30,008                              | -             | 21,037        | 8,971                               |
| Community and Economic Development                                | 24,727                              | 118,610       | 178,907       | (35,570)                            |
| Neighborhood Stabilization Program (NSP)                          | (21,557)                            | 3,252,078     | 3,275,041     | (44,520)                            |
| Engineering   | 6,643,666                           | 10,094,736    | 13,533,045    | 3,205,357                           |
| Energy Efficiency and Conservation Block Grant (EECBG) ASAP GRANT | (70,322)                            | 141,373       | 101,661       | (30,610)                            |
| Columbia Plaza TIF  | 62,013                              | 283,338       | -             | 345,351                             |
| Lear TIF  | 1,735,488                           | 158,386       | -             | 1,893,874                           |
| Downtown TIF  | 1,255,322                           | 1,472,672     | 1,007,895     | 1,720,099                           |
| North Hammond TIF   | 2,875,084                           | 2,845,877     | 1,445,436     | 4,275,525                           |
| Unilever TIF (Robertsdale)  | 2,907,709                           | -             | 585           | 2,907,124                           |
| Pullman TIF   | -                                   | 70,112        | 8,293         | 61,819                              |
| Home Depot TIF  | 1,087,862                           | 745,739       | 232,700       | 1,600,901                           |
| Woodmar TIF   | 865,401                             | 2,377,771     | 72,661        | 3,170,511                           |
| Woodmar Gateways TIF  | 663,266                             | 2,642,451     | 31,029        | 3,274,688                           |
| Gateways TIF  | -                                   | -             | 75,012        | (75,012)                            |
| Judge Gen 756777  | -                                   | 378,213       | 378,213       | -                                   |
| Public Defender   | 1,100                               | -             | -             | 1,100                               |
| Federal Forfeited Property  | 57,793                              | 51,263        | 91,412        | 17,644                              |
| Evidence Money  | 20,516                              | 32,684        | 32,571        | 20,629                              |
| Police Donation   | 56,110                              | 3,495         | 4,338         | 55,267                              |
| Park Activities Nonreverting                                      | 68,842                              | 129,312       | 118,439       | 79,715                              |
| Background Checks   | 1,575                               | 1,990         | 3,002         | 563                                 |
| State Forfeited Property  | 21,725                              | 21,453        | 31,980        | 11,198                              |
| Federal Prisoners   | 141,248                             | 127,492       | 91,942        | 176,798                             |
| Impaired Driver   | 1,990                               | 58,400        | 59,708        | 682                                 |
| Redevelopment Commission Operating                                | (205,111)                           | 618,231       | 486,582       | (73,462)                            |
| Park Tourism  | 878                                 | -             | -             | 878                                 |
| Economic Development Tourism                                      | 18,415                              | -             | 17,203        | 1,212                               |
| CDBG Escrow (Redevelopment Commission Grant)                      | 66,026                              | 445,224       | 104,174       | 407,076                             |
| Human Relations Fund  | 8,377                               | 1,200         | 1,771         | 7,806                               |
| Public Safety   | (14,148)                            | 835,207       | 1,057,738     | (236,679)                           |
| Water Hydrant Rental  | (181,419)                           | 246,059       | 182,402       | (117,762)                           |
| Penalties   | 3,142,294                           | 686,015       | 731,230       | 3,097,079                           |
| Human Relations Federal   | 60,279                              | 20,868        | 22,793        | 58,354                              |
| Local Seizure   | 32,893                              | -             | 41,081        | (8,188)                             |
| SEMA Grant  | 605                                 | 148,800       | 149,405       | -                                   |
| Community Development Block Grant (CDBG)                          | 311,038                             | 1,945,666     | 2,455,855     | (199,151)                           |
| Ambulance Fees  | 125,000                             | -             | 125,000       | -                                   |

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

CITY OF HAMMOND  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
REGULATORY BASIS  
For The Year Ended December 31, 2011  
(Continued)

| Fund  | Cash and<br>Investments<br>01-01-11 | Receipts              | Disbursements         | Cash and<br>Investments<br>12-31-11 |
|---|-------------------------------------|-----------------------|-----------------------|-------------------------------------|
| CDBG Donations  | 4,066                               | 7,850                 | 8,596                 | 3,320                               |
| Animal Control Donations                                    | 1,774                               | 1,845                 | 300                   | 3,319                               |
| Vehicle Release   | 24,141                              | 54,700                | 55,470                | 23,371                              |
| Unemployment  | (332,998)                           | 48,468                | 125,330               | (409,860)                           |
| Adult Probation   | 151,884                             | 144,662               | 162,292               | 134,254                             |
| Tobacco Education   | 16,054                              | 3,525                 | 2,800                 | 16,779                              |
| Henry Unit (Task Force)                                     | (62,767)                            | 794,000               | 1,189,842             | (458,609)                           |
| Ambulance User Fees for Equipment                           | 85,443                              | -                     | 85,443                | -                                   |
| Park Gaming   | 1,447,338                           | 3,955,258             | 5,156,912             | 245,684                             |
| Affordable Housing  | (9,860)                             | 682,502               | 668,098               | 4,544                               |
| Emergency CDBG  | 18,664                              | 73,130                | 77,959                | 13,835                              |
| Section 108   | 81,486                              | -                     | -                     | 81,486                              |
| Technology Park Grant                                       | 2,063,219                           | 631,184               | 773,745               | 1,920,658                           |
| Inspection/ Rental  | 126,965                             | 851,899               | 966,054               | 12,810                              |
| Home Depot Bond (756775)                                    | 1                                   | 101,050               | -                     | 101,051                             |
| Corporation Bond  | (432,938)                           | 2,331,061             | 975,903               | 922,220                             |
| Judgment Bond Project (H D PROJ 756776)                     | 5,401                               | -                     | -                     | 5,401                               |
| River Park Debt Service Reserve (756771)                    | 2,660,307                           | 101,871               | 562,179               | 2,199,999                           |
| River Park Debt Service (R P GAM 756773)                    | 1,964,684                           | 2,686,071             | 2,481,739             | 2,169,016                           |
| River Park Capital (R P GEN 756770)                         | 456,423                             | 3,043,882             | 2,981,234             | 519,071                             |
| Riverboat Loan  | 5,800,000                           | -                     | 5,800,000             | -                                   |
| Cabela's Bond Fund (105415)                                 | 2,101,386                           | 6                     | 972,381               | 1,129,011                           |
| Lost Marsh Golf Course (461)                                | (244,270)                           | -                     | -                     | (244,270)                           |
| Court Costs Due County                                      | 11,132                              | 191,318               | 215,548               | (13,098)                            |
| Local Law Enforcement Continuing Education                  | 75,473                              | 63,005                | 110,581               | 27,897                              |
| Payroll Withholdings  | (5,545)                             | 11,790,798            | 11,789,510            | (4,257)                             |
| Homelessness Prevention and Rapid Re-Housing Program (HPRP) | (16,083)                            | -                     | -                     | (16,083)                            |
| Transit   | (375,309)                           | -                     | -                     | (375,309)                           |
| Redevelopment Authority Debt Service                        | -                                   | -                     | -                     | -                                   |
| Redevelopment Commission 2008 Revenue Bond Debt Service     | 1,968,026                           | 1,927,729             | 1,722,513             | 2,173,242                           |
| City Clerk  | 1,949,267                           | 4,581,392             | 4,839,369             | 1,691,290                           |
| Operations  | 257,239                             | 16,092,593            | 16,334,842            | 14,990                              |
| Pre Treatment   | 255,572                             | 338,693               | 277,280               | 316,985                             |
| Unemployment  | 50,000                              | 24,297                | 24,297                | 50,000                              |
| Sewer Maintenance   | 17,830                              | 5,859,737             | 5,867,194             | 10,373                              |
| Excess Levy   | 22,769                              | -                     | 22,769                | -                                   |
| GIS Electronics   | 2,039                               | -                     | -                     | 2,039                               |
| Storm Water Utility   | 182,195                             | 1,207,751             | 557,229               | 832,717                             |
| Sanitation  | 92,434                              | 4,717,896             | 4,530,239             | 280,091                             |
| Recycling   | 11,159                              | 1,445,476             | 1,440,774             | 15,861                              |
| Great Lakes Legacy  | -                                   | 2,337,296             | 2,289,352             | 47,944                              |
| 2007 Bond   | 44,569                              | 7                     | 44,576                | -                                   |
| 2010 Bond   | 8,262,083                           | 26,221                | 719,815               | 7,568,489                           |
| SRF Loan (Phase 6)  | 6,900,506                           | 26,653                | 1,563,859             | 5,363,300                           |
| Replacement   | 949,236                             | 502,749               | 1,257,462             | 194,523                             |
| Debt Service Non Exempt                                     | 2,132,697                           | 10,417,272            | 9,601,384             | 2,948,585                           |
| Debt Service Exempt   | -                                   | 865,820               | 372,790               | 493,030                             |
| Water Utility   | 4,686,248                           | 9,346,643             | 11,364,694            | 2,668,197                           |
| Marina Operations   | 381,498                             | 3,714,328             | 3,269,857             | 825,969                             |
| Marina Construction   | 2,513,493                           | 520,663               | 361,563               | 2,672,593                           |
| Gaming Fund (628)   | 2,185,698                           | 7,001,200             | 7,600,247             | 1,586,651                           |
| Lakefront Management  | 7,447                               | 75,167                | 71,298                | 11,316                              |
| Lost Marsh Golf Course (630)                                | 601,707                             | 1,552,813             | 1,696,705             | 457,815                             |
| Wolf Lake Operations  | 122,711                             | 822,680               | 606,404               | 338,987                             |
| Port Authority Payroll Withholding Fund                     | 83                                  | 367,273               | 367,457               | (101)                               |
| RDA Project   | -                                   | 8,355,605             | 8,188,614             | 166,991                             |
| <b>Totals</b>   | <b>\$ 64,053,117</b>                | <b>\$ 285,137,402</b> | <b>\$ 288,519,078</b> | <b>\$ 60,671,441</b>                |

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

CITY OF HAMMOND  
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, sanitation (trash), and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

*B. Basis of Accounting*

The financial statement is 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 statement. The aggregate receipts may include 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.

Licenses and permits which include 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 permit. Examples of licenses 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 include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 county.

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, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable television receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include 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 held as performance guarantees (forfeitures).

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

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include the following uses:

Personal services include 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.

Supplies which include 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 include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include 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 include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*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.

**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.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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 should be 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 statutes authorize 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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of 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.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

*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 Indiana Public Retirement System as provided under Indiana Code 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.

*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 Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.



CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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 Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy*

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

**Note 7. Contingent Liabilities**

The City has been named as a defendant in several lawsuits of which the outcome cannot be reasonably determined.

**Note 8. Subsequent Events**

*Defeasance of Bonds*

In January 2012, \$10,695,000 of the bonds commonly referred to as 'The River Park Bonds' were defeased prior to their maturity date of 2018. The bonds were refinanced in order to take advantage of lower overall interest rates. The Offering was rated as an 'A' by Standard and Poor's in November 2011.

The refinanced offering matures in 2016, and results in a net present value savings to the City of Hammond of \$531,165.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*New Debt for Matching Federal Financial Assistance*

In March 2012, an ordinance was passed by the Hammond Common Council which authorized the borrowing of up to \$17 million to be used as a local match to leverage \$45 million in federal funds for infrastructure improvements. The financing will be backed by gaming pledges of the Common Council and the mayor for a term not to exceed six years.

*Healthcare Coverage*

Ordinance 9160 was passed by the Hammond Common Council in May 2012 in relation to healthcare coverage and benefits for all City of Hammond employees. The new plan benchmarks the healthcare insurance plan for the State of Indiana employees.

*Loan to the Water Utility*

In July 2012, the Civil City entered into an agreement with the Hammond Water Board authorizing the temporary transfer of \$500,000 to the Water Department at a rate of 0 percent for a period not to exceed 12 months.

**Note 9. Restatements**

For the year ended December 31, 2011, certain changes have been made to the financial statement to more appropriately reflect the financial activity of the City as follows:

| Fund                                    | Cash and<br>Investments<br>January 1, 2011 | Restatement    | Cash and<br>Investments<br>January 1, 2011<br>As Restated |
|---|--|----------------|---|
| Redevelopment Authority Debt Service    | \$ 5,491,650                               | \$ (5,491,650) | \$ -  |
| Port Authority Payroll Withholding Fund | -  | 83             | 83  |

The Redevelopment Authority Debt Service Fund accounted for funds used to retire debt. The accumulated balances were placed in trust in December 2010 to defease the remaining debt balance. This balance held in trust is no longer considered the property of the City. Thus, the associated debt and cash and investment balances have been eliminated from the financial statement presentation.

The Port Authority Payroll Withholding Fund cash and investment balance and related activity had been inadvertently excluded from prior years' financial statement presentations.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF HAMMOND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

|  | General                | Motor<br>Vehicle<br>Highway<br>(MVH) | Local<br>Road<br>and<br>Street<br>(LRS) | Clerk's<br>Records<br>Perpetuation | Deferral<br>Program | Gaming<br>Revenues   |
|--|------------------------|--------------------------------------|---|------------------------------------|---------------------|----------------------|
| Cash and investments - beginning                   | \$ (28,203,729)        | \$ (1,069,267)                       | \$ 287,537                              | \$ 102,695                         | \$ 37,406           | \$ 10,132,896        |
| Receipts:  |                        |                                      |   |                                    |                     |                      |
| Taxes  | 43,525,274             | -                                    | -                                       | -                                  | -                   | -                    |
| Licenses and permits                               | 999,334                | -                                    | -                                       | -                                  | -                   | -                    |
| Intergovernmental                                  | 2,327,406              | -                                    | -                                       | 21,846                             | -                   | 33,328,448           |
| Charges for services                               | 10,602,132             | 2,270,625                            | 776,350                                 | -                                  | -                   | -                    |
| Fines and forfeits                                 | 358,343                | -                                    | -                                       | -                                  | 126,303             | -                    |
| Other receipts                                     | 3,783,649              | 482,855                              | 2,879                                   | -                                  | -                   | 252,015              |
| Total receipts                                     | <u>61,596,138</u>      | <u>2,753,480</u>                     | <u>779,229</u>                          | <u>21,846</u>                      | <u>126,303</u>      | <u>33,580,463</u>    |
| Disbursements:                                     |                        |                                      |   |                                    |                     |                      |
| Personal services                                  | 50,164,511             | 2,793,849                            | -                                       | -                                  | -                   | 53,011               |
| Supplies   | 1,006,547              | 219,567                              | 996,063                                 | -                                  | -                   | -                    |
| Other services and charges                         | 1,813,179              | 307,474                              | 233,608                                 | 22,740                             | -                   | 9,843,808            |
| Debt service - principal and interest              | -                      | -                                    | -                                       | -                                  | -                   | 6,653,502            |
| Capital outlay                                     | 6,289                  | -                                    | -                                       | -                                  | -                   | -                    |
| Utility operating expenses                         | -                      | -                                    | -                                       | -                                  | -                   | -                    |
| Other disbursements                                | -                      | 24,000                               | -                                       | -                                  | -                   | 16,017,182           |
| Total disbursements                                | <u>52,990,526</u>      | <u>3,344,890</u>                     | <u>1,229,671</u>                        | <u>22,740</u>                      | <u>-</u>            | <u>32,567,503</u>    |
| Excess (deficiency) of receipts over disbursements | <u>8,605,612</u>       | <u>(591,410)</u>                     | <u>(450,442)</u>                        | <u>(894)</u>                       | <u>126,303</u>      | <u>1,012,960</u>     |
| Cash and investments - ending                      | <u>\$ (19,598,117)</u> | <u>\$ (1,660,677)</u>                | <u>\$ (162,905)</u>                     | <u>\$ 101,801</u>                  | <u>\$ 163,709</u>   | <u>\$ 11,145,856</u> |

CITY OF HAMMOND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | Parks<br>and<br>Recreation | Pretrial<br>Deferral<br>Program | Hazardous<br>Materials | Major<br>Moves   | Cumulative<br>Capital<br>Development | Cumulative<br>Capital<br>Improvement |
|--|----------------------------|---------------------------------|------------------------|------------------|--------------------------------------|--------------------------------------|
| Cash and investments - beginning                   | \$ (2,159,874)             | \$ 5,814                        | \$ 32,474              | \$ 17,351        | \$ 254,120                           | \$ 474,119                           |
| Receipts:  |                            |                                 |                        |                  |                                      |                                      |
| Taxes  | 4,983,274                  | -                               | -                      | -                | 277,663                              | -                                    |
| Licenses and permits                               | -                          | -                               | -                      | -                | -                                    | -                                    |
| Intergovernmental                                  | -                          | 53,450                          | 4,000                  | -                | -                                    | -                                    |
| Charges for services                               | 283,404                    | -                               | -                      | -                | -                                    | 238,494                              |
| Fines and forfeits                                 | -                          | -                               | -                      | -                | -                                    | -                                    |
| Other receipts                                     | 4,670                      | -                               | -                      | -                | -                                    | -                                    |
| Total receipts                                     | <u>5,271,348</u>           | <u>53,450</u>                   | <u>4,000</u>           | <u>-</u>         | <u>277,663</u>                       | <u>238,494</u>                       |
| Disbursements:                                     |                            |                                 |                        |                  |                                      |                                      |
| Personal services                                  | 3,367,325                  | -                               | -                      | -                | -                                    | -                                    |
| Supplies   | 253,189                    | -                               | -                      | -                | -                                    | -                                    |
| Other services and charges                         | 329,316                    | 37,214                          | 29,291                 | -                | -                                    | 304,293                              |
| Debt service - principal and interest              | -                          | -                               | -                      | -                | -                                    | -                                    |
| Capital outlay                                     | -                          | -                               | -                      | -                | -                                    | -                                    |
| Utility operating expenses                         | -                          | -                               | -                      | -                | -                                    | -                                    |
| Other disbursements                                | 12,420                     | -                               | -                      | -                | -                                    | -                                    |
| Total disbursements                                | <u>3,962,250</u>           | <u>37,214</u>                   | <u>29,291</u>          | <u>-</u>         | <u>-</u>                             | <u>304,293</u>                       |
| Excess (deficiency) of receipts over disbursements | <u>1,309,098</u>           | <u>16,236</u>                   | <u>(25,291)</u>        | <u>-</u>         | <u>277,663</u>                       | <u>(65,799)</u>                      |
| Cash and investments - ending                      | <u>\$ (850,776)</u>        | <u>\$ 22,050</u>                | <u>\$ 7,183</u>        | <u>\$ 17,351</u> | <u>\$ 531,783</u>                    | <u>\$ 408,320</u>                    |

CITY OF HAMMOND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|   | TIF<br>Allocation<br>Marina<br>Expansion | Self<br>Insurance | 1925<br>Police<br>Pension | 1937<br>Fire<br>Pension | Façade<br>Rebate<br>Program | Centrex     |
|---|--|-------------------|---------------------------|-------------------------|-----------------------------|-------------|
| Cash and investments - beginning                      | \$ 11,414,206                            | \$ (2,216)        | \$ 680,477                | \$ 97,570               | \$ 188,993                  | \$ (15,437) |
| Receipts:   |  |                   |                           |                         |                             |             |
| Taxes   | 3,554,217                                | -                 | 1,438,203                 | 2,303,089               | -                           | -           |
| Licenses and permits                                  | -  | -                 | -                         | -                       | -                           | -           |
| Intergovernmental                                     | -  | -                 | -                         | -                       | -                           | -           |
| Charges for services                                  | -  | 7,334             | 4,988,154                 | 5,183,039               | -                           | -           |
| Fines and forfeits                                    | -  | -                 | -                         | -                       | -                           | -           |
| Other receipts  | 243,264                                  | 19,837,966        | -                         | -                       | -                           | 12,727      |
| Total receipts  | 3,797,481                                | 19,845,300        | 6,426,357                 | 7,486,128               | -                           | 12,727      |
| Disbursements:  |  |                   |                           |                         |                             |             |
| Personal services                                     | -  | 18,903,647        | 10,581                    | 12,087                  | -                           | -           |
| Supplies  | -  | -                 | 595                       | 1,509                   | -                           | -           |
| Other services and charges                            | 5,320,444                                | -                 | 5,161,823                 | 5,056,651               | 147,457                     | 75,390      |
| Debt service - principal and interest                 | -  | -                 | -                         | -                       | -                           | -           |
| Capital outlay  | -  | -                 | 975                       | -                       | -                           | -           |
| Utility operating expenses                            | -  | -                 | -                         | -                       | -                           | -           |
| Other disbursements                                   | 8,891,427                                | -                 | -                         | -                       | -                           | -           |
| Total disbursements                                   | 14,211,871                               | 18,903,647        | 5,173,974                 | 5,070,247               | 147,457                     | 75,390      |
| Excess (deficiency) of receipts over<br>disbursements | (10,414,390)                             | 941,653           | 1,252,383                 | 2,415,881               | (147,457)                   | (62,663)    |
| Cash and investments - ending                         | \$ 999,816                               | \$ 939,437        | \$ 1,932,860              | \$ 2,513,451            | \$ 41,536                   | \$ (78,100) |

CITY OF HAMMOND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | Diesel<br>Fuel<br>Tax | College<br>Bound    | Demolition        | Cut<br>and<br>Clean | Graffiti<br>Removal | Homebound       |
|--|-----------------------|---------------------|-------------------|---------------------|---------------------|-----------------|
| Cash and investments - beginning                   | \$ (6,341)            | \$ 256,315          | \$ 269,457        | \$ 238,040          | \$ 13,241           | \$ 30,008       |
| Receipts:  |                       |                     |                   |                     |                     |                 |
| Taxes  | -                     | -                   | -                 | -                   | -                   | -               |
| Licenses and permits                               | -                     | -                   | -                 | -                   | -                   | -               |
| Intergovernmental                                  | -                     | -                   | -                 | -                   | -                   | -               |
| Charges for services                               | -                     | -                   | -                 | -                   | -                   | -               |
| Fines and forfeits                                 | -                     | -                   | -                 | -                   | -                   | -               |
| Other receipts                                     | 18,925                | 2,533,449           | 517,255           | 156,612             | -                   | -               |
| Total receipts                                     | <u>18,925</u>         | <u>2,533,449</u>    | <u>517,255</u>    | <u>156,612</u>      | <u>-</u>            | <u>-</u>        |
| Disbursements:                                     |                       |                     |                   |                     |                     |                 |
| Personal services                                  | -                     | -                   | -                 | -                   | -                   | -               |
| Supplies   | -                     | -                   | -                 | -                   | -                   | -               |
| Other services and charges                         | 15,658                | 3,095,073           | 640,197           | 366,269             | 6,277               | 21,037          |
| Debt service - principal and interest              | -                     | -                   | -                 | -                   | -                   | -               |
| Capital outlay                                     | -                     | -                   | -                 | -                   | -                   | -               |
| Utility operating expenses                         | -                     | -                   | -                 | -                   | -                   | -               |
| Other disbursements                                | -                     | -                   | -                 | -                   | -                   | -               |
| Total disbursements                                | <u>15,658</u>         | <u>3,095,073</u>    | <u>640,197</u>    | <u>366,269</u>      | <u>6,277</u>        | <u>21,037</u>   |
| Excess (deficiency) of receipts over disbursements | <u>3,267</u>          | <u>(561,624)</u>    | <u>(122,942)</u>  | <u>(209,657)</u>    | <u>(6,277)</u>      | <u>(21,037)</u> |
| Cash and investments - ending                      | <u>\$ (3,074)</u>     | <u>\$ (305,309)</u> | <u>\$ 146,515</u> | <u>\$ 28,383</u>    | <u>\$ 6,964</u>     | <u>\$ 8,971</u> |

CITY OF HAMMOND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | Community<br>and<br>Economic<br>Development | Neighborhood<br>Stabilization<br>Program<br>(NSP) | Engineering         | Energy<br>Efficiency<br>and Conservation<br>Block Grant<br>(EECBG) ASAP GRANT | Columbia<br>Plaza<br>TIF | Lear<br>TIF         |
|--|---|---|---------------------|---|--------------------------|---------------------|
| Cash and investments - beginning                   | \$ 24,727                                   | \$ (21,557)                                       | \$ 6,643,666        | \$ (70,322)   | \$ 62,013                | \$ 1,735,488        |
| Receipts:  |   |   |                     |   |                          |                     |
| Taxes  | -   | -   | -                   | -   | 283,338                  | 158,386             |
| Licenses and permits                               | -   | -   | -                   | -   | -                        | -                   |
| Intergovernmental                                  | -   | 1,972,793   | -                   | 141,373   | -                        | -                   |
| Charges for services                               | -   | -   | 1,300,000           | -   | -                        | -                   |
| Fines and forfeits                                 | -   | -   | -                   | -   | -                        | -                   |
| Other receipts                                     | 118,610                                     | 1,279,285   | 8,794,736           | -   | -                        | -                   |
| Total receipts                                     | <u>118,610</u>                              | <u>3,252,078</u>                                  | <u>10,094,736</u>   | <u>141,373</u>  | <u>283,338</u>           | <u>158,386</u>      |
| Disbursements:                                     |   |   |                     |   |                          |                     |
| Personal services                                  | -   | 151,675   | -                   | -   | -                        | -                   |
| Supplies   | -   | -   | -                   | -   | -                        | -                   |
| Other services and charges                         | 178,907                                     | 2,593,529   | 13,533,045          | 101,661   | -                        | -                   |
| Debt service - principal and interest              | -   | -   | -                   | -   | -                        | -                   |
| Capital outlay                                     | -   | 527,711   | -                   | -   | -                        | -                   |
| Utility operating expenses                         | -   | -   | -                   | -   | -                        | -                   |
| Other disbursements                                | -   | 2,126   | -                   | -   | -                        | -                   |
| Total disbursements                                | <u>178,907</u>                              | <u>3,275,041</u>                                  | <u>13,533,045</u>   | <u>101,661</u>  | <u>-</u>                 | <u>-</u>            |
| Excess (deficiency) of receipts over disbursements | <u>(60,297)</u>                             | <u>(22,963)</u>                                   | <u>(3,438,309)</u>  | <u>39,712</u>   | <u>283,338</u>           | <u>158,386</u>      |
| Cash and investments - ending                      | <u>\$ (35,570)</u>                          | <u>\$ (44,520)</u>                                | <u>\$ 3,205,357</u> | <u>\$ (30,610)</u>  | <u>\$ 345,351</u>        | <u>\$ 1,893,874</u> |



CITY OF HAMMOND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | Downtown<br>TIF     | North<br>Hammond<br>TIF | Unilever<br>TIF<br>(Robertsdale) | Pullman<br>TIF   | Home<br>Depot<br>TIF | Woodmar<br>TIF      |
|--|---------------------|-------------------------|----------------------------------|------------------|----------------------|---------------------|
| Cash and investments - beginning                   | \$ 1,255,322        | \$ 2,875,084            | \$ 2,907,709                     | \$ -             | \$ 1,087,862         | \$ 865,401          |
| Receipts:  |                     |                         |                                  |                  |                      |                     |
| Taxes  | 1,471,416           | 2,845,877               | -                                | 70,112           | 745,739              | 2,377,771           |
| Licenses and permits                               | -                   | -                       | -                                | -                | -                    | -                   |
| Intergovernmental                                  | -                   | -                       | -                                | -                | -                    | -                   |
| Charges for services                               | -                   | -                       | -                                | -                | -                    | -                   |
| Fines and forfeits                                 | -                   | -                       | -                                | -                | -                    | -                   |
| Other receipts                                     | 1,256               | -                       | -                                | -                | -                    | -                   |
| Total receipts                                     | <u>1,472,672</u>    | <u>2,845,877</u>        | <u>-</u>                         | <u>70,112</u>    | <u>745,739</u>       | <u>2,377,771</u>    |
| Disbursements:                                     |                     |                         |                                  |                  |                      |                     |
| Personal services                                  | -                   | -                       | -                                | -                | -                    | -                   |
| Supplies   | -                   | -                       | -                                | -                | -                    | -                   |
| Other services and charges                         | 1,007,895           | 1,445,436               | 585                              | 8,293            | 232,700              | 72,661              |
| Debt service - principal and interest              | -                   | -                       | -                                | -                | -                    | -                   |
| Capital outlay                                     | -                   | -                       | -                                | -                | -                    | -                   |
| Utility operating expenses                         | -                   | -                       | -                                | -                | -                    | -                   |
| Other disbursements                                | -                   | -                       | -                                | -                | -                    | -                   |
| Total disbursements                                | <u>1,007,895</u>    | <u>1,445,436</u>        | <u>585</u>                       | <u>8,293</u>     | <u>232,700</u>       | <u>72,661</u>       |
| Excess (deficiency) of receipts over disbursements | <u>464,777</u>      | <u>1,400,441</u>        | <u>(585)</u>                     | <u>61,819</u>    | <u>513,039</u>       | <u>2,305,110</u>    |
| Cash and investments - ending                      | <u>\$ 1,720,099</u> | <u>\$ 4,275,525</u>     | <u>\$ 2,907,124</u>              | <u>\$ 61,819</u> | <u>\$ 1,600,901</u>  | <u>\$ 3,170,511</u> |

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 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | Woodmar<br>Gateways<br>TIF | Gateways<br>TIF    | Judge<br>Gen<br>756777 | Public<br>Defender | Federal<br>Forfeited<br>Property | Evidence<br>Money |
|--|----------------------------|--------------------|------------------------|--------------------|----------------------------------|-------------------|
| Cash and investments - beginning                   | \$ 663,266                 | \$ -               | \$ -                   | \$ 1,100           | \$ 57,793                        | \$ 20,516         |
| Receipts:  |                            |                    |                        |                    |                                  |                   |
| Taxes  | 2,642,451                  | -                  | -                      | -                  | -                                | -                 |
| Licenses and permits                               | -                          | -                  | -                      | -                  | -                                | -                 |
| Intergovernmental                                  | -                          | -                  | -                      | -                  | -                                | -                 |
| Charges for services                               | -                          | -                  | -                      | -                  | 51,263                           | 32,684            |
| Fines and forfeits                                 | -                          | -                  | -                      | -                  | -                                | -                 |
| Other receipts                                     | -                          | -                  | 378,213                | -                  | -                                | -                 |
| Total receipts                                     | <u>2,642,451</u>           | <u>-</u>           | <u>378,213</u>         | <u>-</u>           | <u>51,263</u>                    | <u>32,684</u>     |
| Disbursements:                                     |                            |                    |                        |                    |                                  |                   |
| Personal services                                  | -                          | -                  | -                      | -                  | -                                | -                 |
| Supplies   | -                          | -                  | -                      | -                  | -                                | -                 |
| Other services and charges                         | 31,029                     | 75,012             | 378,213                | -                  | 70,325                           | 32,571            |
| Debt service - principal and interest              | -                          | -                  | -                      | -                  | -                                | -                 |
| Capital outlay                                     | -                          | -                  | -                      | -                  | -                                | -                 |
| Utility operating expenses                         | -                          | -                  | -                      | -                  | -                                | -                 |
| Other disbursements                                | -                          | -                  | -                      | -                  | 21,087                           | -                 |
| Total disbursements                                | <u>31,029</u>              | <u>75,012</u>      | <u>378,213</u>         | <u>-</u>           | <u>91,412</u>                    | <u>32,571</u>     |
| Excess (deficiency) of receipts over disbursements | <u>2,611,422</u>           | <u>(75,012)</u>    | <u>-</u>               | <u>-</u>           | <u>(40,149)</u>                  | <u>113</u>        |
| Cash and investments - ending                      | <u>\$ 3,274,688</u>        | <u>\$ (75,012)</u> | <u>\$ -</u>            | <u>\$ 1,100</u>    | <u>\$ 17,644</u>                 | <u>\$ 20,629</u>  |

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 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | Police<br>Donation | Park<br>Activities<br>Nonreverting | Background<br>Checks | State<br>Forfeited<br>Property | Federal<br>Prisoners | Impaired<br>Driver |
|--|--------------------|------------------------------------|----------------------|--------------------------------|----------------------|--------------------|
| Cash and investments - beginning                   | \$ 56,110          | \$ 68,842                          | \$ 1,575             | \$ 21,725                      | \$ 141,248           | \$ 1,990           |
| Receipts:  |                    |                                    |                      |                                |                      |                    |
| Taxes  | -                  | -                                  | -                    | -                              | -                    | -                  |
| Licenses and permits                               | -                  | -                                  | -                    | -                              | -                    | -                  |
| Intergovernmental                                  | -                  | -                                  | 1,990                | -                              | 127,492              | 58,400             |
| Charges for services                               | -                  | 129,312                            | -                    | 21,453                         | -                    | -                  |
| Fines and forfeits                                 | -                  | -                                  | -                    | -                              | -                    | -                  |
| Other receipts                                     | 3,495              | -                                  | -                    | -                              | -                    | -                  |
| Total receipts                                     | <u>3,495</u>       | <u>129,312</u>                     | <u>1,990</u>         | <u>21,453</u>                  | <u>127,492</u>       | <u>58,400</u>      |
| Disbursements:                                     |                    |                                    |                      |                                |                      |                    |
| Personal services                                  | -                  | -                                  | -                    | -                              | -                    | 59,708             |
| Supplies   | -                  | -                                  | -                    | -                              | -                    | -                  |
| Other services and charges                         | 4,338              | 118,439                            | 3,002                | 31,980                         | 91,942               | -                  |
| Debt service - principal and interest              | -                  | -                                  | -                    | -                              | -                    | -                  |
| Capital outlay                                     | -                  | -                                  | -                    | -                              | -                    | -                  |
| Utility operating expenses                         | -                  | -                                  | -                    | -                              | -                    | -                  |
| Other disbursements                                | -                  | -                                  | -                    | -                              | -                    | -                  |
| Total disbursements                                | <u>4,338</u>       | <u>118,439</u>                     | <u>3,002</u>         | <u>31,980</u>                  | <u>91,942</u>        | <u>59,708</u>      |
| Excess (deficiency) of receipts over disbursements | <u>(843)</u>       | <u>10,873</u>                      | <u>(1,012)</u>       | <u>(10,527)</u>                | <u>35,550</u>        | <u>(1,308)</u>     |
| Cash and investments - ending                      | <u>\$ 55,267</u>   | <u>\$ 79,715</u>                   | <u>\$ 563</u>        | <u>\$ 11,198</u>               | <u>\$ 176,798</u>    | <u>\$ 682</u>      |

CITY OF HAMMOND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | Redevelopment<br>Commission<br>Operating | Park<br>Tourism | Economic<br>Development<br>Tourism | CDBG<br>Escrow<br>(Redevelopment<br>Commission<br>Grant) | Human<br>Relations<br>Fund | Public<br>Safety    |
|--|--|-----------------|------------------------------------|--|----------------------------|---------------------|
| Cash and investments - beginning                   | \$ (205,111)                             | \$ 878          | \$ 18,415                          | \$ 66,026  | \$ 8,377                   | \$ (14,148)         |
| Receipts:  |  |                 |                                    |  |                            |                     |
| Taxes  | 617,531                                  | -               | -                                  | -  | -                          | -                   |
| Licenses and permits                               | -  | -               | -                                  | -  | -                          | -                   |
| Intergovernmental                                  | -  | -               | -                                  | -  | -                          | 835,207             |
| Charges for services                               | 700                                      | -               | -                                  | -  | -                          | -                   |
| Fines and forfeits                                 | -  | -               | -                                  | -  | -                          | -                   |
| Other receipts                                     | -  | -               | -                                  | 445,224  | 1,200                      | -                   |
| Total receipts                                     | <u>618,231</u>                           | <u>-</u>        | <u>-</u>                           | <u>445,224</u>   | <u>1,200</u>               | <u>835,207</u>      |
| Disbursements:                                     |  |                 |                                    |  |                            |                     |
| Personal services                                  | 415,227                                  | -               | -                                  | -  | -                          | 282,974             |
| Supplies   | -  | -               | -                                  | -  | -                          | -                   |
| Other services and charges                         | 68,015                                   | -               | 17,203                             | 104,174  | 1,771                      | -                   |
| Debt service - principal and interest              | -  | -               | -                                  | -  | -                          | -                   |
| Capital outlay                                     | 2,500                                    | -               | -                                  | -  | -                          | 774,764             |
| Utility operating expenses                         | -  | -               | -                                  | -  | -                          | -                   |
| Other disbursements                                | 840                                      | -               | -                                  | -  | -                          | -                   |
| Total disbursements                                | <u>486,582</u>                           | <u>-</u>        | <u>17,203</u>                      | <u>104,174</u>   | <u>1,771</u>               | <u>1,057,738</u>    |
| Excess (deficiency) of receipts over disbursements | <u>131,649</u>                           | <u>-</u>        | <u>(17,203)</u>                    | <u>341,050</u>   | <u>(571)</u>               | <u>(222,531)</u>    |
| Cash and investments - ending                      | <u>\$ (73,462)</u>                       | <u>\$ 878</u>   | <u>\$ 1,212</u>                    | <u>\$ 407,076</u>  | <u>\$ 7,806</u>            | <u>\$ (236,679)</u> |

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 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | Water<br>Hydrant<br>Rental | Penalties           | Human<br>Relations<br>Federal | Local<br>Seizure  | SEMA<br>Grant  | Community<br>Development<br>Block<br>Grant<br>(CDBG) |
|--|----------------------------|---------------------|-------------------------------|-------------------|----------------|--|
| Cash and investments - beginning                   | \$ (181,419)               | \$ 3,142,294        | \$ 60,279                     | \$ 32,893         | \$ 605         | \$ 311,038   |
| Receipts:  |                            |                     |                               |                   |                |  |
| Taxes  | 246,059                    | -                   | -                             | -                 | -              | -  |
| Licenses and permits                               | -                          | -                   | -                             | -                 | -              | -  |
| Intergovernmental                                  | -                          | -                   | 20,768                        | -                 | 148,800        | 1,943,858  |
| Charges for services                               | -                          | -                   | -                             | -                 | -              | 1,808  |
| Fines and forfeits                                 | -                          | 686,015             | -                             | -                 | -              | -  |
| Other receipts                                     | -                          | -                   | 100                           | -                 | -              | -  |
| Total receipts                                     | <u>246,059</u>             | <u>686,015</u>      | <u>20,868</u>                 | <u>-</u>          | <u>148,800</u> | <u>1,945,666</u>                                     |
| Disbursements:                                     |                            |                     |                               |                   |                |  |
| Personal services                                  | -                          | 588,676             | 5,090                         | -                 | -              | 823,787  |
| Supplies   | -                          | 2,975               | -                             | -                 | -              | -  |
| Other services and charges                         | 182,402                    | 134,380             | 17,703                        | 41,081            | 148,800        | 1,627,448  |
| Debt service - principal and interest              | -                          | -                   | -                             | -                 | -              | -  |
| Capital outlay                                     | -                          | 3,729               | -                             | -                 | -              | -  |
| Utility operating expenses                         | -                          | -                   | -                             | -                 | -              | -  |
| Other disbursements                                | -                          | 1,470               | -                             | -                 | 605            | 4,620  |
| Total disbursements                                | <u>182,402</u>             | <u>731,230</u>      | <u>22,793</u>                 | <u>41,081</u>     | <u>149,405</u> | <u>2,455,855</u>                                     |
| Excess (deficiency) of receipts over disbursements | <u>63,657</u>              | <u>(45,215)</u>     | <u>(1,925)</u>                | <u>(41,081)</u>   | <u>(605)</u>   | <u>(510,189)</u>                                     |
| Cash and investments - ending                      | <u>\$ (117,762)</u>        | <u>\$ 3,097,079</u> | <u>\$ 58,354</u>              | <u>\$ (8,188)</u> | <u>\$ -</u>    | <u>\$ (199,151)</u>                                  |

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 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
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 (Continued)

|  | Ambulance<br>Fees | CDBG<br>Donations | Animal<br>Control<br>Donations | Vehicle<br>Release | Unemployment        | Adult<br>Probation |
|--|-------------------|-------------------|--------------------------------|--------------------|---------------------|--------------------|
| Cash and investments - beginning                   | \$ 125,000        | \$ 4,066          | \$ 1,774                       | \$ 24,141          | \$ (332,998)        | \$ 151,884         |
| Receipts:  |                   |                   |                                |                    |                     |                    |
| Taxes  | -                 | -                 | -                              | -                  | -                   | -                  |
| Licenses and permits                               | -                 | -                 | -                              | -                  | -                   | -                  |
| Intergovernmental                                  | -                 | -                 | -                              | 54,700             | -                   | 144,662            |
| Charges for services                               | -                 | -                 | -                              | -                  | -                   | -                  |
| Fines and forfeits                                 | -                 | -                 | -                              | -                  | -                   | -                  |
| Other receipts                                     | -                 | 7,850             | 1,845                          | -                  | 48,468              | -                  |
| Total receipts                                     | <u>-</u>          | <u>7,850</u>      | <u>1,845</u>                   | <u>54,700</u>      | <u>48,468</u>       | <u>144,662</u>     |
| Disbursements:                                     |                   |                   |                                |                    |                     |                    |
| Personal services                                  | -                 | -                 | -                              | -                  | 125,330             | 151,439            |
| Supplies   | -                 | -                 | 300                            | -                  | -                   | 2,336              |
| Other services and charges                         | -                 | 8,596             | -                              | 55,470             | -                   | 5,255              |
| Debt service - principal and interest              | -                 | -                 | -                              | -                  | -                   | -                  |
| Capital outlay                                     | 125,000           | -                 | -                              | -                  | -                   | 270                |
| Utility operating expenses                         | -                 | -                 | -                              | -                  | -                   | -                  |
| Other disbursements                                | -                 | -                 | -                              | -                  | -                   | 2,992              |
| Total disbursements                                | <u>125,000</u>    | <u>8,596</u>      | <u>300</u>                     | <u>55,470</u>      | <u>125,330</u>      | <u>162,292</u>     |
| Excess (deficiency) of receipts over disbursements | <u>(125,000)</u>  | <u>(746)</u>      | <u>1,545</u>                   | <u>(770)</u>       | <u>(76,862)</u>     | <u>(17,630)</u>    |
| Cash and investments - ending                      | <u>\$ -</u>       | <u>\$ 3,320</u>   | <u>\$ 3,319</u>                | <u>\$ 23,371</u>   | <u>\$ (409,860)</u> | <u>\$ 134,254</u>  |

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|  | Tobacco<br>Education | Henry<br>Unit<br>(Task<br>Force) | Ambulance<br>User<br>Fees<br>for<br>Equipment | Park<br>Gaming     | Affordable<br>Housing | Emergency<br>CDBG |
|--|----------------------|----------------------------------|---|--------------------|-----------------------|-------------------|
| Cash and investments - beginning                   | \$ 16,054            | \$ (62,767)                      | \$ 85,443                                     | \$ 1,447,338       | \$ (9,860)            | \$ 18,664         |
| Receipts:  |                      |                                  |   |                    |                       |                   |
| Taxes  | -                    | -                                | -   | -                  | -                     | -                 |
| Licenses and permits                               | -                    | -                                | -   | -                  | -                     | -                 |
| Intergovernmental                                  | 3,525                | -                                | -   | -                  | 486,768               | 73,130            |
| Charges for services                               | -                    | -                                | -   | 478,349            | -                     | -                 |
| Fines and forfeits                                 | -                    | -                                | -   | -                  | -                     | -                 |
| Other receipts                                     | -                    | 794,000                          | -   | 3,476,909          | 195,734               | -                 |
| Total receipts                                     | <u>3,525</u>         | <u>794,000</u>                   | <u>-</u>                                      | <u>3,955,258</u>   | <u>682,502</u>        | <u>73,130</u>     |
| Disbursements:                                     |                      |                                  |   |                    |                       |                   |
| Personal services                                  | -                    | 1,189,842                        | -   | 1,187              | 164,214               | -                 |
| Supplies   | -                    | -                                | -   | -                  | -                     | -                 |
| Other services and charges                         | 2,800                | -                                | 85,443  | 5,142,115          | 503,884               | 77,959            |
| Debt service - principal and interest              | -                    | -                                | -   | -                  | -                     | -                 |
| Capital outlay                                     | -                    | -                                | -   | -                  | -                     | -                 |
| Utility operating expenses                         | -                    | -                                | -   | -                  | -                     | -                 |
| Other disbursements                                | -                    | -                                | -   | 13,610             | -                     | -                 |
| Total disbursements                                | <u>2,800</u>         | <u>1,189,842</u>                 | <u>85,443</u>                                 | <u>5,156,912</u>   | <u>668,098</u>        | <u>77,959</u>     |
| Excess (deficiency) of receipts over disbursements | <u>725</u>           | <u>(395,842)</u>                 | <u>(85,443)</u>                               | <u>(1,201,654)</u> | <u>14,404</u>         | <u>(4,829)</u>    |
| Cash and investments - ending                      | <u>\$ 16,779</u>     | <u>\$ (458,609)</u>              | <u>\$ -</u>                                   | <u>\$ 245,684</u>  | <u>\$ 4,544</u>       | <u>\$ 13,835</u>  |

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|  | Section<br>108   | Technology<br>Park<br>Grant | Inspection/<br>Rental | Home<br>Depot<br>Bond<br>(756775) | Corporation<br>Bond | Judgment<br>Bond<br>Project<br>(HD Project<br>756776) |
|--|------------------|-----------------------------|-----------------------|-----------------------------------|---------------------|---|
| Cash and investments - beginning                   | \$ 81,486        | \$ 2,063,219                | \$ 126,965            | \$ 1                              | \$ (432,938)        | \$ 5,401  |
| Receipts:  |                  |                             |                       |                                   |                     |   |
| Taxes  | -                | -                           | -                     | -                                 | 2,331,061           | -   |
| Licenses and permits                               | -                | -                           | -                     | -                                 | -                   | -   |
| Intergovernmental                                  | -                | -                           | 851,899               | -                                 | -                   | -   |
| Charges for services                               | -                | 631,184                     | -                     | 101,050                           | -                   | -   |
| Fines and forfeits                                 | -                | -                           | -                     | -                                 | -                   | -   |
| Other receipts                                     | -                | -                           | -                     | -                                 | -                   | -   |
| Total receipts                                     | <u>-</u>         | <u>631,184</u>              | <u>851,899</u>        | <u>101,050</u>                    | <u>2,331,061</u>    | <u>-</u>  |
| Disbursements:                                     |                  |                             |                       |                                   |                     |   |
| Personal services                                  | -                | -                           | 838,848               | -                                 | -                   | -   |
| Supplies   | -                | -                           | 25,253                | -                                 | -                   | -   |
| Other services and charges                         | -                | 773,745                     | 46,953                | -                                 | -                   | -   |
| Debt service - principal and interest              | -                | -                           | -                     | -                                 | 975,903             | -   |
| Capital outlay                                     | -                | -                           | -                     | -                                 | -                   | -   |
| Utility operating expenses                         | -                | -                           | -                     | -                                 | -                   | -   |
| Other disbursements                                | -                | -                           | 55,000                | -                                 | -                   | -   |
| Total disbursements                                | <u>-</u>         | <u>773,745</u>              | <u>966,054</u>        | <u>-</u>                          | <u>975,903</u>      | <u>-</u>  |
| Excess (deficiency) of receipts over disbursements | <u>-</u>         | <u>(142,561)</u>            | <u>(114,155)</u>      | <u>101,050</u>                    | <u>1,355,158</u>    | <u>-</u>  |
| Cash and investments - ending                      | <u>\$ 81,486</u> | <u>\$ 1,920,658</u>         | <u>\$ 12,810</u>      | <u>\$ 101,051</u>                 | <u>\$ 922,220</u>   | <u>\$ 5,401</u>                                       |



CITY OF HAMMOND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | River<br>Park<br>Debt<br>Service<br>Reserve (756771) | River<br>Park<br>Debt<br>Service<br>(R P GAM 756773) | River<br>Park<br>Capital<br>(RP General<br>756770) | Riverboat<br>Loan | Cabela's<br>Bond<br>Fund<br>(105415) | Lost<br>Marsh<br>Golf<br>Course<br>(461) |
|--|--|--|--|-------------------|--------------------------------------|--|
| Cash and investments - beginning                   | \$ 2,660,307   | \$ 1,964,684   | \$ 456,423   | \$ 5,800,000      | \$ 2,101,386                         | \$ (244,270)                             |
| Receipts:  |  |  |  |                   |                                      |  |
| Taxes  | -  | -  | -  | -                 | -                                    | -  |
| Licenses and permits                               | -  | -  | -  | -                 | -                                    | -  |
| Intergovernmental                                  | -  | -  | -  | -                 | -                                    | -  |
| Charges for services                               | -  | 2,686,034  | -  | -                 | -                                    | -  |
| Fines and forfeits                                 | -  | -  | -  | -                 | -                                    | -  |
| Other receipts                                     | 101,871  | 37   | 3,043,882  | -                 | 6                                    | -  |
| Total receipts                                     | 101,871  | 2,686,071  | 3,043,882  | -                 | 6                                    | -  |
| Disbursements:                                     |  |  |  |                   |                                      |  |
| Personal services                                  | -  | -  | -  | -                 | -                                    | -  |
| Supplies   | -  | -  | -  | -                 | -                                    | -  |
| Other services and charges                         | 9  | 37   | 2,981,234  | 5,800,000         | 6                                    | -  |
| Debt service - principal and interest              | -  | -  | -  | -                 | 972,375                              | -  |
| Capital outlay                                     | -  | -  | -  | -                 | -                                    | -  |
| Utility operating expenses                         | -  | -  | -  | -                 | -                                    | -  |
| Other disbursements                                | 562,170  | 2,481,702  | -  | -                 | -                                    | -  |
| Total disbursements                                | 562,179  | 2,481,739  | 2,981,234  | 5,800,000         | 972,381                              | -  |
| Excess (deficiency) of receipts over disbursements | (460,308)  | 204,332  | 62,648   | (5,800,000)       | (972,375)                            | -  |
| Cash and investments - ending                      | \$ 2,199,999   | \$ 2,169,016   | \$ 519,071   | \$ -              | \$ 1,129,011                         | \$ (244,270)                             |

CITY OF HAMMOND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | Court<br>Costs<br>Due<br>County | Local<br>Law<br>Enforcement<br>Continuing<br>Education | Payroll<br>Withholdings | Homelessness<br>Prevention<br>and<br>Rapid Re-Housing<br>Program (HPRP) | Transit             | Redevelopment<br>Authority<br>Debt<br>Service |
|--|---------------------------------|--|-------------------------|---|---------------------|---|
| Cash and investments - beginning                   | \$ 11,132                       | \$ 75,473  | \$ (5,545)              | \$ (16,083)   | \$ (375,309)        | \$ -  |
| Receipts:  |                                 |  |                         |   |                     |   |
| Taxes  | -                               | -  | -                       | -   | -                   | -   |
| Licenses and permits                               | -                               | 23,030   | -                       | -   | -                   | -   |
| Intergovernmental                                  | 191,318                         | 39,975   | -                       | -   | -                   | -   |
| Charges for services                               | -                               | -  | -                       | -   | -                   | -   |
| Fines and forfeits                                 | -                               | -  | -                       | -   | -                   | -   |
| Other receipts                                     | -                               | -  | 11,790,798              | -   | -                   | -   |
| Total receipts                                     | <u>191,318</u>                  | <u>63,005</u>  | <u>11,790,798</u>       | <u>-</u>  | <u>-</u>            | <u>-</u>                                      |
| Disbursements:                                     |                                 |  |                         |   |                     |   |
| Personal services                                  | -                               | -  | -                       | -   | -                   | -   |
| Supplies   | -                               | -  | -                       | -   | -                   | -   |
| Other services and charges                         | 215,548                         | 110,581  | -                       | -   | -                   | -   |
| Debt service - principal and interest              | -                               | -  | -                       | -   | -                   | -   |
| Capital outlay                                     | -                               | -  | -                       | -   | -                   | -   |
| Utility operating expenses                         | -                               | -  | -                       | -   | -                   | -   |
| Other disbursements                                | -                               | -  | 11,789,510              | -   | -                   | -   |
| Total disbursements                                | <u>215,548</u>                  | <u>110,581</u>   | <u>11,789,510</u>       | <u>-</u>  | <u>-</u>            | <u>-</u>                                      |
| Excess (deficiency) of receipts over disbursements | <u>(24,230)</u>                 | <u>(47,576)</u>  | <u>1,288</u>            | <u>-</u>  | <u>-</u>            | <u>-</u>                                      |
| Cash and investments - ending                      | <u>\$ (13,098)</u>              | <u>\$ 27,897</u>                                       | <u>\$ (4,257)</u>       | <u>\$ (16,083)</u>  | <u>\$ (375,309)</u> | <u>\$ -</u>                                   |

CITY OF HAMMOND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | Redevelopment<br>Commission<br>2008<br>Revenue | City<br>Clerk       | Operations        | Pre<br>Treatment  | Unemployment     | Sewer<br>Maintenance |
|--|--|---------------------|-------------------|-------------------|------------------|----------------------|
|  | Bond Debt Service                              |                     |                   |                   |                  |                      |
| Cash and investments - beginning                   | \$ 1,968,026                                   | \$ 1,949,267        | \$ 257,239        | \$ 255,572        | \$ 50,000        | \$ 17,830            |
| Receipts:  |  |                     |                   |                   |                  |                      |
| Taxes  | -  | -                   | -                 | -                 | -                | -                    |
| Licenses and permits                               | -  | -                   | -                 | -                 | -                | -                    |
| Intergovernmental                                  | -  | -                   | -                 | -                 | -                | -                    |
| Charges for services                               | -  | -                   | -                 | -                 | -                | -                    |
| Fines and forfeits                                 | -  | -                   | -                 | -                 | -                | -                    |
| Other receipts                                     | 1,927,729                                      | 4,581,392           | 16,092,593        | 338,693           | 24,297           | 5,859,737            |
| Total receipts                                     | <u>1,927,729</u>                               | <u>4,581,392</u>    | <u>16,092,593</u> | <u>338,693</u>    | <u>24,297</u>    | <u>5,859,737</u>     |
| Disbursements:                                     |  |                     |                   |                   |                  |                      |
| Personal services                                  | -  | -                   | -                 | -                 | -                | -                    |
| Supplies   | -  | -                   | -                 | -                 | -                | -                    |
| Other services and charges                         | -  | -                   | -                 | -                 | -                | -                    |
| Debt service - principal and interest              | 1,722,513                                      | -                   | -                 | -                 | -                | -                    |
| Capital outlay                                     | -  | -                   | -                 | -                 | -                | -                    |
| Utility operating expenses                         | -  | -                   | 16,334,842        | 277,280           | 24,297           | 5,867,194            |
| Other disbursements                                | -  | 4,839,369           | -                 | -                 | -                | -                    |
| Total disbursements                                | <u>1,722,513</u>                               | <u>4,839,369</u>    | <u>16,334,842</u> | <u>277,280</u>    | <u>24,297</u>    | <u>5,867,194</u>     |
| Excess (deficiency) of receipts over disbursements | <u>205,216</u>                                 | <u>(257,977)</u>    | <u>(242,249)</u>  | <u>61,413</u>     | <u>-</u>         | <u>(7,457)</u>       |
| Cash and investments - ending                      | <u>\$ 2,173,242</u>                            | <u>\$ 1,691,290</u> | <u>\$ 14,990</u>  | <u>\$ 316,985</u> | <u>\$ 50,000</u> | <u>\$ 10,373</u>     |

CITY OF HAMMOND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | Excess<br>Levy | GIS<br>Electronics | Storm<br>Water<br>Utility | Sanitation | Recycling | Great<br>Lakes<br>Legacy |
|--|----------------|--------------------|---------------------------|------------|-----------|--------------------------|
| Cash and investments - beginning                   | \$ 22,769      | \$ 2,039           | \$ 182,195                | \$ 92,434  | \$ 11,159 | \$ -                     |
| Receipts:  |                |                    |                           |            |           |                          |
| Taxes  | -              | -                  | -                         | -          | -         | -                        |
| Licenses and permits                               | -              | -                  | -                         | -          | -         | -                        |
| Intergovernmental                                  | -              | -                  | -                         | -          | -         | -                        |
| Charges for services                               | -              | -                  | -                         | -          | -         | -                        |
| Fines and forfeits                                 | -              | -                  | -                         | -          | -         | -                        |
| Other receipts                                     | -              | -                  | 1,207,751                 | 4,717,896  | 1,445,476 | 2,337,296                |
| Total receipts                                     | -              | -                  | 1,207,751                 | 4,717,896  | 1,445,476 | 2,337,296                |
| Disbursements:                                     |                |                    |                           |            |           |                          |
| Personal services                                  | -              | -                  | -                         | -          | -         | -                        |
| Supplies   | -              | -                  | -                         | -          | -         | -                        |
| Other services and charges                         | -              | -                  | -                         | -          | -         | -                        |
| Debt service - principal and interest              | -              | -                  | -                         | -          | -         | -                        |
| Capital outlay                                     | -              | -                  | -                         | -          | -         | -                        |
| Utility operating expenses                         | 22,769         | -                  | 557,229                   | 4,530,239  | 1,440,774 | 2,289,352                |
| Other disbursements                                | -              | -                  | -                         | -          | -         | -                        |
| Total disbursements                                | 22,769         | -                  | 557,229                   | 4,530,239  | 1,440,774 | 2,289,352                |
| Excess (deficiency) of receipts over disbursements | (22,769)       | -                  | 650,522                   | 187,657    | 4,702     | 47,944                   |
| Cash and investments - ending                      | \$ -           | \$ 2,039           | \$ 832,717                | \$ 280,091 | \$ 15,861 | \$ 47,944                |

CITY OF HAMMOND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | 2007<br>Bond    | 2010<br>Bond        | SRF<br>Loan<br>(Phase<br>6) | Replacement       | Debt<br>Service<br>Non<br>Exempt | Debt<br>Service<br>Exempt |
|--|-----------------|---------------------|-----------------------------|-------------------|----------------------------------|---------------------------|
| Cash and investments - beginning                   | \$ 44,569       | \$ 8,262,083        | \$ 6,900,506                | \$ 949,236        | \$ 2,132,697                     | \$ -                      |
| Receipts:  |                 |                     |                             |                   |                                  |                           |
| Taxes  | -               | -                   | -                           | -                 | -                                | -                         |
| Licenses and permits                               | -               | -                   | -                           | -                 | -                                | -                         |
| Intergovernmental                                  | -               | -                   | -                           | -                 | -                                | -                         |
| Charges for services                               | -               | -                   | -                           | -                 | -                                | -                         |
| Fines and forfeits                                 | -               | -                   | -                           | -                 | -                                | -                         |
| Other receipts                                     | 7               | 26,221              | 26,653                      | 502,749           | 10,417,272                       | 865,820                   |
| Total receipts                                     | <u>7</u>        | <u>26,221</u>       | <u>26,653</u>               | <u>502,749</u>    | <u>10,417,272</u>                | <u>865,820</u>            |
| Disbursements:                                     |                 |                     |                             |                   |                                  |                           |
| Personal services                                  | -               | -                   | -                           | -                 | -                                | -                         |
| Supplies   | -               | -                   | -                           | -                 | -                                | -                         |
| Other services and charges                         | -               | -                   | -                           | -                 | -                                | -                         |
| Debt service - principal and interest              | -               | -                   | -                           | -                 | -                                | -                         |
| Capital outlay                                     | -               | -                   | -                           | -                 | -                                | -                         |
| Utility operating expenses                         | 44,576          | 719,815             | 1,563,859                   | 1,257,462         | 9,601,384                        | 372,790                   |
| Other disbursements                                | -               | -                   | -                           | -                 | -                                | -                         |
| Total disbursements                                | <u>44,576</u>   | <u>719,815</u>      | <u>1,563,859</u>            | <u>1,257,462</u>  | <u>9,601,384</u>                 | <u>372,790</u>            |
| Excess (deficiency) of receipts over disbursements | <u>(44,569)</u> | <u>(693,594)</u>    | <u>(1,537,206)</u>          | <u>(754,713)</u>  | <u>815,888</u>                   | <u>493,030</u>            |
| Cash and investments - ending                      | <u>\$ -</u>     | <u>\$ 7,568,489</u> | <u>\$ 5,363,300</u>         | <u>\$ 194,523</u> | <u>\$ 2,948,585</u>              | <u>\$ 493,030</u>         |

CITY OF HAMMOND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | Water<br>Utility    | Marina<br>Operations | Marina<br>Construction | Gaming<br>Fund<br>(628) | Lakefront<br>Management |
|--|---------------------|----------------------|------------------------|-------------------------|-------------------------|
| Cash and investments - beginning                   | \$ 4,686,248        | \$ 381,498           | \$ 2,513,493           | \$ 2,185,698            | \$ 7,447                |
| Receipts:  |                     |                      |                        |                         |                         |
| Taxes  | -                   | -                    | -                      | -                       | -                       |
| Licenses and permits                               | -                   | -                    | -                      | -                       | -                       |
| Intergovernmental                                  | -                   | -                    | -                      | 7,000,000               | -                       |
| Charges for services                               | -                   | 3,083,228            | 20,663                 | -                       | 167                     |
| Fines and forfeits                                 | -                   | -                    | -                      | -                       | -                       |
| Other receipts                                     | 9,346,643           | 631,100              | 500,000                | 1,200                   | 75,000                  |
| Total receipts                                     | <u>9,346,643</u>    | <u>3,714,328</u>     | <u>520,663</u>         | <u>7,001,200</u>        | <u>75,167</u>           |
| Disbursements:                                     |                     |                      |                        |                         |                         |
| Personal services                                  | -                   | 951,032              | -                      | 274,428                 | 67,188                  |
| Supplies   | -                   | 1,149,906            | -                      | -                       | -                       |
| Other services and charges                         | -                   | 1,139,389            | 125,379                | 170,271                 | -                       |
| Debt service - principal and interest              | -                   | -                    | -                      | -                       | -                       |
| Capital outlay                                     | -                   | 29,530               | 236,184                | 2,171,819               | 4,110                   |
| Utility operating expenses                         | 9,161,800           | -                    | -                      | -                       | -                       |
| Other disbursements                                | 2,202,894           | -                    | -                      | 4,983,729               | -                       |
| Total disbursements                                | <u>11,364,694</u>   | <u>3,269,857</u>     | <u>361,563</u>         | <u>7,600,247</u>        | <u>71,298</u>           |
| Excess (deficiency) of receipts over disbursements | <u>(2,018,051)</u>  | <u>444,471</u>       | <u>159,100</u>         | <u>(599,047)</u>        | <u>3,869</u>            |
| Cash and investments - ending                      | <u>\$ 2,668,197</u> | <u>\$ 825,969</u>    | <u>\$ 2,672,593</u>    | <u>\$ 1,586,651</u>     | <u>\$ 11,316</u>        |

CITY OF HAMMOND  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

|  | Lost<br>Marsh<br>Golf<br>Course<br>(630) | Wolf<br>Lake<br>Operations | Port<br>Authority<br>Payroll<br>Withholding | RDA<br>Project    | Totals               |
|--|--|----------------------------|---|-------------------|----------------------|
| Cash and investments - beginning                   | \$ 601,707                               | \$ 122,711                 | \$ 83                                       | \$ -              | \$ 64,053,117        |
| Receipts:  |  |                            |   |                   |                      |
| Taxes  | -  | -                          | -   | -                 | 69,871,461           |
| Licenses and permits                               | -  | -                          | -   | -                 | 1,022,364            |
| Intergovernmental                                  | -  | -                          | -   | 8,348,580         | 58,180,388           |
| Charges for services                               | 964,700                                  | 47,080                     | -   | 7,025             | 33,906,232           |
| Fines and forfeits                                 | -  | -                          | -   | -                 | 1,170,661            |
| Other receipts                                     | 588,113                                  | 775,600                    | 367,273                                     | -                 | 120,986,296          |
| Total receipts                                     | <u>1,552,813</u>                         | <u>822,680</u>             | <u>367,273</u>                              | <u>8,355,605</u>  | <u>285,137,402</u>   |
| Disbursements:                                     |  |                            |   |                   |                      |
| Personal services                                  | 678,983                                  | 220,609                    | -   | -                 | 82,295,248           |
| Supplies   | 317,370                                  | 64,250                     | -   | -                 | 4,039,860            |
| Other services and charges                         | 417,918                                  | 243,970                    | -   | -                 | 73,088,301           |
| Debt service - principal and interest              | -  | -                          | -   | -                 | 10,324,293           |
| Capital outlay                                     | 282,434                                  | 77,575                     | -   | 8,188,614         | 12,431,504           |
| Utility operating expenses                         | -  | -                          | -   | -                 | 54,065,662           |
| Other disbursements                                | -  | -                          | 367,457                                     | -                 | 52,274,210           |
| Total disbursements                                | <u>1,696,705</u>                         | <u>606,404</u>             | <u>367,457</u>                              | <u>8,188,614</u>  | <u>288,519,078</u>   |
| Excess (deficiency) of receipts over disbursements | <u>(143,892)</u>                         | <u>216,276</u>             | <u>(184)</u>                                | <u>166,991</u>    | <u>(3,381,676)</u>   |
| Cash and investments - ending                      | <u>\$ 457,815</u>                        | <u>\$ 338,987</u>          | <u>\$ (101)</u>                             | <u>\$ 166,991</u> | <u>\$ 60,671,441</u> |

CITY OF HAMMOND  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2011

| <u>Government or Enterprise</u> | <u>Accounts<br/>Payable</u> | <u>Accounts<br/>Receivable</u> |
|---------------------------------|-----------------------------|--------------------------------|
| Governmental activities         | \$ 12,885,649               | \$ 13,348,210                  |
| Sanitary District               | 1,657,975                   | 1,407,844                      |
| Water Utility                   | 13,477                      | 722,522                        |
| Port Authority                  | <u>-</u>                    | <u>-</u>                       |
| Totals                          | <u>\$ 14,557,101</u>        | <u>\$ 15,478,576</u>           |



CITY OF HAMMOND  
SCHEDULE OF LEASES AND DEBT  
December 31, 2011

| Lessor  | Purpose                 | Annual<br>Lease<br>Payment | Lease<br>Beginning<br>Date | Lease<br>Ending<br>Date |
|---|-------------------------|----------------------------|----------------------------|-------------------------|
| Governmental activities:<br>Kansas State Bank | Fire Dept Vehicle Lease | \$ 287,638                 | 06-01-09                   | 06-01-13                |
| Sanitary District:<br>1st Source Bank         | Vactor Truck            | 74,324                     | 03-15-11                   | 03-15-15                |
| Total of annual lease payments                |                         | <u>\$ 361,962</u>          |                            |                         |

| Type                          | Description of Debt<br>Purpose              | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|-------------------------------|---|--------------------------------|---|
| Governmental activities:      |   |                                |   |
| General obligation bonds      | Series 2006                                 | \$ 2,025,000                   | \$ 376,852  |
| General obligation bonds      | Series 2008A                                | 4,000,000                      | 596,565   |
| Revenue bonds                 | Series 2005A and Series 2005B               | 13,185,000                     | 2,570,474   |
| Revenue bonds                 | Redevelopment Bonds Series 2006             | 1,035,000                      | 130,000   |
| Revenue bonds                 | Economic Development Bonds Series 2007      | 25,930,000                     | 2,652,188   |
| Notes and loans payable       | Town of Highland Interlocal Agreement       | 1,750,000                      | 62,016  |
| Notes and loans payable       | HUD 108 Series 2003A                        | 104,000                        | 108,846   |
| Notes and loans payable       | HUD 108 Series 2006A                        | <u>2,370,000</u>               | <u>343,712</u>                                      |
| Total governmental activities |   | <u>50,399,000</u>              | <u>6,840,653</u>                                    |
| Sanitary District:            |   |                                |   |
| General obligation bonds      | 2003 Special Taxing District Refunding Bond | 605,000                        | 322,999   |
| General obligation bonds      | 2007 Special Taxing District Bond           | 2,690,000                      | 748,963   |
| General obligation bonds      | 2010 Special Taxing District Bond           | 9,415,000                      | 738,455   |
| Notes and loans payable       | Series 2007B                                | 16,770,000                     | 897,208   |
| Notes and loans payable       | 1993 SRF                                    | 2,670,000                      | 1,415,100   |
| Notes and loans payable       | 1997 SRF                                    | 1,270,000                      | 206,562   |
| Notes and loans payable       | 1998 SRF                                    | 2,040,000                      | 292,463   |
| Notes and loans payable       | 2001 A SRF                                  | 6,020,000                      | 662,650   |
| Notes and loans payable       | 2001 B SRF                                  | 6,764,900                      | 760,600   |
| Notes and loans payable       | 2006 SRF                                    | <u>1,800,000</u>               | <u>157,740</u>                                      |
| Total Sanitary District       |   | <u>50,044,900</u>              | <u>6,202,740</u>                                    |
| Water Utility:                |   |                                |   |
| Notes and loans payable       | Redevelopment Commission Loan               | 562,839                        | *   |
| Port Authority:               |   |                                |   |
| Revenue bonds                 | Redevelopment Bonds Series 2008             | <u>11,060,000</u>              | <u>2,213,231</u>                                    |
| Totals                        |   | <u>\$ 112,066,739</u>          | <u>\$ 15,256,624</u>                                |

\*The Redevelopment Commissions requests repayments on the loan as funds are needed.

CITY OF HAMMOND  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2011

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.

|                                   | Ending<br>Balance |
|-----------------------------------|-------------------|
| Governmental activities:          |                   |
| Land                              | \$ 78,656,553     |
| Infrastructure                    | 204,295,537       |
| Buildings                         | 48,432,999        |
| Improvements other than buildings | 219,347           |
| Machinery, equipment and vehicles | 25,072,454        |
| Construction in progress          | 47,850,520        |
| Total governmental activities     | 404,527,410       |
| Sanitary District:                |                   |
| Land                              | 497,919           |
| Buildings                         | 56,967,494        |
| Improvements other than buildings | 119,080,289       |
| Machinery, equipment and vehicles | 50,327,296        |
| Construction in progress          | 6,569,027         |
| Total Sanitary District           | 233,442,025       |
| Water Utility:                    |                   |
| Land                              | 134,466           |
| Infrastructure                    | 51,753,923        |
| Buildings                         | 656,835           |
| Improvements other than buildings | -                 |
| Machinery, equipment and vehicles | 26,873,540        |
| Construction in progress          | 53,699            |
| Total Water Utility               | 79,472,463        |
| Port Authority:                   |                   |
| Land                              | 2,119,607         |
| Infrastructure                    | 2,606,150         |
| Buildings                         | 19,315,077        |
| Improvements other than buildings | 16,762,027        |
| Machinery, equipment and vehicles | 3,204,606         |
| Construction in progress          | 5,627,270         |
| Total Port Authority              | 49,634,737        |
| Total capital assets              | \$ 410,399,745    |

CITY OF HAMMOND  
OTHER REPORTS

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

City Clerk  
Sanitary District  
Water Utility

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS

**FINANCIAL STATEMENT**

The Financial Statement initially prepared by the City Controller was inaccurate and incomplete. As the errors and omissions were discussed with the City Controller, he agreed to make the corrections to the financial statement as presented in this report.

Some cash and investment balances reported in the prior year financial statement as of December 31, 2010, did not agree to the cash and investment balances reported in the current year financial statement as follows:

| Fund  | Reported<br>Cash and<br>Investments<br>December 31, 2010 | Reported<br>Cash and<br>Investments<br>January 1, 2011 | Difference      |
|---|--|--|-----------------|
| General Fund  | \$ (28,203,730)  | \$ (16,203,729)  | \$ (12,000,001) |
| Redevelopment Authority Debt Service                  | 5,491,650  | -  | 5,491,650       |
| Redevelopment Commission 2008 Revenue<br>Debt Service | 1,968,026  | -  | 1,968,026       |
| City Clerk  | 1,949,267  | -  | 1,949,267       |

For the above funds where the reported Cash and Investments as of January 1, 2011, was zero, the funds were actually omitted from the financial report.

The following funds were reported in the prior year financial statement, and are still maintained in the City's ledgers, but the balances and activities were not reported in the financial statement:

| Fund  | Cash and<br>Investments<br>December 31,<br>2010 and 2011 |
|---|--|
| Transit   | \$ (375,309)   |
| Homelessness Prevention and Rapid Re-Housing Program (HPRP) | (16,083)   |

The activity of funds held in a trust account was not reported in the financial statement because the activity is not recorded in the City's ledgers. This includes an account whereby the Water Utility was repaying a loan from the Redevelopment Commission. The loan repayments totaling \$562,848 were deposited into a trust account, but no receipts were written. The Chief Executive Operator at the Water Utility indicated that the loan originated in 2009 from the TIF Allocation Marina Expansion Fund. Officials could not explain why the repayments were not receipted back to the fund from which the loan originated. Disbursements were made from the trust account to two contractors from these repayments totaling \$559,936; bypassing the procedures established by state statute for disbursing governmental funds.

The cash and investment balance reported at year end for the Cabela's Bond Fund (105415) was \$2,101,386, but should have been \$1,129,011, due to the omission of \$972,375 in disbursements. The activity of this fund is held in trust. Officials did not compare the trust account activity and balances to the ledger activity and balances prior to preparing the financial statement.

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

The activity and cash balance of the payroll withholding fund for the Port Authority were excluded from the financial statement, and the receipts and disbursements reported for the Water Utility were overstated by \$1,607,093 and \$628,889, respectively. Therefore, the cash and investment balance at year end was overstated by \$978,204.

Only one of the State Revolving Loans for the Sanitary District was reported in the Schedule of Leases and Debt. The City omitted reporting debt totaling \$20,564,900 for the Sanitary District.

Such errors and omissions should be detected by City officials at the time the financial statement is prepared; however, the City has not established effective controls to allow for such detection. At a minimum controls should include comparing prior year financial statement reported activities and balances to current year financial statement balances and activities. Such comparisons can bring to light unusual activity or balances, or omissions of funds or debt. Additionally, officials should be comparing year end reconciled cash and investment balances to the cash and investment balances being reported in the financial statement. Such a comparison will also ensure all fund cash and investment balances are complete and accurate.

Additionally, the City has not established effective information and communication controls to allow for complete and accurate financial statement reporting. Such information and communication controls should include a system for establishing any new bank or trust accounts, so that the proper funds and accounts are established in the City's financial records.

Indiana Code 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

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

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The City prepared a Schedule of Expenditures of Federal Awards for 2011 that was materially inaccurate. The City's schedule did not include the following federal financial assistance:

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

| Program Title  | CFDA No. | Expended   |
|--|----------|------------|
| Capitalization Grants for Clean Water State Revolving Funds    | 66.458   | \$ 577,532 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468   | 271,031    |
| Highway Planning and Construction                              | 20.205   | 79,558     |
| Highway Planning and Construction                              | 20.205   | 39,184     |
| ARRA - Highway Planning and Construction                       | 20.205   | 11,925     |

In addition, grants awarded through the American Recovery and Reinvestment Act of 2009 (ARRA) were not identified on the schedule prepared by the City. The following grants were determined to be ARRA funded grants:

| Program Title   | CFDA No. | Expended  |
|---|----------|-----------|
| ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R) | 14.253   | \$ 70,112 |
| ARRA - Highway Planning and Construction                                  | 20.205   | 11,925    |

Furthermore, the schedule prepared by the City included grants from other non-federal sources:

| Program Title   | Expended     |
|---|--------------|
| Hammond Lakes' Area Comprehensive Shoreline Redevelopment Project | \$ 7,909,803 |
| Lake County Solid Waste Management District Recycling Grant       | 250,000      |
| Beach Monitoring  | 11,167       |

The City approved and made the adjustments necessary to correct these issues on the Schedule of Expenditures of Federal Awards.

Adequate internal control over reporting of federal awards requires that personnel be aware of the applicable requirements for the preparation of the Schedule of Expenditures of Federal Awards. In addition, adequate internal control requires oversight by management and the governing bodies to ensure the accurate reporting of federal awards.

OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, section \_\_\_\_ .300 states in part:

"The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_\_.310. . . ."

OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, section \_\_\_\_.310 states in part:

"(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately."

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)

**CASH NECESSARY TO BALANCE**

At December 31, 2011, the reported cash and investment balances exceeded the reconciled bank, trust and investment account balances by \$11,801.

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

**OVERDRAWN CASH AND INVESTMENT BALANCES**

The following funds had overdrawn cash and investment balances:

| Fund                               | Cash and<br>Investments<br>December 31, 2011 |
|------------------------------------|--|
| General                            | \$ (19,598,117)                              |
| Motor Vehicle Highway              | (1,660,677)                                  |
| Local Road and Street              | (162,905)                                    |
| Parks and Recreation               | (850,776)                                    |
| Centrex                            | (78,100)                                     |
| Diesel Fuel Tax                    | (3,074)                                      |
| College Bound                      | (305,309)                                    |
| Community and Economic Development | (35,570)                                     |

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

| Fund  | Cash and<br>Investments<br>December 31, 2011 |
|---|--|
| Neighborhood Stabilization Program (NSP)                          | (44,520)                                     |
| Energy Efficiency and Conservation Block Grant (EECBG) ASAP Grant | (30,610)                                     |
| Gateways TIF  | (75,012)                                     |
| Redevelopment Commission Operating                                | (73,462)                                     |
| Public Safety   | (236,679)                                    |
| Water Hydrant Rental  | (117,762)                                    |
| Local Seizure   | (8,188)                                      |
| Community Development Block Grant (CDBG)                          | (199,151)                                    |
| Unemployment  | (409,860)                                    |
| Henry Unit (Task Force)   | (458,609)                                    |
| Lost Marsh Golf Course  | (244,270)                                    |
| Court Costs Due County  | (13,098)                                     |
| Payroll Withholdings  | (4,257)                                      |
| Homeless Prevention and Rapid Re-Housing Program (HPRP)           | (16,083)                                     |
| Transit   | (375,309)                                    |
| Port Authority Payroll Withholding Fund                           | (101)  |

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)

***TRUST FUND AT REDEVELOPMENT***

In 2009, the Redevelopment Commission loaned the Water Utility \$1,415,153. In 2011, the Water Utility made two partial payments to the Redevelopment Commission as repayments on this loan totaling \$562,838.92. Based upon discussions with the Chief Executive Operations Officer at the Water Utility, the Redevelopment Commission extended the loan from a TIF Fund, which has since been closed. The repayments were not posted to any fund maintained in the records of the City. The repayments were wire transferred to a Redevelopment Trust Account.

Officials could not explain who established the Trust Account or when it was established. The Executive Director of Planning and Development believes this account was from an "old" bond issue – construction fund. The money was subsequently used to make two payments to Rex Construction totaling \$545,383.08, and one payment to American Structure Point of \$14,552.50. Officials indicated the payments were for infrastructure improvements at the River Park Area. Claims or accounts payable vouchers were not prepared. Because only claims or accounts payable vouchers are included on claim dockets, there is not any evidence to indicate these payments were approved by the Redevelopment Commission Board. Additionally, invoices supporting the payments could not be provided for audit as it was indicated that the invoices would have been submitted to the trustee with the request for payment.



CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

An inquiry was made of the trust officer at the bank servicing the trust. Per the inquiry, the Hammond Redevelopment Commission – General Trust account was opened in June 2011. The trust officer indicated the Incumbency Certificate was signed by Phil Taillon who is the Executive Director of Planning and Development, and the signature on the Depository Agreement is Jimmie Lambert, President of the Redevelopment Commission.

Indiana Code 36-7-14-12.2 states:

"(a) The redevelopment commission may do the following:

- (1) Acquire by purchase, exchange, gift, grant, condemnation, or lease, or any combination of methods, any personal property or interest in real property needed for the redevelopment of areas needing redevelopment that are located within the corporate boundaries of the unit.
- (2) Hold, use, sell (by conveyance by deed, land sale contract, or other instrument), exchange, lease, rent, or otherwise dispose of property acquired for use in the redevelopment of areas needing redevelopment on the terms and conditions that the commission considers best for the unit and its inhabitants.
- (3) Sell, lease, or grant interests in all or part of the real property acquired for redevelopment purposes to any other department of the unit or to any other governmental agency for public ways, levees, sewerage, parks, playgrounds, schools, and other public purposes on any terms that may be agreed on.
- (4) Clear real property acquired for redevelopment purposes.
- (5) Enter on or into, inspect, investigate, and assess real property and structures acquired or to be acquired for redevelopment purposes to determine the existence, source, nature, and extent of any environmental contamination, including the following:
  - (A) Hazardous substances.
  - (B) Petroleum.
  - (C) Other pollutants.
- (6) Remediate environmental contamination, including the following, found on any real property or structures acquired for redevelopment purposes:
- (7)
  - (A) Hazardous substances.
  - (B) Petroleum.
  - (C) Other pollutants.
- (8) Repair and maintain structures acquired for redevelopment purposes.
- (9) Remodel, rebuild, enlarge, or make major structural improvements on structures acquired for redevelopment purposes.

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (10) Survey or examine any land to determine whether it should be included within an area needing redevelopment to be acquired for redevelopment purposes and to determine the value of that land.
- (11) Appear before any other department or agency of the unit, or before any other governmental agency in respect to any matter affecting:
  - (A) real property acquired or being acquired for redevelopment purposes; or
  - (B) any area needing redevelopment within the jurisdiction of the commissioners.
- (12) Institute or defend in the name of the unit any civil action.
- (13) Use any legal or equitable remedy that is necessary or considered proper to protect and enforce the rights of and perform the duties of the department of redevelopment.
- (14) Exercise the power of eminent domain in the name of and within the corporate boundaries of the unit in the manner prescribed by section 20 of this chapter.
- (15) Appoint an executive director, appraisers, real estate experts, engineers, architects, surveyors, and attorneys.
- (16) Appoint clerks, guards, laborers, and other employees the commission considers advisable, except that those appointments must be made in accordance with the merit system of the unit if such a system exists.
- (17) Prescribe the duties and regulate the compensation of employees of the department of redevelopment.
- (18) Provide a pension and retirement system for employees of the department of redevelopment by using the Indiana public employees' retirement fund or a retirement plan approved by the United States Department of Housing and Urban Development.
- (19) Discharge and appoint successors to employees of the department of redevelopment subject to subdivision (15).
- (20) Rent offices for use of the department of redevelopment, or accept the use of offices furnished by the unit.
- (21) Equip the offices of the department of redevelopment with the necessary furniture, furnishings, equipment, records, and supplies.
- (22) Expend, on behalf of the special taxing district, all or any part of the money of the special taxing district.
- (23) Contract for the construction of:
  - (A) local public improvements (as defined in IC 36-7-14.5-6) or structures that are necessary for redevelopment of areas needing redevelopment or economic development within the corporate boundaries of the unit; or

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (B) any structure that enhances development or economic development.
- (24) Contract for the construction, extension, or improvement of pedestrian skyways.
- (25) Accept loans, grants, and other forms of financial assistance from the federal government, the state government, a municipal corporation, a special taxing district, a foundation, or any other source.
- (26) Provide financial assistance (including grants and loans) to enable individuals and families to purchase or lease residential units within the district. However, financial assistance may be provided only to individuals and families whose income is at or below the unit's median income for individuals and families, respectively.
- (26) Provide financial assistance (including grants and loans) to neighborhood development corporations to permit them to:
  - (A) provide financial assistance for the purposes described in subdivision (25); or
  - (B) construct, rehabilitate, or repair commercial property within the district.
- (27) Require as a condition of financial assistance to the owner of a multiple unit residential structure that any of the units leased by the owner must be leased:
  - (A) for a period to be determined by the commission, which may not be less than five (5) years;
  - (B) to families whose income does not exceed eighty percent (80%) of the unit's median income for families; and
  - (C) at an affordable rate.
- (b) Conditions imposed by the commission under subsection (a)(27) remain in force throughout the period determined under subsection (a)(27)(A), even if the owner sells, leases, or conveys the property. The subsequent owner or lessee is bound by the conditions for the remainder of the period.
- (c) As used in this section, 'pedestrian skyway' means a pedestrian walkway within or outside of the public right-of-way and through and above public or private property and buildings, including all structural supports required to connect skyways to buildings or buildings under construction. Pedestrian skyways constructed, extended, or improved over or through public or private property constitute public property and public improvements, constitute a public use and purpose, and do not require vacation of any public way or other property.
- (d) All powers that may be exercised under this chapter by the redevelopment commission may also be exercised by the redevelopment commission in carrying out its duties and purposes under IC 36-7-14.5."

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

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

- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

***ACCOUNTS PAYABLE VOUCHERS AND WARRANTS - SANITARY DISTRICT***

The City Controller is the fiscal officer over the Sanitary District. As the fiscal officer, the City Controller is responsible for certifying all claims or accounts payable vouchers prior to disbursing the funds. The certification of claims by the City Controller can be accomplished by either signing each claim or signing a claim docket which lists each and every claim considered for payment during a specific period of time.

In 2011, none of the claims or claim dockets was signed by the City Controller.

This lack of certification of claims by the fiscal officer bypasses an inherent internal control over disbursements.

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

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

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

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

**PAYROLL DEFICIENCIES**

*Salary Ordinance*

Numerous discrepancies were noted between the amounts authorized as compensation to employees per the salary ordinance and the actual compensation paid.

Two employees in the Controller's Office are responsible for determining the compensation amounts provided to the Council for approval in the form of a Salary Ordinance. The compensation amounts are based upon using prior year salary and wages and applying the percentage increases authorized by the Council and/or union contracts.

*Police and Fire Departments*

Per the union contracts for police and firefighters, percentage raises are indicated by year for the period of the contracts. The union contracts extend from January 1, 2009 to December 31, 2012. Per the prior audit report, the calculated salary for police lieutenants in the salary ordinance did not agree to the calculation based upon the contract. This same calculation error carried forward to the 2011 salary ordinance. This error results in an overpayment to each police lieutenant of \$561 per year based upon the salary ordinance. Based upon the budget, there were 21 lieutenants, for an overall overpayment of \$11,781.

Additionally, the 2011 salary ordinance indicated that a probationary police officer's salary was to be at the same rate as a 3rd Class Patrolman. If the City had followed the salary ordinance, a probationary patrolman annual salary would have exceeded the union agreement salary by \$7,647. The City had at least two probationary officers, based upon our payroll test.

In the union agreement for police officers, reference is made to "specialty pay," which is to be paid in accordance with the salary ordinance; however, in an effort to reduce the volume of the ordinance, the specialty pay amount was removed from the salary ordinance. The amount paid to police officers for specialty pay was based upon the amount authorized per the salary ordinance from 2006.

The union agreement for the firefighters addressed salaries for the position of "Senior Captain," but said position was omitted from the salary ordinance. The salary for the position of "Senior Captain" was instead applied to the subsequent lower pay level, which included the positions of "Captain, EMT I, and Engineer I." This application of positions to the next lower pay level also occurred at the position level of Engineer and EMT II. Thus, if the salary ordinance had been followed, the City would have paid each Captain, EMT I and Engineer I \$756 in excess of amounts authorized by the union contract, and each Engineer, and EMT II salary would have exceeded the union agreement authorized payments by \$2,509, each. Once again, based upon the number of positions budgeted for Captains, EMT I's and Engineer I's for which eight positions were budgeted, the City would have overpaid \$6,048, and for the 43 budgeted Engineer and EMT II positions, the City would have overpaid salaries by \$107,887.

*Redevelopment Department*

Within the Redevelopment Department, one employee was paid \$4,974 in excess the salary per the salary ordinance for the position of administrative secretary. This position is paid from the Federal Community Development Block Grant Fund. Officials indicated that the increase was due to elimination of another position, for which this employee was given additional duties.

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Sanitary District*

The pay rates included in the salary resolution presented for audit were altered and replaced with handwritten pay amounts to bring the resolution into agreement with labor contracts. In accordance with state guidelines, the District Board is responsible for approving all compensation. Based upon the salary resolution presented for audit, it could not be determined whether the District Board approved the unedited or edited salary resolution, as the minutes to the meetings simply addressed approving the resolution.

In 2011, District officials discovered that the District was in violation of not complying with court orders for garnishments. The court orders provided for audit were for garnishments related to the former payroll clerk. Since the former payroll clerk had exclusive access to the payroll records without proper oversight and review, she neglected to establish the court ordered garnishments against her own salary. Upon discovery by District officials, the payroll clerk was terminated.

*Other*

Similar pay increase computation errors occurred in some City offices such as the council office, and police civilian office positions. These errors could have been avoided if management established controls to verify the dollar amounts and positions per the salary ordinance to the union contracts.

The 2011 Salary Ordinance was never amended to allow for the correction of any errors or omissions. The departmental payroll clerks simply informed one of the two employees in the Controller's Office who computes the wages of the errors or omissions so that the changes could be implemented in the electronic payroll processing software. Either of these two clerks, who also enter the salary and wage rates into the payroll computer software used to process payroll and process the biweekly payroll, enter the changes to the salary and wage rates as reported to them by these departmental payroll clerks.

A material weakness in internal control has been reported because the City has not segregated incompatible duties related to the processing of payroll, as well as the fact that changes can be made to salaries and wages without proper authorization by the Council or Sanitary District Board of Commissioners through the passage of a salary ordinance or resolution, or amendment to the salary ordinance or resolution.

*Street Department*

Per the City's Employee Handbook:

"(This policy applies to all city employees including those covered by a collective bargaining agreement, unless the bargaining agreement or contract explicitly addresses, the issue in a manner contrary to this chapter. In those instances, the terms of the bargaining agreement or contract will supersede the terms of this chapter.):

Lunch Hour- Salaried employees are entitled to a one-hour lunch period per workday.

Employees who fail to take a lunch period will not be compensated unless authorized by the department head to work through a lunch hour in order to allow that employee to adjust his/her start or end time (come in late or leave early on the same day), or due to circumstances where the employee was required to perform his/her work duties that precluded the employee from taking a lunch.

Hourly employees are entitled to lunchtime set by department policy."

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

The City of Hammond Contract with Union Local No. 142 representing the Street and Park Departments for the period 2009 through 2012 indicates employees "shall not have a starting time later than 8 a.m. . . ."

"The regular workweek for employees is a forty (40) hour workweek. Employees will be paid at their regular rate for non-overtime hours up to forty hours unless otherwise noted in this agreement. Time and one half shall be paid for all work done over eight hours per day Monday through Friday unless the workweek is otherwise defined. . . . A full-time, permanent employee shall work eight hours per day, five days a week."

Some Street Department positions established by the union contract and salary ordinance are salaried positions, such as the foremen, and some positions (truck drivers) are compensated at an hourly rate. All of these Street Department employees punch a time clock to record hours worked.

For the payroll period tested, both foremen and truck drivers worked similar hours, generally between 8 3/4 hours to 9 hours per day (from about 5:30am until about 2:15 or 2:30pm). The truck drivers were paid 8 hours per day or 80 hours for the biweekly pay period. The foremen were paid their biweekly salary plus additional compensation for the hours indicated on their time cards which were in excess of 80 hours, which is usually between 6 to 7 1/2 hours of additional compensation. This additional compensation was computed by converting their biweekly salary into an hourly rate. This additional compensation was paid at the "regular" hourly rate. The conversion to an hourly rate was not paid at time and one-half as though this additional work time was overtime. Lunch hours are not addressed in the Union Contract for either position, and there is not anything in either the salary ordinance or Union Contract authorizing the additional compensation.

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

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

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

*Payment in Advance*

The City's salaried employees are paid bi-weekly on Friday based on "Payroll Earnings Forecasts" submitted by the departments to the City Controller's office on the previous Friday. The pay period for the salaried employees is the week of pay day and the week before pay day. The "Payroll Earnings Forecasts," which are signed by each department head, state in part: "I, hereby certify . . . that each employee has performed the services for which the salary or compensation is paid; . . ." However, since the "Payroll Earnings Forecasts" are delivered to the Controller's office usually by Monday or Tuesday of pay week, salaried employees have not yet completely performed the service for which department heads certify. The certified forecasts received by the Controller's office are for the pay period ending the day after the pay date. Thus, salaried employees receive their pay a day before the last day of the pay period which results in salaried employees being compensated in advance of service.

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
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Indiana Code 5-7-3-1 states in part: "Public officers may not draw or receive their salaries in advance . . ."

*Employee Service Records*

Compliance guidelines require employee service records be maintained for all employees including part-time and seasonal workers. Instructions are provided as how the employee service records are to be maintained, which includes indicating by date the number of hours worked each day.

The Fire Department does not maintain employee service records. An attendance record is maintained which is similar to the employee service record, but it does not provide information of leave balances, leave accruals, and leave usage.

The Police Department maintains employee service records, but as with many offices, overtime hours worked are not reported. Additionally, compensatory leave accruals, usage, and balances are not reported. A separate record of this leave type is maintained.

Some departments, including Fire and Probation, are using symbols (W or P) instead of hours worked to indicate that the employee worked that day. Some departments are also using symbols in the daily columns for leave time which is not defined on the record.

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

**EXTENDED SICK LEAVE AND OTHER BENEFITS**

The City abides by negotiated union agreements for payroll related leaves and benefits for police officers and firefighters. Both union agreements are effective for the period of January 1, 2009 through December 31, 2012. Neither agreement addresses the number of days a police officer or firefighter may receive, use, or retain for sick leave. Neither policy addresses the federally mandated Family Medical Leave Act (FMLA) regarding extended leaves of absences for family and medical reasons, but they do address leaves of absences as follows, ". . . may be granted leaves of absences in accordance with the procedures and requirements set forth in I.C. 36-8-5-2"

Indiana Code 36-8-5-2 states in part:

"(a) The police chief or fire chief may be granted a leave of absence by the authority who appointed the police chief or fire chief. This appointing authority may also grant a leave of absence to any other full-time, fully paid police officer or firefighter.

(b) A leave of absence under subsection (a) shall be granted for service in the Indiana general assembly. A leave of absence under subsection (a) may also be granted for service in any other elected office or for one (1) of the following reasons:

- (1) Sickness.
- (2) Disability.
- (3) Sabbatical purposes. . . .



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(d) This subsection applies to leaves of absence granted under subsection (b)(1), (b)(2), or (b)(3). A leave of absence may extend for a period of not more than one (1) year, determined by the appointing authority, and may be renewed upon written request of the member. . . .

(f) This subsection applies to leaves of absence granted under subsection (b)(1), (b)(2), or (b)(3). A member on leave may receive compensation in an amount determined by the appointing authority, up to a maximum amount that equals the member's salary before the leave began. . . .

(i) This subsection applies to leaves of absence granted under subsection (a) or (b). An appointing authority shall establish a policy in writing that specifies whether a police officer or firefighter is entitled, during a leave of absence, to participate in any promotional process or earn seniority. A policy established under this subsection is subject to a department's existing disciplinary procedures. An appointing authority shall reinstate a police officer or firefighter returning from a leave at the merit or permanent rank determined under the policy established under this subsection. However, except as otherwise provided by federal law, an appointing authority is not required to reinstate a police officer or firefighter in the job that the police officer or firefighter held at the time the police officer's or firefighter's leave began."

The City has a policy addressing paid sick days as follows:

"If he/she is a full-time employee, he/she will earn sick leave at the rate of one (1) day after each calendar month in which he/she has worked at least 51% of work days (including paid vacation days) of that month. . . . Sick days may accumulate up to a maximum of seventy-five (75) days. For each six (6) days earned in excess of the allowable accumulation, the excess days shall be converted to equal one extra regular vacation day. In computing sick leave accruals, paid sick leave used will be deducted from the accrual."

Regarding extended leaves of absence, the City's policy states:

"Medical Leaves of Absence are subject to and superseded by federal guidelines as outlined in the Family and Medical Leave Act (FMLA). . . . Leaves of Absences shall be granted for a minimum period of thirty (30) days and are renewable in blocks of thirty (30) day time periods up to a maximum of three (3) months. . . . Length of service shall be frozen for the duration of the leave of absence. Time spent on leave of absence status shall not be used for computation of the following benefits:

- a. Sick leave
- b. Vacation time
- c. PERF benefits"

Neither the Fire Chief nor the Police Chief submitted any firefighters or police officers to the Mayor for consideration for leaves of absences.

Attendance Records used in lieu of Employee Service Records for firefighters, and Employee Service Records for police officers documented the use of sick, vacation, and/or seniority days to accommodate two firefighters and two police officers with extended leaves of absence of at least six months or longer at full compensation. In some cases the compensation included wellness incentives, longevity increases, and acting pay. A wellness incentive is paid at the rate of \$70 per month to a firefighter or police officer who has not used any sick days in the prior month. Acting pay is pay made to an employee for fulfilling the duties out of one's normal rank and/or classification.

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Due to weaknesses in internal control procedures, the leave times used to support the payment of full compensation was not reported on any payroll related records provided to the Controller's Office.

In the absence of a written policy specifically addressing police and firefighters, the City's policy was used to determine amounts overpaid for the extended leave of absences for the two firefighters and one police officer as follows:

Firefighters:

|                                       | Years       |             |                     | Totals              |
|---------------------------------------|-------------|-------------|---------------------|---------------------|
|                                       | 2010        | 2011        | 2012                |                     |
| <u>Alan Burney</u>                    |             |             |                     |                     |
| Period of Leave: 05-11-11 to 06-20-12 |             |             |                     |                     |
| Maximum Sick Leave Carryover          | 75          |             |                     |                     |
| Earned Vacation Leave                 | 22          | 20          | 0                   |                     |
| Earned (Used) Sick Leave              | 0           | 3           | 0                   |                     |
| Earned Seniority                      | 7           | 7           | 0                   |                     |
| Leave Balance Carried Forward         | 0           | 76          | 12                  |                     |
| <b>Total Leave Earned</b>             | <b>104</b>  | <b>106</b>  | <b>12</b>           |                     |
| <b>Total Leave Used</b>               | <b>-28</b>  | <b>-94</b>  | <b>-55</b>          |                     |
| Leave Balance for Carry Forward       | 76          | 12          |                     |                     |
| Number of Excess Days                 |             |             | -43                 |                     |
| Excess Salary                         | \$ -        | \$ -        | \$ 23,147.76        | \$ 23,147.76        |
| Employer Medicare                     | -           | -           | -                   | -                   |
| Employer PER                          | -           | -           | 4,513.81            | 4,513.81            |
| <b>Totals</b>                         | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 27,661.57</b> | <b>\$ 27,661.57</b> |

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|                                       | Years            |                     |                     | Totals               |
|---------------------------------------|------------------|---------------------|---------------------|----------------------|
|                                       | 2009             | 2010                | 2011                |                      |
| <u>Mark Sanders</u>                   |                  |                     |                     |                      |
| Period of Leave: 03-07-09 to 08-30-11 |                  |                     |                     |                      |
| Maximum Sick Leave Carryover          | 75               |                     |                     |                      |
| Earned Vacation Leave                 | 22               |                     |                     |                      |
| Earned (Used) Sick Leave              | 2                |                     |                     |                      |
| Earned Seniority                      | 4                |                     |                     |                      |
| Leave Balance Carried Forward         | <u>0</u>         |                     |                     |                      |
| Total Leave Earned                    | 103              | 0                   | 0                   |                      |
| Total Leave Used                      | <u>-104</u>      | <u>-122</u>         | <u>-81</u>          |                      |
| Leave Balance for Carry Forward       |                  |                     |                     |                      |
| Number of Excess Days                 | -1               | -122                | -81                 |                      |
| Excess Salary                         | \$ 475.68        | \$ 59,672.64        | \$ 41,212.80        | \$ 101,361.12        |
| Employer Medicare                     | 6.90             | 865.25              | 597.59              | 1,469.74             |
| Employer PERF                         | <u>92.76</u>     | <u>11,636.16</u>    | <u>8,036.50</u>     | <u>19,765.42</u>     |
| Totals                                | <u>\$ 575.34</u> | <u>\$ 72,174.05</u> | <u>\$ 49,846.89</u> | <u>\$ 122,596.28</u> |

Police Officer:

|                                       | Years       |             | Totals |
|---------------------------------------|-------------|-------------|--------|
|                                       | 2011        | 2012        |        |
| <u>Robert Hansen</u>                  |             |             |        |
| Period of Leave: 08-08-11 to 06-22-12 |             |             |        |
| Maximum Sick Leave Carryover          | 75          | 0           |        |
| Earned Vacation Leave                 | 42          | 42          |        |
| Earned (Used) Sick Leave              | 8           | 0           |        |
| Earned Seniority                      | 0           | 0           |        |
| Leave Balance Carried Forward         | 125         | 42          |        |
| Total Leave Used                      | <u>-129</u> | <u>-117</u> |        |

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|                                  | Years            |                     | Totals              |
|----------------------------------|------------------|---------------------|---------------------|
|                                  | 2011             | 2012                |                     |
| <u>Robert Hansen (continued)</u> |                  |                     |                     |
| Leave Balance for Carry Forward  |                  |                     |                     |
| Number of Excess Days            | -4               | -75                 |                     |
| Excess Salary                    | \$ 648.00        | \$ 12,606.00        | \$ 13,254.00        |
| Employer Medicare                | 9.40             | 182.79              | 192.19              |
| Employer PERF                    | 126.36           | 2,458.17            | 2,584.53            |
| Totals                           | <u>\$ 783.76</u> | <u>\$ 15,246.96</u> | <u>\$ 16,030.72</u> |

The next table addresses amounts paid for benefits which, in accordance with the City's Policy, should not have been granted due to the extended leaves of absences:

|                    | Years            |                  |                  |                  | Totals           |
|--------------------|------------------|------------------|------------------|------------------|------------------|
|                    | 2009             | 2010             | 2011             | 2012             |                  |
| Firefighters:      |                  |                  |                  |                  |                  |
| Alan Burney:       |                  |                  |                  |                  |                  |
| Wellness Incentive | \$ -             | \$ -             | \$ 560.00        | \$ -             | \$ 560.00        |
| Acting Pay         | -                | -                | 100.00           | 200.00           | 300.00           |
| Totals             | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 660.00</u> | <u>\$ 200.00</u> | <u>\$ 860.00</u> |
| Mark Sanders:      |                  |                  |                  |                  |                  |
| Wellness Incentive | \$ 210.00        | \$ 70.00         | \$ 70.00         | \$ -             | \$ 350.00        |
| Acting Pay         | 200.00           | 100.00           | -                | -                | 300.00           |
| Totals             | <u>\$ 410.00</u> | <u>\$ 170.00</u> | <u>\$ 70.00</u>  | <u>\$ -</u>      | <u>\$ 650.00</u> |

Also, in reviewing the records, it was noted that two of the employees on extended leaves of absences were given promotions. One of the employees, Alan Burney was promoted effective May 22, 2011; however, the City mistakenly did not apply the increase in pay until his January 6, 2012 paycheck. This resulted in an under payment for 2011 of \$450.59. He began his sick leave on May 11, 2011, continuing through May 23, 2011, after which he began combining vacation leave and seniority days with sick leave to extend his leave of absence through at least June 26, 2012. The other employee, Robert Hansen, who began his extended leave of absence on August 9, 2011, continuing through at least June 26, 2012, was promoted from a Corporal to a Sergeant effective May 12, 2012. Police Department officials indicated this was an automatic promotion due to his attaining his fifteenth year anniversary. (Per the Union Agreement the following is stated regarding vacancies and promotions, "Until a promotional policy is enacted as described under Section B of this Article, all officers who complete at least 15 years of service, regardless of assignment, shall be promoted to the rank of sergeant.")

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Furthermore, Firefighter Mark Sanders, who began his extended leave of absence on March 7, 2009, and continued through August 30, 2011, submitted an application for voluntary retirement in accordance with City Ordinance #9107. On the application dated August 15, 2011, he indicated his retirement date would be November 1, 2011.

The Union Agreement regarding terminal leave states: "The Employer agrees to grant upon retirement notification, twenty (20) tours of duty leave at the rate of the employee's regular compensation. . . ." Per his attendance record, Mark Sanders was to receive sick leave through August 30, 2011, and terminal leave from September 2 through October 30, which would allow for the full 20 hours of terminal leave. However, per the payroll history, Mark Sanders was paid 8 additional days of terminal leave. The excess cost to the City is as follows:

|                                |                        |
|--------------------------------|------------------------|
| Number of Additional Days Paid | 8                      |
| Excess Salary                  | \$ 4,070.40            |
| Employer Medicare              | 59.02                  |
| Employer PERF                  | <u>793.73</u>          |
| <br>Totals                     | <br><u>\$ 4,923.15</u> |

All types of employee benefits should be detailed in a written policy. Payments for expenses not authorized in a written policy cannot be allowed.

The board should adopt policies governing sick leave, vacation leave, and any other types of special leave. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

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

***VENDOR DISBURSEMENTS AND TRANSFERS***

On December 12, 2011, the City Council adopted Ordinance 9122 - An Ordinance Authorizing the City Controller to Transfer Funds from One Line Item to Another within Various City 2011 Budgets. This ordinance essentially allows the City Controller to "provide the account reductions and account appropriations below and the following transfer be and is hereby made from one line item to another as follows:

Transfer From: 008-43900-43902-0900 Demolition \$28,000 . . .

Transfer To: 011-43900-43900-0007 Graffiti Removal \$28,000"

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The above transfer was not within the same fund as authorized by statute. Fund 008 is the Demolition Fund, and Fund 011 is the Graffiti Removal Fund.

Indiana Code 6-1.1-18-6 states:

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

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

(b) A transfer may be made under this section without notice and without the approval of the Department of Local Government Finance."

Also, the following wording is included in Ordinance 9122:

"BE IT FURTHER ORDAINED that the City Controller upon recommendation of the State Board of Accounts is hereby authorized to make any cash and appropriation transfers which are necessary for bookkeeping adjustments at year end."

The City Controller transferred \$1,834,152.35 in disbursements for gas and electric bills originally approved for payment from, and posted as paid from, the General Fund. These disbursements were transferred to the Engineering Fund. Ordinance 9122 was provided as justification for the transfer.

The State Board of Accounts did not make any recommendations for cash transfers at year end. Any adjustments recommended by the State Board of Accounts would be provided at the completion of the audit.

Indiana Code 5-11-10-2 states in part:

"(a) Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

Transfers were also made from the Gaming Revenues Fund, Park Gaming Fund, and the Federal Forfeiture Fund for which an Ordinance or Resolution was not provided audit as authorization for the transfers, and which do not comply with state statutes:

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| Fund  | Amount<br>Transferred       |
|---|-----------------------------|
| Transfers from Gaming Revenues Fund:        |                             |
| Marina Operations                           | \$ 621,000.00               |
| Marina Construction                         | 500,000.00                  |
| Lakefront Management                        | 75,000.00                   |
| Lost Marsh Golf Course                      | 585,000.00                  |
| Wolf Lake Operations                        | 775,000.00                  |
| College Bound                               | 2,500,000.00                |
| Demolition                                  | 500,000.00                  |
| Community and Economic Development          | 105,000.00                  |
| Engineering                                 | 8,690,181.90                |
| Police Donation                             | 1,000.00                    |
| Henry Unit                                  | 794,000.00                  |
| Park Gaming                                 | <u>3,427,000.00</u>         |
| <br>Total                                   | <br><u>\$ 18,573,181.90</u> |
| <br>Transfers from Park Gaming Fund:        |                             |
| Redevelopment Party Fund                    | <u>\$ 13,610.02</u>         |
| <br>Transfers from Federal Forfeiture Fund: |                             |
| General Fund                                | <u>\$ 21,086.57</u>         |

Indiana Code 36-1-8-4 states in part:

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

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs."

Indiana Code 36-1-8-5 states in part,

"(a) This section applies to all funds raised by a general or special tax levy on all the taxable property of a political subdivision.

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(b) Whenever the purposes of a tax levy have been fulfilled and an unused and unencumbered balance remains in the fund, the fiscal body of the political subdivision shall order the balance of that fund to be transferred as follows, unless a statute provides that it be transferred otherwise: . . .

- (2) Funds of a municipality, to the general fund or rainy day fund of the municipality, as provided in section 5.1 of this chapter."

Indiana Code 36-1-8-5.1 states in part:

"(g) A county, city, or town may at any time, by ordinance or resolution, transfer to:

- (1) its general fund; or
- (2) any other appropriated funds of the county, city, or town;

money that has been deposited in the rainy day fund of the county, city, or town."

Amounts reported as transfers out exceeded amounts reported as transfers in by \$5,305,301.58. On December 26, 2011, a transfer was recorded from the TIF Allocation Marina Expansion Fund to the General Fund; however, on the same date the transfer to the General Fund was reclassified in the financial records as Miscellaneous Revenue.

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

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

### ***PAYROLL EXPENDITURES AS VENDORS***

The City contracts with various promoters for events held at the Civic Center. The contracts generally allow for the promoter to retain the ticket sale revenue, while the Civic Center is paid a facility rental fee, and expenses. The expenses include amounts to compensate individuals for working security, the box office, ticket takers, ushers, maintenance, emergency standby services, etc.

For these events, the Civic Center is responsible for employing, determining the rate of compensation, and remitting wages to the event workers. All are paid in cash. The wages paid are not accumulated for reporting to the Internal Revenue Service or the Indiana Department of Revenue in accordance with Federal and State laws.

Some of the individuals working at the events are also employed by the City on either a full-time or part-time basis for various departments in the City, including the Park and Recreation, Police, and Fire Departments. The compensation paid for working these events does not agree to the amounts approved in the Salary Ordinance as compensation for their other employment positions.



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Some promoters may request that the Civic Center provide staff, but the promoter pays the staff directly. In these instances, the Civic Center will generally determine the rate of pay; however, since the promoter is paying the staff directly, it is not clear who would be responsible for the reporting of the wages to the Internal Revenue Service or the Indiana Department of Revenue.

The City also employs individuals to work at the Festival of the Lakes, a Park Department sponsored event. These individuals are paid in accordance with rates established in the Salary Ordinance for part-time employees; however, they are not paid through payroll. These individuals are paid on a vendor claim.

A vendor check is issued to the commission members of the Human Rights Commission. The amount paid to each is \$50 per attendance at each Commission meeting. This compensation is not addressed in the salary ordinance, and they are not paid through payroll.

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

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 for Cities and Towns, Chapter 7)

**DISBURSEMENTS EXCEED APPROPRIATIONS**

The City Council adopted budgets for various tax-based funds in accordance with statutes on September 13, 2010, for the calendar year 2011. These Council approved budgets were posted to the appropriation ledger. Disbursements were posted against the Council approved budgets. On March 21, 2011, the Department of Local Government Finance (DLGF) provided the City with their finalized approved budget per the 1782 Notice Notes Report. For most funds, the appropriations were reduced due to insufficient projected revenues. The City did not record the budget reductions in their appropriations ledger and continued to spend based upon the Council approved budgets.

The following is a listing of the funds in which disbursements exceeded appropriations based upon both the Council approved budgets and the DLGF approved budgets:

| <u>Fund</u>           | <u>Disbursements<br/>in Excess of Council<br/>Approved Appropriations</u> | <u>Disbursements<br/>in Excess of DLGF<br/>Approved Appropriations</u> |
|-----------------------|---|--|
| General               | \$ 2,510,014  | \$ 13,886,836  |
| Motor Vehicle Highway | -   | 242,706  |
| Park and Recreation   | -   | 192,686  |
| Corporation Bond      | 6,500   | 6,500  |
| Water Hydrant Rental  | 7,402   | 113,227  |

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

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

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

(b) If the additional appropriation by the political subdivision is made from a fund that receives:

1. Distributions from the motor vehicle highway account established under IC 8-14-1-1 or the local road and street account established under IC 8-14-2-4; or
2. Revenue from property taxes levied under IC 6-1.1;

the political subdivision must report the additional appropriation to the department of local government finance. If the additional appropriation is made from a fund described under this subsection, subsections (f), (g), (h), and (i) apply to the political subdivision."

Indiana Code 6-1.1-18-10(a) states:

"If the proper officers of a political subdivision make an appropriation for an item which exceeds the amount which they are permitted to appropriate under this chapter, they are guilty of malfeasance in office and are liable to the political subdivision in an amount equal to the sum of one hundred and twenty-five percent (125%) of the excess so appropriated and court costs."

Indiana Code 36-4-8-2 states in part:

"Money may be paid out of the city treasury only on warrant of the city fiscal officer. Unless a statute provides otherwise, the fiscal officer may draw a warrant against a fund of the city only if: (1) an appropriation has been made for that purpose and the appropriation is not exhausted . . ."

***CONFLICT OF INTEREST – PORT AUTHORITY***

Mr. Gus Iatrides, Board member, sold a concession stand to the Port Authority for \$37,500. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

Prior to its repeal in 2012, Indiana Code 35-44-1-3 stated in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . ."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

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"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . ."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

**ACCOUNTS PAYABLE VOUCHERS**

The Port Authority electronically transfers certain payments for monthly sales tax, health insurance payments, property acquisitions, entertainment contracts, and credit card merchant fees. Wire transfers totaling \$296,048 were not included on board approved accounts payable voucher registers. In addition, four checks for the payments of a monthly credit card statement, life guard instructor, taxes, and petty cash reimbursements were not included on board approved accounts payable voucher registers. The accounts payable voucher registers document the allowance for payments by the fiscal officer and governing board in accordance with Indiana Code 5-11-10-1.6.

Indiana Code 5-11-10-1.6 states, in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

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

- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

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**PORT AUTHORITY BOARD APPROVAL REQUIRED**

*Retention Allowance*

A one-time retention allowance payment of \$2,000 was paid to all full-time employees with over one year of service in December 2011. Authorization from the Port Authority Board of Directors was not noted in the records of the Port Authority before the payment was made to full-time employees. Subsequent approval was also not noted by the Board of Directors.

Furthermore, the retention allowance was not included in the salary resolution approved by the Board of Directors.

Indiana Code 8-10-5-6 states in part: "The Port Authority shall employ and fix the qualifications, duties and compensation of such employees and professional help as it may require to conduct the business of the port and may appoint an advisory board which shall serve without compensation."

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 Special Districts, Chapter 11)

*Wellness Program Policy*

The Port Authority's approved Wellness Program Policy states in part:

"The Hammond Port Authority, in an effort to keep health care costs low, offers to reimburse qualified employees their share less \$1 of the health insurance liability. . .

At the end of the year, the port authority director may submit a recommendation under this policy to the Hammond Port Authority Board to refund the employee's share of health insurance liability. This request to refund the employee's share less \$1 would be a reward for keeping health insurance costs low."

In December 2011, the employees that had health insurance coverage withheld from their gross pay and two retirees that paid to remain on the health insurance coverage were reimbursed their health insurance cost less \$1. However, a recommendation by the Port Authority Director and subsequent approval by the Board of Directors was not noted at the end of the year to authorize the reimbursements paid in accordance with the Wellness Program Policy.

Furthermore, it is unclear as to how the reimbursement of employee shares of health insurance premiums results in a cost savings to the Port Authority.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

***RECORDING ERRORS IN PORT AUTHORITY RECORDS***

The Port Authority administers the grant awarded by the Northwest Indiana Regional Development Authority (RDA) for shoreline restoration. During 2009 and 2010, the Port Authority posted the receipts and disbursements of the grant to the Marina Construction Fund. In 2011, the Port Authority created an RDA Project Fund to post the RDA grant receipts and disbursements.

The Port Authority entered into construction contracts for the shoreline restoration projects which have provisions for the retainage of portions of payments by the Port Authority until the project is complete. The amount of retainage held for three projects was paid from the RDA Project Fund in 2011, even though the grant receipts were previously posted to the RDA Construction Fund. Thus, the RDA Construction Fund owes the RDA Project Fund \$184,946.06 for the incorrect posting.

In addition, a reimbursement of \$2,868.72 from Chicago Title for a land acquisition that was paid for with RDA grant funds was erroneously posted to the Marina Operations Fund and should have been posted to the RDA Project Fund.

Furthermore, a refund of \$8,102.14 from Chicago Title for the purchase of property approved by the Hammond Redevelopment Commission at 2700 Sheffield Avenue, but paid for from the RDA Project Fund, was receipted to the TIF/Marina Fund.

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 Special Districts, Chapter 10)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited City of Hammond's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in items 2011-6 and 2011-7 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Equipment and Real Property Management and Procurement, Suspension, and Debarment that are applicable to its CDBG - Entitlement Grants Cluster. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended December 31, 2011. However the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-5 and 2011-8.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

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 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 2011-6 and 2011-7 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-8 to be a significant deficiency.

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, Common Council, Board of Public Works and Safety, Redevelopment Commission, Park Board, Water Utility Service Board, Sanitary District Board of Commissioners, Port Authority Board of Directors, 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 28, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF HAMMOND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2011

| Federal Grantor Agency/Pass-Through Entity<br>Cluster Title/Program Title/Project Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number                                  | Total<br>Federal Awards<br>Expended               |
|---|---------------------------|---|---|
| <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-09-MC-18-0006<br>B-10-MC-18-0006<br>B-08-MN-18-0006                                       | \$ 1,346,007<br>670,951<br><u>1,972,481</u>       |
| Neighborhood Stabilization Program (NSP1)   |                           |   |   |
| Total for program   |                           |   | <u>3,989,439</u>                                  |
| ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R)               | 14.253                    | B-09-MY-18-0006   | <u>70,112</u>                                     |
| Total for cluster   |                           |   | <u>4,059,551</u>                                  |
| Emergency Solutions Grant Program   |                           |   |   |
|   | 14.231                    | S-10-MC-18-0006<br>E-11-MC-18-0006  | 43,556<br><u>29,574</u>                           |
| Total for program   |                           |   | <u>73,130</u>                                     |
| HOME Investment Partnerships Program  |                           |   |   |
|   | 14.239                    | M-06-MC-18-0204<br>M-07-MC-18-0204<br>M-09-MC-18-0204<br>M-10-MC-18-0204<br>M-11-MC-18-0204 | 7<br>359,920<br>30,993<br>50,674<br><u>44,135</u> |
| Total for program   |                           |   | <u>485,729</u>                                    |
| Fair Housing Assistance Program - State and Local                                       | 14.401                    | FF 205 K 1175024  | <u>20,768</u>                                     |
| Total for federal grantor agency  |                           |   | <u>4,639,178</u>                                  |
| <u>U.S. DEPARTMENT OF JUSTICE</u>   |                           |   |   |
| Direct Grant  |                           |   |   |
| Equitable Sharing Program   | 16.922                    |   | <u>70,325</u>                                     |
| Total for federal grantor agency  |                           |   | <u>70,325</u>                                     |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u>  |                           |   |   |
| Pass-Through Indiana Department of Transportation                                       |                           |   |   |
| Highway Planning and Construction Cluster   |                           |   |   |
| ARRA - Highway Planning and Construction  | 20.205                    | Des. No. 0900660  | <u>11,925</u>                                     |
| Highway Planning and Construction   | 20.205                    | DES No. 0900070<br>DES No. 9485750<br>DES No. 9980130<br>DES No. 996587C                    | 263,297<br>1,789<br>79,558<br><u>39,184</u>       |
| Total   |                           |   | <u>383,828</u>                                    |
| Total for cluster   |                           |   | <u>395,753</u>                                    |
| Pass-Through Indiana Criminal Justice Institute   |                           |   |   |
| Highway Safety Cluster  |                           |   |   |
| State and Community Highway Safety  | 20.600                    | PT-11-04-04-23<br>PT-12-11-04-21  | 45,454<br><u>14,254</u>                           |
| Big City/Big County Enforcement Program   |                           |   |   |
| Operation Pullover Awards Banquet Equipment Grant                                       |                           | PT-10-10-03-09  | <u>2,000</u>                                      |
| Total for cluster   |                           |   | <u>61,708</u>                                     |
| Total for federal grantor agency  |                           |   | <u>457,461</u>                                    |
| <u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>   |                           |   |   |
| Pass-Through Indiana Finance Authority  |                           |   |   |
| Capitalization Grants for Clean Water State Revolving Funds                             | 66.458                    | Project #WW0516452  | 577,532   |
| Capitalization Grants for Drinking Water State Revolving Funds                          | 66.468                    | Project #DW09654501   | <u>271,031</u>                                    |
| Total for federal grantor agency  |                           |   | <u>848,563</u>                                    |
| <u>U.S. DEPARTMENT OF ENERGY</u>  |                           |   |   |
| Direct Grant  |                           |   |   |
| ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)                   | 81.128                    | SC0001386   | <u>101,661</u>                                    |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>   |                           |   |   |
| Direct Grant  |                           |   |   |
| Assistance to Firefighters Grant  | 97.044                    | EMW-2010-FO-01486   | <u>52,800</u>                                     |
| Total federal awards expended   |                           |   | <u>\$ 6,169,988</u>                               |

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

CITY OF HAMMOND  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Hammond (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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.

**Note 2. Subrecipients**

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2011:

| Program Title   | Federal<br>CFDA<br>Number | 2011       |
|---|---------------------------|------------|
| Community Development Block Grants/Entitlement Grants | 14.218                    | \$ 105,794 |
| Emergency Solutions Grant Program                     | 14.231                    | 68,756     |

CITY OF HAMMOND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

|  |   |
|--|---|
| Type of auditor's report issued:                     | Adverse as to GAAP;<br>Unqualified as to Regulatory Basis |
| Internal control over financial reporting:           |   |
| Material weaknesses identified?                      | yes   |
| Significant deficiency identified?                   | none reported   |
| Noncompliance material to financial statement noted? | yes   |

Federal Awards:

|  |  |
|--|--|
| Internal control over major programs:  |  |
| Material weaknesses identified?  | yes  |
| Significant deficiency identified?   | yes  |
| Type of auditor's report issued on compliance for major programs:  | Unqualified, except for<br>Community Development Block Grants/Entitlement Grants, which was qualified. |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | yes  |

Identification of Major Programs:

| CFDA<br>Number | Name of Federal Program or Cluster   |
|----------------|--|
| 14.239         | CDBG – Entitlement Grants Cluster<br>HOME Investment Partnerships Program<br>Highway Planning and Construction Cluster |

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

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2011-01 - CONTROLS OVER FINANCIAL STATEMENT REPORTING**

The City has not established effective controls to allow for the accurate reporting of the City's financial transactions and cash and investment balances. The cash and investment balances that the City reported at January 1, 2011, did not agree with the reported year end balances at December 31, 2010. At a minimum, controls should be established whereby management reviews and verifies that all beginning balances for the City's funds agree to the ending balances from the preceding year.

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

Reconciled bank and trust account balances and investment balances were not verified by management. Material differences between the reconciled balances and the amounts reported in the City's year-end financial report could have been averted by comparing reconciled bank, trust, and investment balances to reported cash and investment balances. Establishing these controls could assist the officials to ensure complete and accurate reporting of the City's financial activities.

Additionally, the City Controller was unaware that a trust account was established by the Department of Redevelopment. The activity of this trust account was omitted from the financial records of the City. Procedures to effectively communicate to the City's management should be initiated to allow for complete and accurate financial statement reporting.

The City approved and made the adjustments necessary to correct these issues on the financial statements.

Prior to its amendment in the 2012 legislative session, Indiana Code 5-11-1-4(a) stated:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

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

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

We recommended that officials establish controls to allow for adequate verification of the financial statements by the City.

**FINDING 2011-02 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The City prepared a Schedule of Expenditures of Federal Awards for 2011 that was materially inaccurate. The City's schedule did not include the following federal financial assistance:

| Program Title  | CFDA No. | Expended   |
|--|----------|------------|
| Capitalization Grants for Clean Water State Revolving Funds    | 66.458   | \$ 577,532 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468   | 271,031    |
| Highway Planning and Construction                              | 20.205   | 79,558     |
| Highway Planning and Construction                              | 20.205   | 39,184     |
| ARRA - Highway Planning and Construction                       | 20.205   | 11,925     |

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

In addition, grants awarded through the American Recovery and Reinvestment Act of 2009 (ARRA) were not identified on the schedule prepared by the City. The following grants were determined to be ARRA funded grants:

| <u>Program Title</u>  | <u>CFDA No.</u> | <u>Expended</u> |
|---|-----------------|-----------------|
| ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R) | 14.253          | \$ 70,112       |
| ARRA - Highway Planning and Construction                                  | 20.205          | 11,925          |

Furthermore, the schedule prepared by the City included grants from other non-federal sources:

| <u>Program Title</u>  | <u>Expended</u> |
|---|-----------------|
| Hammond Lakes' Area Comprehensive Shoreline Redevelopment Project | \$ 7,909,803    |
| Lake County Solid Waste Management District Recycling Grant       | 250,000         |
| Beach Monitoring  | 11,167          |

The City approved and made the adjustments necessary to correct these issues on the Schedule of Expenditures of Federal Awards.

Adequate internal control over reporting of federal awards requires that personnel be aware of the applicable requirements for the preparation of the Schedule of Federal Expenditures. In addition, adequate internal control requires oversight by management and the governing bodies to ensure the accurate reporting of federal awards.

OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, section \_\_\_\_\_.300 states in part:

"The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_\_\_.310. . . ."



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

OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, section \_\_\_\_\_.310 states in part:

"(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately."

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

We recommended that officials implement procedures to adequately identify and accurately report all federal award programs.

***FINDING 2011-03 - PAYROLL CONTROL DEFICIENCIES***

The controls established for the processing of payroll at the City of Hammond and the Sanitary District, a department of the City, are ineffective. Controls have not been established which would allow management and those charged with governance to detect and prevent errors or omissions of payroll expenditures. The controls are also not effective in preventing the potential for fraud through timely detection by management and those charged with governance.

The City has not sufficiently segregated incompatible duties related to initiating, processing, and recording changes related to the processing of payroll. The City allows for the persons who process payroll within the Controller's Office to calculate biweekly compensation amounts based upon the salary ordinance, and to enter the biweekly compensation amounts into the payroll processing computer software. Modifications to these amounts are also entered by these same individuals without any oversight or required approval by management and/or those charged with governance to document and provide justification for such modifications.

The City has designated an individual within each department (departmental payroll clerk) to accumulate and report hours worked, leave time, compensatory time earned or used, and overtime compensation. These hours and related compensation amounts are reported by the departmental payroll clerks to the Controller's Office on a "Payroll Earnings Forecast" (Forecast). The Forecasts are initially printed by the Controller's Office, and include the biweekly salary, biweekly longevity, and certain other biweekly standardized compensation amounts. The departmental payroll clerks are required to review the amounts, enter any adjustments - such as additional compensation for wellness benefits, shift differentials, etc., as well as enter the hours worked and/or leave time hours used based upon the time sheets and time cards of the individual employees within their department. The Forecasts are then provided to the department heads to sign, date and certify. The certification includes the following wording, "I hereby certify that I have examined the time record of each employee listed . . . that each employee has performed the services for which the salary or compensation is paid. . . that the compensation listed opposite the name of each employee is based upon either statutory or regulatory authority and is justly due each such employee; . . ." However, the time sheets and time cards used to prepare the Forecasts are not retained with the Forecasts so that verification of time entered can be performed.

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

The Forecasts must be submitted to the Controller's office for processing of the payroll by the Monday or Tuesday prior to the pay check date, which is on a Friday. Salaried employees are paid through pay check date. Thus, the department is projecting time worked and/or leave used for from three to five days. Also, some salaried employees receive additional compensation for hours worked in excess of 40 hours per week. In order for these employees to receive this additional compensation, the pay period for the additional compensation only, includes the last week of the prior payroll period and first week of the current payroll period.

At the Sanitary District, one individual was responsible for calculating salaries and wage rates based upon contracts and authorized wage increases. These calculated amounts were then presented to the District Board for approval in the form of a salary resolution. This same individual was then responsible for entering the salaries and wage rates into the computerized payroll accounting system. She was responsible for entering work hours and paid and unpaid leave time used to calculate payroll expenses and pay checks. She received the mail, entered all withholdings and garnishments, as well as preparing and remitting reports for payroll withholdings.

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

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

Indiana Code 5-7-3-1 (a) states: "Public officers may not draw or receive their salaries in advance."

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

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

We recommended that officials review the controls established over payroll processing procedure to segregate incompatible duties. Controls should be established to allow for proper communication and authorization of any changes to salaries and wages, including those related to computation errors and/or promotions. Time record should accompany payroll forecasts to ensure time reported to the Controller's office for payment is properly documented and authorized.

***FINDING 2011-04 - CONTROLS OVER DISBURSEMENTS***

The City Controller is the fiscal officer of the Sanitary District. As the fiscal officer, the City Controller is responsible for certifying all claims or accounts payable vouchers prior to disbursing the funds. The certification of claims by the City Controller can be accomplished by either signing each claim or signing a claim docket which lists each and every claim considered for payment during a specific period of time.

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

This certification process also provides for internal controls over disbursements by ensuring that claims or accounts payable vouchers, including payroll transactions, are reviewed and authorized by management prior to disbursing the funds. All checks issued display the signature of the City Controller, but this is electronically placed on the checks as they are printed by the computerized accounting software.

In 2011, none of the claims or claim dockets were signed by the City Controller.

Furthermore, City disbursements were transferred from one fund to another after having been approved for payment from the fund to which the disbursement was originally approved by the governing board.

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

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

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

We recommended that the City Controller review and certify all claims prior to payment as required by state statute as evidence that management is reviewing and authorizing disbursements of Sanitary District Funds.

***Section III – Federal Award Findings and Questioned Costs***

***FINDING 2011-05 - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

A Summary Schedule of Prior Audit Findings was prepared by the City Controller as required by OMB Circular A-133. We reviewed the Schedule of Prior Audit Findings and noted that management had not taken corrective action as indicated in the schedule concerning the following findings from the prior audit:

Finding 2010-4 - Equipment and Real Property Management  
Finding 2010-6 - Procurement, Suspension and Debarment  
Finding 2010-7 - Reporting

The City officials indicated in the Summary Schedule of Prior Audit Findings that these three findings had been corrected. However, there are current findings for these same three requirements for the Community Development Block Grants/Entitlement Grants with CFDA Number 14.218 and the Program Title: Neighborhood Stabilization Program (NSP). The City did not comply with the following requirements in 2011:

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

Finding 2011-06 - Equipment and Real Property Management  
Finding 2011-07 - Procurement, Suspension and Debarment  
Finding 2011-08 - Reporting

Compliance requirements for Federal program audit findings follow-up, as found in §\_\_\_\_.315 of OMB Circular A-133, are as follows:

"(a) The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee shall prepare a summary schedule of prior audit findings. . . .

(b) Summary schedule of prior audit findings. The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards. . . .

- (2) When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken.
- (3) When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule shall provide an explanation. . . ."

We recommended that officials improve communication between the City Controller's office and the various City departments where the grants are administered to ensure that an accurate Summary Schedule of Prior Audit Findings is prepared.

***FINDING 2011-6 - EQUIPMENT AND REAL PROPERTY MANAGEMENT***

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 (NSP)  
Award Number: B-08-MN-18-0006

The City used funds from the Neighborhood Stabilization Program (NSP) for the acquisition and rehabilitation of foreclosed and/or vacant residential homes. The City expended federal funds of \$527,711 to purchase and an additional \$1,444,770 to rehabilitate the homes during 2011. These properties purchased with federal dollars were not included in the capital asset records of the City as of December 31, 2011.

Also, the City sold 15 NSP funded properties that were acquired in either 2010 or 2011 during 2011. The Planning and Development Department, where the NSP funding is administered, and the City Controller's office, where the City's Capital Assets Listing is maintained, did not communicate with each other concerning the sale of these real properties. The City does not have internal controls in place concerning the addition and deletion of capital assets from the NSP funding.

In March 2012, as a response to the same finding for 2010, the Planning and Development Department personnel informed the City Controller's office of 18 properties purchased in 2010 and eight properties purchased in 2011 (total of 26 properties) that had not been sold as of March 27, 2012. These 26 properties were included in the City's Capital Assets Listing in March 2012. Seven of these 26 properties

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

have been sold as of June 5, 2012. However, the sales of the real properties have not been communicated to the City Controller's office personnel so that the real properties can be removed from the City Capital Assets Listing. The City officials have not designed the internal controls so that the assets acquired with federal funds are properly disposed of and removed from the City Capital Assets Listing.

The City has not designed and properly monitored procedures that would ensure that accurate detailed capital asset records are maintained. The deficiencies in the control over equipment and real property management are considered a material weakness.

24 CFR 85.20 Standards for financial management systems states in part:

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

- (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."

24 CFR 85.31 states in part: "(a) Title. Subject to the obligations and conditions set forth in this section, title to real property acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantee respectively."

OMB Circular A-133 Section .300(b) states:

"The auditee shall:

Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

24 CFR 85.42(c)(2) states: "The retention period for real property and equipment records starts from the date of the disposition or replacement or transfer at the direction of the awarding agency."

Failure to maintain complete capital asset records of properties purchased with federal grant awards may jeopardize the City's ability to obtain future federal funding.

We recommended that officials establish procedures to ensure that assets purchased with federal funds are properly recorded in the capital asset ledger of the City in accordance with state and federal guidelines. We also recommended that officials establish procedures to ensure the proper disposal of assets acquired with federal funds and the removal of those assets from the capital asset ledger of the City.

***FINDING 2011-7 - PROCUREMENT, SUSPENSION AND DEBARMENT***

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

Federal Program: Community Development Block Grants/Entitlement Grants

CFDA Number: 14.218

Program Titles: Neighborhood Stabilization Program (NSP), CDBG Entitlement Grants

Award Numbers: B-08-MN-18-0006, B-09-MC-18-0006, B-10-MC-18-0006

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

The following weaknesses in internal controls over procurement, suspension and debarment procedures and noncompliance with procurement, suspension and debarment requirements were noted for NSP:

After properties were purchased with NSP funds, the properties were rehabilitated. Bids were solicited and received for the rehabilitation services. Change orders were submitted by the Project Manager and reviewed by the NSP Manager, but were not signed by the Contractor and Redevelopment Commission. Of the five contracts and change orders tested, two contracts had change orders that exceeded 20 percent of the original contract. State statutes allow the total of all change orders issued to not exceed 20 percent of the original contract. No written evidence was provided that the Executive Director approved any of the change orders. Change orders were not approved by the Redevelopment Commission at a public meeting, as required by Indiana Statute.

OMB Circular A-133 Section .300(b) states:

"The auditee shall:

Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

24 CFR 85.36(b) states in part:

"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."

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."

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

Planning and Development Department employees working on the NSP grant (NSP Manager or NSP Specialists) did not verify whether or not the contractors that were awarded bids for the rehabilitation services were suspended or debarred from federal contracts.

24 CFR 85.35 states in part:

"Subawards to debarred and suspended parties. Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs subject to 2 CFR part 2424."

The Hammond Redevelopment Commission adopted Resolution 2-2012 on April 3, 2012, as a response to the same finding for 2010. The Resolution is a change order policy for federally funded projects and includes the following wording: "1. All change orders on a federally funded project that exceed twenty percent of the current approved project budget will be presented before the Commission for approval." This wording conflicts with Indiana Code 36-1-12-18(d).

Indiana Code 36-1-12-18(d) states:

"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."

The following weakness in internal controls over suspension and debarment procedures and noncompliance with suspension and debarment requirements was noted for CDBG Entitlement Grants:

Written evidence was not provided that the Community Development Planner or Community Development Finance Manager verified that vendors were not suspended or debarred from federal transactions when those vendors had payments in excess of \$25,000. Some testing for suspension and debarment was performed by the Community Development Planner but only on the CDBG public projects. Verification that vendors are not suspended or debarred should also be performed by the Community Development Planner or by the Community Development Finance Manager on all subrecipients and payments to vendors with written contracts.

24 CFR 85.35 states in part:

"Subawards to debarred and suspended parties. Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs subject to 2 CFR part 2424."

2 CFR 2424.220 states in part:

"In addition to the contracts covered under 2 CFR 180.220(b) of the OMB guidance, this part applies to any contract, regardless of tier, that is awarded by a contractor, subcontractor, supplier, consultant, or its agent or representative in any transaction, if the contract is to be funded or provided by HUD under a covered nonprocurement transaction and the amount of the contract is expected to equal or exceed \$25,000. This extends the coverage of the HUD nonprocurement suspension and debarment requirements to all lower tiers of subcontracts under covered nonprocurement transactions, as permitted under the OMB guidance at 2 CFR 180.220(c)."

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

The deficiencies in the control over procurement, suspension and debarment are considered a material weakness.

Failure to follow state and federal procurement guidelines and failure to verify that vendors have not been debarred or suspended may jeopardize the City's ability to obtain future federal funding.

We recommended that officials establish better controls to ensure compliance with federal and state guidelines concerning procurement, suspension and debarment and to establish procedures to retain verification that vendors were not suspended or debarred from federal transactions. We also recommended that all change orders be approved by the Redevelopment Commission at a public meeting.

***FINDING 2011-8 - REPORTING***

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 (NSP)  
 Award Number: B-08-MN-18-0006

Quarterly reports are required by the U.S. Department of Housing and Urban Development (HUD) for the Neighborhood Stabilization Program (NSP). The four required reports for 2011 were filed. However, the reported amounts for the second and third quarter did not agree with the City's ledger. The City's ledger was not used to complete the reports. A comparison of the second and third quarterly reported amounts and the City's ledger noted the following differences:

| <u>Item</u>                          | <u>Reported</u> | <u>City Ledger</u> | <u>Difference</u> |
|--------------------------------------|-----------------|--------------------|-------------------|
| <u>Second Quarterly Report</u>       |                 |                    |                   |
| Program Funds Drawn (Grant Receipts) | \$ 861,584      | \$ 695,079         | \$ 166,505        |
| Funds Expended (Disbursements)       | 1,668,191       | 982,705            | 685,486           |
| <u>Third Quarterly Report</u>        |                 |                    |                   |
| Program Funds Drawn (Grant Receipts) | 244,825         | 556,679            | (311,854)         |
| Program Income Received              | 705,349         | 620,534            | 84,815            |
| Funds Expended (Disbursements)       | 147,106         | 682,460            | (535,353)         |

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.



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

- (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
- (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."

OMB Circular A-133 Section .300(b) states:

"The auditee shall:

Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

HUD cannot adequately monitor the grant funds or adequately assess their needs if reports are not accurately completed. No attempt was made to reconcile the City's receipts and disbursements ledger to the quarterly reports. Internal controls in place are not working to ensure that 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 records. We also recommended that the Quarterly Performance Reports be filed with correct financial information that agrees with supporting documentation for the activity period and the supporting documentation be retained for audit. The officials should establish controls and procedures to ensure future reports are properly prepared, reviewed, and filed in compliance with the U.S. Department of Housing and Urban Development's guidelines.



**Robert Lendi, CPA**  
Controller

**CITY OF HAMMOND**

May 30, 2012

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

Please find the City of Hammond's Summary Schedule of Prior Audit Findings to follow.

Sincerely,

Robert Lendi

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**FINDING NUMBER 2010-3 Davis-Bacon Act**

Original SBA Audit Report Number: B39219  
Fiscal Year: 2010  
Auditee Contact Person: Philip Taillon  
Title of Contact Person: Executive Director of Planning and Development  
Phone Number: (219)853-6508  
Status of Finding: Corrected

**FINDING NUMBER 2010-4 Equipment and Real Property Management**

Original SBA Audit Report Number: B39219  
Fiscal Year: 2010  
Auditee Contact Person: Philip Taillon  
Title of Contact Person: Executive Director of Planning and Development  
Phone Number: (219)853-6508  
Status of Finding: Corrected

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**FINDING NUMBER 2010-5 Procurement**

**Original SBA Audit Report Number: B39219**  
**Fiscal Year: 2010**  
**Auditee Contact Person: Philip Taillon**  
**Title of Contact Person: Executive Director of Planning and Development**  
**Phone Number: (219)853-6508**  
**Status of Finding: Corrected**

**FINDING NUMBER 2010-6 Procurement, Suspension, and Debarment**

**Original SBA Audit Report Number: B39219**  
**Fiscal Year: 2010**  
**Auditee Contact Person: Philip Taillon**  
**Title of Contact Person: Executive Director of Planning and Development**  
**Phone Number: (219)853-6508**  
**Status of Finding: Corrected**

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**FINDING NUMBER 2010-7 Reporting**

Original SBA Audit Report Number: B39219  
Fiscal Year: 2010  
Auditee Contact Person: Philip Taillon  
Title of Contact Person: Executive Director of Planning and Development  
Phone Number: (219)853-6508  
Status of Finding: Corrected

**FINDING NUMBER 2010-8 Sub-recipient Monitoring**

Original SBA Audit Report Number: B39219  
Fiscal Year: 2010  
Auditee Contact Person: Philip Taillon  
Title of Contact Person: Executive Director of Planning and Development  
Phone Number: (219)853-6508  
Status of Finding: Corrected

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**Robert Lendi, CPA**  
Controller

**CITY OF HAMMOND**

**FINDING NUMBER 2010-9 ARRA Special Test #1 Separate Accountability**

Original SBA Audit Report Number: B39219  
Fiscal Year: 2010  
Auditee Contact Person: Philip Taillon  
Title of Contact Person: Executive Director of Planning and Development  
Phone Number: (219)853-6508  
Status of Finding: Corrected

**FINDING NUMBER 2010-10 ARRA Special Test #2 Schedule of Expenditures of Federal Awards**

Original SBA Audit Report Number: B39219  
Fiscal Year: 2010  
Auditee Contact Person: Philip Taillon  
Title of Contact Person: Executive Director of Planning and Development  
Phone Number: (219)853-6508  
Status of Finding: Corrected

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**Robert Lendi, CPA**  
Controller

**CITY OF HAMMOND**

September 25, 2012  
Indiana State Board of Accounts  
302 W Washington St Room E418  
Indianapolis, IN 46204

Audit of the City of Hammond Financial Statements of 2011

Corrective Action Plan

Section II—Financial Statement Findings

2011-1 CONTROLS OVER FINANCIAL STATEMENT REPORTING

Controls have been established to ensure that management reviews and verifies that beginning balances match with ending balances.

2011-2 EXPENDITURE OF FEDERAL AWARDS


Reports of federal awards shall be required to be submitted to the controller's office at least annually which identifies and reports each award by CDFA number.

2011-3 PAYROLL

The City of Hammond shall review the controls and segregation of duties related to the payroll function to ensure compliance with local, state, and federal regulations.

2011-4 DISBURSEMENTS

The City Controller shall review and certify a docket for all future Sanitary District Claims



Robert Lendi

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**Robert Lendi, CPA**  
Controller

**CITY OF HAMMOND**

September 25, 2012

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

Audit of the City of Hammond Financial Statements of 2011

Corrective Action Plan

Section III---Financial Statement Findings

FINDING NUMBER 2011-5 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

RECOMMENDATION: Written confirmations shall be obtained from each department performing a corrective action certifying that the plan has been satisfactorily implemented

FINDING NUMBER 2011- 6 EQUIPMENT AND REAL PROPERTY MANAGEMENT

RECOMMENDATION: We recommended that official establish procedures to ensure that assets purchased with federal funds are properly recorded in the capital asset ledger of the City in accordance with state and federal guidelines. Also, we recommended that officials establish procedures to ensure the proper disposal of assets acquired with federal funds and the removal of those assets from the capital asset ledger of the City.

Corrective Action Plan for Finding Number 2011-6:

The City will give a copy of the claim for purchase for any property recently acquired and also give a copy of the deposit receipt for sale of property to the controller office personal responsible for recording the capital asset on the ledger at the time that we take ownership of the property. We will also check the capital asset ledger on a quarterly basis to make sure it is accurate.

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**Robert Lendi, CPA**  
Controller

**CITY OF HAMMOND**

FINDING NUMBER 2011-7 PROCUREMENT, SUSPENSION and DEBARMENT

RECOMMENDATION: We recommended that official establish better controls to ensure compliance with federal and state guidelines concerning procurement, suspension and debarment. We also recommended that all change orders be approved by the Redevelopment Commission at a public meeting. We also recommended that the City establish procedures to retain verification that vendors were not suspended or debarred from federal transactions.

Corrective Action Plan for Finding Number 2011-7:

- City of Hammond Planning and Development staff, as a matter of policy and procedure, will inquire as to the suspension and debarment of any contractors awarded contracts through its programs. Copies of the results of those inquiries will be attached to the executed contract, as well as in a file labeled "CONTRACTORS, VERIFICATION OF GOOD STANDING."
- City of Hammond Planning and Development staff, as a matter of policy and procedure, will present ALL Change Orders to executed construction contracts for approval to the Hammond Redevelopment Commission (HRC). The City of Hammond Department of Planning and Development Executive Director will review, approve, and submit to the HRC each Change Order with his recommendation. A copy of the minutes reflecting the HRC decision will maintained in the file containing the related Construction Contract. No Change Orders, individually or collectively, exceeding the Original Award by 20%, will be accepted for review and approval. Construction Contracts will be revised with verbiage stating that no Construction Contract will allow Change Orders in excess of 20% of the stated and approved original award amount.

FINDING NUMBER 2011-8 REPORTING

RECOMMENDATION: 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 and the supporting documentation be retained for audit. The officials should establish controls and procedures to ensure future reports are properly prepared, reviewed, and filed in compliance with the U.S. Department of Housing and Urban Development's guidelines.

Corrective Action Plan for Finding Number 2011-8:

The City understands the reason for the discrepancies and has already made changes to our procedures to make sure these discrepancies do not occur in the future. We have had a number of issues with the HUD DRGR system when inputting data. However, we will make sure that all future reports correspond with the numbers that the controllers office accounts show. We have already corrected the procedure for verifying that the controllers office dollar amounts match what is listed in DRGR.



Robert Lendi

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CITY OF HAMMOND  
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2012, with Robert Lendi, CPA, City Controller; Michael Opinker, President of the Common Council; Romona Campbell, Deputy City Controller; Mark Kalwinski, Common Council member/Finance Committee; Phil Taillon, Executive Director of Planning and Development; Caryn Janiga, Finance Manager of Planning and Development; Stanley J. Dostatni, President of the Sanitary District Board of Commissioners/City Engineer; Milan Kruszynski, Director of the Port Authority; Richard Szany, Port Authority Finance Director; Dennis Hardesty, Chairman of the Port Authority Board of Directors; and Thomas M. McDermott, Jr., Mayor. The Official Response has been made a part of this report and may be found on pages 97 and 98.

A second exit conference was held with Robert Lendi, City Controller, on November 27, 2012, to discuss modifications to the Independent Auditor's report.



## **Hammond Port Authority**

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

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

Date: 8/31/12

## **Corrective Action Plan – FY 2011**

### **Hammond Port Authority – Audit Results and Comments**

#### **Conflict of Interest – Port Authority:**

Mr. Gus Iatrides, Board Member, has been given the Uniform Conflict of Interest Disclosure Statement (State Form 54266 (R / 6-12) / Form 236 State Board of Accounts to be filled out and filed as soon as possible.

#### **Accounts Payable Vouchers**

The HPA staff has begun including all electronic wire transfer transactions on accounts payable vouchers registers for the board review and approval.

#### **Retention Allowance:**

The retention allowance was a line item in each appropriate fund in the 2011 Budget and the 2011 Salary Schedule and both were approved by the board. On August 14, 2012 the HPA Board approved a specific recommendation for the Employee Retention Allowance for FY 2011.



## Hammond Port Authority

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

### Wellness Program Policy:

On August 14, 2012 the HPA Board approved a recommendation for the revised Wellness Program Policy for FY 2011.

### Recording Errors in PA records:

The retainage portion of construction contract payments for the RDA project that were previous held in Construction Fund 627 and have now been transfer to the FY2011 created RDA Fund 633.

The closing cost reimbursement from Chicago Title Insurance that was posted to the Marina Fund 626 has been transferred to RDA Fund 633.

Reference: HPA Resolution 12-06

Richard Szany  
Finance Director  
Hammond Port Authority