

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, 2012 to December 31, 2012



FILED
11/14/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's 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	6-7
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	10-12
Notes to Financial Statement.....	13-18
Supplementary Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	20-38
Schedule of Payables and Receivables	39
Schedule of Leases and Debt	40
Schedule of Capital Assets.....	41
Other Reports.....	42
Audit Results and Comments:	
Internal Controls Over Financial Transactions and Reporting	43
Internal Controls and Compliance Over Reporting Federal Expenditures in the Schedule of Expenditures of Federal Awards.....	44-45
Internal Controls Over Financial Transactions of the City Clerk	45-46
Internal Controls Over Payroll	46-48
Internal Controls Over Self-Insurance Fund Disbursements.....	48
Overdrawn Cash Balances.....	49
Disbursements in Excess of Appropriations	50
Approval of Forms	50
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	52-54
Schedule of Expenditures of Federal Awards	56
Notes to Schedule of Expenditures of Federal Awards.....	57
Schedule of Findings and Questioned Costs	58-74
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	75-78
Corrective Action Plan.....	79-88
Exit Conference.....	89

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Robert Lendi, CPA	01-01-12 to 12-31-13
Mayor	Thomas M. McDermott, Jr.	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	William J. O'Connor Robert Lendi, CPA	01-01-12 to 06-30-13 07-01-13 to 12-31-13
President of the Common Council	Michael Opinker	01-01-12 to 12-31-13
President of the Redevelopment Commission	Jimmie Lambert McKinley Nutall	01-01-12 to 12-31-12 01-01-13 to 12-31-13
President of the Park Board	Arthur Peschke, Jr.	01-01-12 to 12-31-13
Chief Executive Operator of the Water Utility	Edward Krusa	01-01-12 to 12-31-13
President of the Utility Service Board	Sharon Daniels	01-01-12 to 12-31-13
Water Utility Office Manager	Deborah Van Meter	01-01-12 to 12-31-13
Sanitary District Manager	Michael T. Unger, Ph.D.	01-01-12 to 12-31-13
President of the Sanitary District Board of Commissioners	Stanley J. Dostatni	01-01-12 to 12-31-13
Sanitary District Business Manager	Rachel Montes	01-01-12 to 12-31-13
Director of the Port Authority	Milan Kruszynski	01-01-12 to 12-31-13
Chairman of the Port Authority Board of Directors	Dennis Hardesty	01-01-12 to 12-31-13
Port Authority Financial Director	Richard Szany	01-01-12 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Hammond (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance 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, 2012.

Opinion on Regulatory Basis of Accounting

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, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 2013, 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* in considering the City's internal control over financial reporting and compliance.


Accompanying Information

Supplementary Information

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 records 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.


Paul D. Joyce, CPA
State Examiner

September 24, 2013



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S 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, 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, the financial statement of the City of Hammond (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated September 24, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 2012-01, 2012-02, and 2012-03 to be material weaknesses.

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

INDEPENDENT AUDITOR'S 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)


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 2012-01 and 2012-02.

City of Hammond's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

September 24, 2013

(This page intentionally left blank.)

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, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ (19,598,118)	\$ 51,245,943	\$ 55,057,065	\$ (23,409,240)
Motor Vehicle Highway	(1,660,676)	2,612,188	3,471,251	(2,519,739)
Local Road and Street	(162,904)	781,254	991,633	(373,283)
Transit	(375,309)	-	-	(375,309)
Clerks Perpetual	101,801	22,564	-	124,365
Deferral Program	163,709	141,085	-	304,794
Gaming Revenue	11,145,856	54,063,398	39,593,883	25,615,371
Park	(850,775)	1,282,857	3,899,131	(3,467,049)
Pretrial Diversion Program	22,050	60,120	78,460	3,710
Haz-Mat	7,183	13,924	8,923	12,184
Major Moves	17,351	-	-	17,351
Cumulative Capital Development	531,783	218,629	12,561	737,851
Cumulative Capital Improvement	408,320	214,382	399,468	223,234
TIF/Marina	999,816	-	999,816	-
Self-Insurance	939,438	18,432,333	18,873,031	498,740
Police Pension	1,932,860	5,651,561	5,229,318	2,355,103
Fire Pension	2,513,452	6,546,628	5,146,394	3,913,686
Façade	41,536	50,000	66,435	25,101
Centrex	(78,101)	9,812	8,357	(76,646)
Diesel Fuel Tax	(3,074)	31,362	15,320	12,968
College Bound	(305,309)	2,960,119	2,621,823	32,987
Demolition	146,514	1,579,528	1,331,684	394,358
Cut and Clean	28,383	114,260	133,819	8,824
Graffiti Removal	6,965	-	6,800	165
Homebound	8,971	-	8,386	585
Redevelopment Party Fund	(35,570)	261,416	191,380	34,466
Neighborhood Stabilization Program	(44,522)	1,114,062	1,213,760	(144,220)
Engineering	3,205,357	999,816	2,621,158	1,584,015
ASAP Grant	(30,610)	320,712	224,827	65,275
Columbia Plaza TIF	345,351	29,430	-	374,781
Lear TIF	1,893,874	138,262	-	2,032,136
Downtown TIF	1,720,098	822,690	580,077	1,962,711
North Hammond TIF	4,275,525	728,536	5,004,062	(1)
Unilever TIF	2,907,124	-	2,907,124	-
Pullman TIF	61,819	-	61,819	-
Home Depot TIF	1,600,901	472,390	31,450	2,041,841
Woodmar TIF	3,170,511	1,163,958	168,725	4,165,744
Woodmar Gateways TIF	3,274,689	985,086	3,305,718	954,057
Gateways TIF	(75,012)	962,403	2,788	884,603
Judge Gen 756777	-	376,853	376,853	-
HPRP Homeless Prevention	(16,083)	-	-	(16,083)
City Clerk Trust Funds	1,691,290	5,243,059	4,945,185	1,989,164
HIDTA	-	127,125	112,931	14,194
HIDTA Equipment Grant	-	10,130	9,743	387
Human Relations Grant	-	18,750	19,215	(465)
R P 756772	-	13,473,707	13,473,707	-
Public Defender	1,100	400	-	1,500
Federal Forfeiture Program	17,644	84,348	63,297	38,695
Evidence Money	20,629	20,022	20,022	20,629
Police Donation	55,267	5,134	12,704	47,697
Park Activities	79,715	112,054	68,473	123,296
Background Checks	563	1,765	1,778	550
State Forfeited	11,198	12,500	19,641	4,057
Federal Prisoners	176,798	223,290	234,635	165,453
Impaired Driving	682	45,000	59,357	(13,675)
Redevelopment	(73,461)	1,296,440	447,591	775,388
Park/Tourism	878	32,040	24,891	8,027
Economic Development/Tourism	1,212	21,600	1,165	21,647
CDBG Escrow	407,077	210,517	442,484	175,110
Human Relations	7,806	-	1,395	6,411
Public Safety	(236,679)	835,207	574,710	23,818
Water Hydrant Rental	(117,762)	681,112	182,692	380,658

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, 2012
(Continued)

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Penalties	3,097,079	879,261	680,967	3,295,373
Human Relations Federal	58,354	15,204	12,273	61,285
Local Seizure	(8,188)	-	-	(8,188)
SEMA Grant	-	28,685	28,685	-
C.D.B.G.	(199,150)	2,697,567	2,717,602	(219,185)
Ambulance Fees	-	-	125,000	(125,000)
CDBG Donation	3,320	57,070	8,258	52,132
AC Donation	3,319	805	418	3,706
Vehicle Release	23,371	54,477	62,496	15,352
Unemployment	(409,860)	31,166	82,438	(461,132)
Adult Probation	134,254	147,651	156,468	125,437
Tobacco Education/Judgment	16,779	1,305	1,400	16,684
HENRY Unit	(458,609)	405,000	802,864	(856,473)
Park/Gaming	245,684	670,832	822,377	94,139
Affordable Housing	4,545	672,387	849,659	(172,727)
Emergency CDBG	13,834	73,088	102,317	(15,395)
Section 108	81,486	-	-	81,486
Technical Grant	1,920,658	-	1,321,883	598,775
Inspections/Rental	12,810	862,383	1,044,920	(169,727)
Home Depot Bond 756775	101,051	-	101,050	1
Civil City Bond	922,220	839,552	1,053,469	708,303
Home Depot Project 756776	5,401	341,351	341,351	5,401
River Park Debt Service 756771	2,200,000	52,775	2,252,775	-
River Park GAM 756773	2,169,016	2,479,564	2,393,145	2,255,435
River Park General 756770	519,071	1,241,193	1,760,264	-
Cabela's 105415	1,129,011	3,305,718	2,094,897	2,339,832
Golf Course	(244,270)	-	-	(244,270)
Cost Due County	(13,098)	190,622	177,524	-
Continuing Education	27,897	83,735	73,603	38,029
Payroll Withholding	(4,258)	29,576,321	29,497,409	74,654
Operations	14,990	15,253,234	17,003,413	(1,735,189)
Pre Treatment	316,985	327,751	287,594	357,142
Unemployment	50,000	29,707	32,031	47,676
Sewer	10,373	4,123,416	3,966,048	167,741
GIS	2,039	-	-	2,039
Storm Water	832,717	1,302,302	644,529	1,490,490
Sanitation	280,091	4,530,974	5,107,571	(296,506)
Recycling	15,861	874,914	1,557,960	(667,185)
Great Lakes Legacy	47,944	42,980	48,178	42,746
2010 Bond	7,568,489	5,953	192,016	7,382,426
SRF Loan	5,363,300	1,162,708	3,939,959	2,586,049
Replacement	194,523	1,600,000	308,669	1,485,854
Debt Service Non Exempt	493,030	384,754	738,455	139,329
Debt Service Exempt	2,948,585	22,506,994	23,314,943	2,140,636
Capital Projects BAN	-	7,004,125	3,328,552	3,675,573
Water Utility	2,668,197	10,083,143	9,553,700	3,197,640
Marina Operations	825,969	3,359,894	3,542,740	643,123
Marina Construction	2,672,593	2,108,852	922,457	3,858,988
Gaming Fund	1,586,651	7,036,150	7,378,854	1,243,947
Lakefront Management	11,315	77,165	63,237	25,243
Lost Marsh Golf Course	457,815	1,781,187	1,608,054	630,948
Wolf Lake Operations	338,988	979,786	1,064,997	253,777
RDA Project	166,990	3,605,652	3,726,267	46,375
2008 Revenue Bond DSR	1,250,000	-	-	1,250,000
2008 Revenue Bond Debt Service	923,242	2,307,531	2,213,231	1,017,542
Payroll and Withholding	(101)	365,281	365,279	(99)
River Park Refunding	-	13,473,707	13,473,707	-
Refunding General	-	25,440,791	25,292,599	148,192
Refunding Issuance	-	115,143	115,143	-
2012 Potash Bond Interest	-	321,165	-	321,165
2012 Potash Bond Issuance	-	200,257	198,257	2,000

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, 2012
(Continued)

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
2012 Potash Construction	-	10,000,006	2,500,257	7,499,749
2012 Potash Debt Service Reserve	-	1,121,001	-	1,121,001
2012 Potash Bond General	-	11,817,294	11,642,165	175,129
2012 Jobs General Fund	-	17,016,889	17,016,876	13
2012 Jobs Cost of Issuance	-	125,000	110,000	15,000
2012 Jobs Debt Service Reserve	-	1,735,418	-	1,735,418
Totals	\$ 60,671,444	\$ 393,790,597	\$ 385,182,165	\$ 69,279,876

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, 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 Indiana 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, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which 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. Cash Balance Deficits

The financial statement contains several funds with deficits in cash. Some are the result of reimbursements for expenditures of federal and state grants not received by December 31, 2012. The remaining funds with cash balance deficits are the result of expenditures exceeding receipts and available cash balances.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 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, 2012

	General	Motor Vehicle Highway	Local Road and Street	Transit	Clerks Perpetual	Deferral Program	Gaming Revenue
Cash and investments - beginning	\$ (19,598,118)	\$ (1,660,676)	\$ (162,904)	\$ (375,309)	\$ 101,801	\$ 163,709	\$ 11,145,856
Receipts:							
Taxes	24,304,003	-	-	-	-	-	-
Licenses and permits	884,884	-	-	-	-	-	-
Intergovernmental	3,630,158	2,191,298	781,254	-	-	-	37,865,129
Charges for services	3,279,963	-	-	-	-	-	-
Fines and forfeits	528,914	-	-	-	22,564	141,085	-
Utility fees	-	-	-	-	-	-	-
Other receipts	18,618,021	420,890	-	-	-	-	16,198,269
Total receipts	51,245,943	2,612,188	781,254	-	22,564	141,085	54,063,398
Disbursements:							
Personal services	50,084,559	2,929,646	-	-	-	-	23,099
Supplies	976,025	324,850	470,699	-	-	-	-
Other services and charges	3,930,120	204,755	520,934	-	-	-	17,999,989
Debt service - principal and interest	-	-	-	-	-	-	4,594,450
Capital outlay	17,915	-	-	-	-	-	836,345
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	48,446	12,000	-	-	-	-	16,140,000
Total disbursements	55,057,065	3,471,251	991,633	-	-	-	39,593,883
Excess (deficiency) of receipts over disbursements	(3,811,122)	(859,063)	(210,379)	-	22,564	141,085	14,469,515
Cash and investments - ending	\$ (23,409,240)	\$ (2,519,739)	\$ (373,283)	\$ (375,309)	\$ 124,365	\$ 304,794	\$ 25,615,371

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Park	Pretrial Diversion Program	Haz-Mat	Major Moves	Cumulative Capital Development	Cumulative Capital Improvement	TIF/Marina
Cash and investments - beginning	\$ (850,775)	\$ 22,050	\$ 7,183	\$ 17,351	\$ 531,783	\$ 408,320	\$ 999,816
Receipts:							
Taxes	909,312	-	-	-	202,889	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	70,544	-	-	-	15,740	214,382	-
Charges for services	299,603	-	13,924	-	-	-	-
Fines and forfeits	-	60,120	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	3,398	-	-	-	-	-	-
Total receipts	<u>1,282,857</u>	<u>60,120</u>	<u>13,924</u>	<u>-</u>	<u>218,629</u>	<u>214,382</u>	<u>-</u>
Disbursements:							
Personal services	3,175,729	-	-	-	-	-	-
Supplies	249,385	-	-	-	-	-	-
Other services and charges	461,597	78,460	8,923	-	-	399,468	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	12,561	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	12,420	-	-	-	-	-	999,816
Total disbursements	<u>3,899,131</u>	<u>78,460</u>	<u>8,923</u>	<u>-</u>	<u>12,561</u>	<u>399,468</u>	<u>999,816</u>
Excess (deficiency) of receipts over disbursements	<u>(2,616,274)</u>	<u>(18,340)</u>	<u>5,001</u>	<u>-</u>	<u>206,068</u>	<u>(185,086)</u>	<u>(999,816)</u>
Cash and investments - ending	<u>\$ (3,467,049)</u>	<u>\$ 3,710</u>	<u>\$ 12,184</u>	<u>\$ 17,351</u>	<u>\$ 737,851</u>	<u>\$ 223,234</u>	<u>\$ -</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Self- Insurance	Police Pension	Fire Pension	Façade	Centrex	Diesel Fuel Tax	College Bound
Cash and investments - beginning	\$ 939,438	\$ 1,932,860	\$ 2,513,452	\$ 41,536	\$ (78,101)	\$ (3,074)	\$ (305,309)
Receipts:							
Taxes	-	372,578	1,438,667	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	5,274,744	5,100,053	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>18,432,333</u>	<u>4,239</u>	<u>7,908</u>	<u>50,000</u>	<u>9,812</u>	<u>31,362</u>	<u>2,960,119</u>
Total receipts	<u>18,432,333</u>	<u>5,651,561</u>	<u>6,546,628</u>	<u>50,000</u>	<u>9,812</u>	<u>31,362</u>	<u>2,960,119</u>
Disbursements:							
Personal services	17,642,042	11,647	12,936	-	-	-	-
Supplies	-	727	2,469	-	-	-	-
Other services and charges	1,230,989	5,216,550	5,130,989	66,435	8,357	15,320	2,621,823
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	394	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>18,873,031</u>	<u>5,229,318</u>	<u>5,146,394</u>	<u>66,435</u>	<u>8,357</u>	<u>15,320</u>	<u>2,621,823</u>
Excess (deficiency) of receipts over disbursements	<u>(440,698)</u>	<u>422,243</u>	<u>1,400,234</u>	<u>(16,435)</u>	<u>1,455</u>	<u>16,042</u>	<u>338,296</u>
Cash and investments - ending	<u>\$ 498,740</u>	<u>\$ 2,355,103</u>	<u>\$ 3,913,686</u>	<u>\$ 25,101</u>	<u>\$ (76,646)</u>	<u>\$ 12,968</u>	<u>\$ 32,987</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Demolition	Cut and Clean	Graffiti Removal	Homebound	Redevelopment Party Fund	Neighborhood Stabilization Program	Engineering
Cash and investments - beginning	\$ 146,514	\$ 28,383	\$ 6,965	\$ 8,971	\$ (35,570)	\$ (44,522)	\$ 3,205,357
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	115,044	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>1,579,528</u>	<u>114,260</u>	<u>-</u>	<u>-</u>	<u>261,416</u>	<u>999,018</u>	<u>999,816</u>
Total receipts	<u>1,579,528</u>	<u>114,260</u>	<u>-</u>	<u>-</u>	<u>261,416</u>	<u>1,114,062</u>	<u>999,816</u>
Disbursements:							
Personal services	-	-	-	-	-	113,510	-
Supplies	-	-	-	-	-	-	-
Other services and charges	931,684	133,819	6,800	8,386	156,380	995,694	2,621,158
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	96,243	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>8,313</u>	<u>-</u>
Total disbursements	<u>1,331,684</u>	<u>133,819</u>	<u>6,800</u>	<u>8,386</u>	<u>191,380</u>	<u>1,213,760</u>	<u>2,621,158</u>
Excess (deficiency) of receipts over disbursements	<u>247,844</u>	<u>(19,559)</u>	<u>(6,800)</u>	<u>(8,386)</u>	<u>70,036</u>	<u>(99,698)</u>	<u>(1,621,342)</u>
Cash and investments - ending	<u>\$ 394,358</u>	<u>\$ 8,824</u>	<u>\$ 165</u>	<u>\$ 585</u>	<u>\$ 34,466</u>	<u>\$ (144,220)</u>	<u>\$ 1,584,015</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	ASAP Grant	Columbia Plaza TIF	Lear TIF	Downtown TIF	North Hammond TIF	Unilever TIF	Pullman TIF
Cash and investments - beginning	\$ (30,610)	\$ 345,351	\$ 1,893,874	\$ 1,720,098	\$ 4,275,525	\$ 2,907,124	\$ 61,819
Receipts:							
Taxes	-	29,430	138,262	814,872	728,536	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	320,712	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	7,818	-	-	-
Total receipts	<u>320,712</u>	<u>29,430</u>	<u>138,262</u>	<u>822,690</u>	<u>728,536</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	224,827	-	-	579,102	636,038	360	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	975	4,368,024	2,906,764	61,819
Total disbursements	<u>224,827</u>	<u>-</u>	<u>-</u>	<u>580,077</u>	<u>5,004,062</u>	<u>2,907,124</u>	<u>61,819</u>
Excess (deficiency) of receipts over disbursements	<u>95,885</u>	<u>29,430</u>	<u>138,262</u>	<u>242,613</u>	<u>(4,275,526)</u>	<u>(2,907,124)</u>	<u>(61,819)</u>
Cash and investments - ending	<u>\$ 65,275</u>	<u>\$ 374,781</u>	<u>\$ 2,032,136</u>	<u>\$ 1,962,711</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Home Depot TIF	Woodmar TIF	Woodmar Gateways TIF	Gateways TIF	Judge Gen 756777	HPRP Homeless Prevention	City Clerk Trust Funds
Cash and investments - beginning	\$ 1,600,901	\$ 3,170,511	\$ 3,274,689	\$ (75,012)	\$ -	\$ (16,083)	\$ 1,691,290
Receipts:							
Taxes	472,390	1,163,958	954,057	962,403	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	5,243,059
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	31,029	-	376,853	-	-
Total receipts	<u>472,390</u>	<u>1,163,958</u>	<u>985,086</u>	<u>962,403</u>	<u>376,853</u>	<u>-</u>	<u>5,243,059</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	31,450	137,696	3,305,718	2,788	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	31,029	-	-	376,853	-	4,945,185
Total disbursements	<u>31,450</u>	<u>168,725</u>	<u>3,305,718</u>	<u>2,788</u>	<u>376,853</u>	<u>-</u>	<u>4,945,185</u>
Excess (deficiency) of receipts over disbursements	<u>440,940</u>	<u>995,233</u>	<u>(2,320,632)</u>	<u>959,615</u>	<u>-</u>	<u>-</u>	<u>297,874</u>
Cash and investments - ending	<u>\$ 2,041,841</u>	<u>\$ 4,165,744</u>	<u>\$ 954,057</u>	<u>\$ 884,603</u>	<u>\$ -</u>	<u>\$ (16,083)</u>	<u>\$ 1,989,164</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	HIDTA	HIDTA Equipment Grant	Human Relations Grant	RP 756772	Public Defender	Federal Forfeiture Program	Evidence Money
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 1,100	\$ 17,644	\$ 20,629
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	78,679	10,130	18,750	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	400	84,348	-
Utility fees	-	-	-	-	-	-	-
Other receipts	48,446	-	-	13,473,707	-	-	20,022
Total receipts	127,125	10,130	18,750	13,473,707	400	84,348	20,022
Disbursements:							
Personal services	112,931	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	19,215	-	-	63,297	20,022
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	9,743	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	13,473,707	-	-	-
Total disbursements	112,931	9,743	19,215	13,473,707	-	63,297	20,022
Excess (deficiency) of receipts over disbursements	14,194	387	(465)	-	400	21,051	-
Cash and investments - ending	\$ 14,194	\$ 387	\$ (465)	\$ -	\$ 1,500	\$ 38,695	\$ 20,629

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Police Donation	Park Activities	Background Checks	State Forfeited	Federal Prisoners	Impaired Driving	Redevelopment
Cash and investments - beginning	\$ 55,267	\$ 79,715	\$ 563	\$ 11,198	\$ 176,798	\$ 682	\$ (73,461)
Receipts:							
Taxes	-	-	-	-	-	-	391,022
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	12,500	-	45,000	26,799
Charges for services	-	112,054	1,765	-	223,290	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	5,134	-	-	-	-	-	878,619
Total receipts	5,134	112,054	1,765	12,500	223,290	45,000	1,296,440
Disbursements:							
Personal services	-	-	-	-	-	59,357	397,974
Supplies	-	-	-	-	-	-	991
Other services and charges	12,704	68,473	1,778	19,641	234,635	-	42,576
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	5,000
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	1,050
Total disbursements	12,704	68,473	1,778	19,641	234,635	59,357	447,591
Excess (deficiency) of receipts over disbursements	(7,570)	43,581	(13)	(7,141)	(11,345)	(14,357)	848,849
Cash and investments - ending	\$ 47,697	\$ 123,296	\$ 550	\$ 4,057	\$ 165,453	\$ (13,675)	\$ 775,388

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Park/Tourism	Economic Development/ Tourism	CDBG Escrow	Human Relations	Public Safety	Water Hydrant Rental	Penalties
Cash and investments - beginning	\$ 878	\$ 1,212	\$ 407,077	\$ 7,806	\$ (236,679)	\$ (117,762)	\$ 3,097,079
Receipts:							
Taxes	32,040	21,600	-	-	-	658,360	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	22,752	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	879,261
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	210,517	-	835,207	-	-
Total receipts	<u>32,040</u>	<u>21,600</u>	<u>210,517</u>	<u>-</u>	<u>835,207</u>	<u>681,112</u>	<u>879,261</u>
Disbursements:							
Personal services	-	-	-	-	-	-	605,207
Supplies	-	-	-	-	-	-	3,251
Other services and charges	24,891	1,165	442,484	1,395	-	182,692	70,708
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	574,710	-	331
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	1,470
Total disbursements	<u>24,891</u>	<u>1,165</u>	<u>442,484</u>	<u>1,395</u>	<u>574,710</u>	<u>182,692</u>	<u>680,967</u>
Excess (deficiency) of receipts over disbursements	<u>7,149</u>	<u>20,435</u>	<u>(231,967)</u>	<u>(1,395)</u>	<u>260,497</u>	<u>498,420</u>	<u>198,294</u>
Cash and investments - ending	<u>\$ 8,027</u>	<u>\$ 21,647</u>	<u>\$ 175,110</u>	<u>\$ 6,411</u>	<u>\$ 23,818</u>	<u>\$ 380,658</u>	<u>\$ 3,295,373</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Human Relations Federal	Local Seizure	SEMA Grant	C.D.B.G.	Ambulance Fees	CDBG Donation	AC Donation
Cash and investments - beginning	\$ 58,354	\$ (8,188)	\$ -	\$ (199,150)	\$ -	\$ 3,320	\$ 3,319
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	14,994	-	28,685	2,524,429	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>210</u>	<u>-</u>	<u>-</u>	<u>173,138</u>	<u>-</u>	<u>57,070</u>	<u>805</u>
Total receipts	<u>15,204</u>	<u>-</u>	<u>28,685</u>	<u>2,697,567</u>	<u>-</u>	<u>57,070</u>	<u>805</u>
Disbursements:							
Personal services	1,418	-	-	374,177	-	-	-
Supplies	-	-	-	-	-	-	418
Other services and charges	10,438	-	28,685	2,341,325	-	8,258	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	76,427	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>417</u>	<u>-</u>	<u>-</u>	<u>2,100</u>	<u>48,573</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>12,273</u>	<u>-</u>	<u>28,685</u>	<u>2,717,602</u>	<u>125,000</u>	<u>8,258</u>	<u>418</u>
Excess (deficiency) of receipts over disbursements	<u>2,931</u>	<u>-</u>	<u>-</u>	<u>(20,035)</u>	<u>(125,000)</u>	<u>48,812</u>	<u>387</u>
Cash and investments - ending	<u>\$ 61,285</u>	<u>\$ (8,188)</u>	<u>\$ -</u>	<u>\$ (219,185)</u>	<u>\$ (125,000)</u>	<u>\$ 52,132</u>	<u>\$ 3,706</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Vehicle Release	Unemployment	Adult Probation	Tobacco Education/ Judgment	HENRY Unit	Park/Gaming	Affordable Housing
Cash and investments - beginning	\$ 23,371	\$ (409,860)	\$ 134,254	\$ 16,779	\$ (458,609)	\$ 245,684	\$ 4,545
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	457,026
Charges for services	-	-	-	-	-	401,030	-
Fines and forfeits	54,477	-	147,651	1,305	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	31,166	-	-	405,000	269,802	215,361
Total receipts	<u>54,477</u>	<u>31,166</u>	<u>147,651</u>	<u>1,305</u>	<u>405,000</u>	<u>670,832</u>	<u>672,387</u>
Disbursements:							
Personal services	-	82,438	147,625	-	802,864	2,137	126,536
Supplies	-	-	2,377	-	-	-	-
Other services and charges	62,496	-	4,970	1,400	-	820,240	723,123
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	1,496	-	-	-	-
Total disbursements	<u>62,496</u>	<u>82,438</u>	<u>156,468</u>	<u>1,400</u>	<u>802,864</u>	<u>822,377</u>	<u>849,659</u>
Excess (deficiency) of receipts over disbursements	<u>(8,019)</u>	<u>(51,272)</u>	<u>(8,817)</u>	<u>(95)</u>	<u>(397,864)</u>	<u>(151,545)</u>	<u>(177,272)</u>
Cash and investments - ending	<u>\$ 15,352</u>	<u>\$ (461,132)</u>	<u>\$ 125,437</u>	<u>\$ 16,684</u>	<u>\$ (856,473)</u>	<u>\$ 94,139</u>	<u>\$ (172,727)</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Emergency CDBG	Section 108	Technical Grant	Inspections/ Rental	Home Depot Bond 756775	Civil City Bond	Home Depot Project 756776
Cash and investments - beginning	\$ 13,834	\$ 81,486	\$ 1,920,658	\$ 12,810	\$ 101,051	\$ 922,220	\$ 5,401
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	862,021	-	-	-
Intergovernmental	73,088	-	-	-	-	839,552	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	362	-	-	341,351
Total receipts	<u>73,088</u>	<u>-</u>	<u>-</u>	<u>862,383</u>	<u>-</u>	<u>839,552</u>	<u>341,351</u>
Disbursements:							
Personal services	-	-	-	898,907	-	-	-
Supplies	-	-	-	37,453	-	-	-
Other services and charges	102,317	-	1,321,883	108,060	-	-	-
Debt service - principal and interest	-	-	-	-	-	1,053,469	-
Capital outlay	-	-	-	500	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	101,050	-	341,351
Total disbursements	<u>102,317</u>	<u>-</u>	<u>1,321,883</u>	<u>1,044,920</u>	<u>101,050</u>	<u>1,053,469</u>	<u>341,351</u>
Excess (deficiency) of receipts over disbursements	<u>(29,229)</u>	<u>-</u>	<u>(1,321,883)</u>	<u>(182,537)</u>	<u>(101,050)</u>	<u>(213,917)</u>	<u>-</u>
Cash and investments - ending	<u>\$ (15,395)</u>	<u>\$ 81,486</u>	<u>\$ 598,775</u>	<u>\$ (169,727)</u>	<u>\$ 1</u>	<u>\$ 708,303</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, 2012
(Continued)

	River Park Debt Service 756771	River Park GAM 756773	River Park General 756770	Cabela's 105415	Golf Course	Cost Due County	Continuing Education
Cash and investments - beginning	\$ 2,200,000	\$ 2,169,016	\$ 519,071	\$ 1,129,011	\$ (244,270)	\$ (13,098)	\$ 27,897
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	28,611
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	3,305,718	-	-	55,124
Fines and forfeits	-	-	-	-	-	190,622	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>52,775</u>	<u>2,479,564</u>	<u>1,241,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>52,775</u>	<u>2,479,564</u>	<u>1,241,193</u>	<u>3,305,718</u>	<u>-</u>	<u>190,622</u>	<u>83,735</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	177,524	73,603
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>2,252,775</u>	<u>2,393,145</u>	<u>1,760,264</u>	<u>2,094,897</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>2,252,775</u>	<u>2,393,145</u>	<u>1,760,264</u>	<u>2,094,897</u>	<u>-</u>	<u>177,524</u>	<u>73,603</u>
Excess (deficiency) of receipts over disbursements	<u>(2,200,000)</u>	<u>86,419</u>	<u>(519,071)</u>	<u>1,210,821</u>	<u>-</u>	<u>13,098</u>	<u>10,132</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 2,255,435</u>	<u>\$ -</u>	<u>\$ 2,339,832</u>	<u>\$ (244,270)</u>	<u>\$ -</u>	<u>\$ 38,029</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Payroll Withholding	Operations	Pre Treatment	Unemployment	Sewer	GIS	Storm Water
Cash and investments - beginning	\$ (4,258)	\$ 14,990	\$ 316,985	\$ 50,000	\$ 10,373	\$ 2,039	\$ 832,717
Receipts:							
Taxes	-	-	-	-	2,063,774	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	15,253,234	326,342	-	-	-	305,863
Other receipts	29,576,321	-	1,409	29,707	2,059,642	-	996,439
Total receipts	29,576,321	15,253,234	327,751	29,707	4,123,416	-	1,302,302
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	15,903,413	287,594	-	1,987,881	-	-
Other disbursements	29,497,409	1,100,000	-	32,031	1,978,167	-	644,529
Total disbursements	29,497,409	17,003,413	287,594	32,031	3,966,048	-	644,529
Excess (deficiency) of receipts over disbursements	78,912	(1,750,179)	40,157	(2,324)	157,368	-	657,773
Cash and investments - ending	\$ 74,654	\$ (1,735,189)	\$ 357,142	\$ 47,676	\$ 167,741	\$ 2,039	\$ 1,490,490

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Sanitation	Recycling	Great Lakes Legacy	2010 Bond	SRF Loan	Replacement	Debt Service Non Exempt
Cash and investments - beginning	\$ 280,091	\$ 15,861	\$ 47,944	\$ 7,568,489	\$ 5,363,300	\$ 194,523	\$ 493,030
Receipts:							
Taxes	-	-	-	-	-	-	384,754
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	4,173,690	-	-	-	-	-	-
Other receipts	<u>357,284</u>	<u>874,914</u>	<u>42,980</u>	<u>5,953</u>	<u>1,162,708</u>	<u>1,600,000</u>	<u>-</u>
Total receipts	<u>4,530,974</u>	<u>874,914</u>	<u>42,980</u>	<u>5,953</u>	<u>1,162,708</u>	<u>1,600,000</u>	<u>384,754</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	44,600	3,910,733	-	-
Utility operating expenses	4,485,920	1,165,106	48,178	-	-	308,669	-
Other disbursements	<u>621,651</u>	<u>392,854</u>	<u>-</u>	<u>147,416</u>	<u>29,226</u>	<u>-</u>	<u>738,455</u>
Total disbursements	<u>5,107,571</u>	<u>1,557,960</u>	<u>48,178</u>	<u>192,016</u>	<u>3,939,959</u>	<u>308,669</u>	<u>738,455</u>
Excess (deficiency) of receipts over disbursements	<u>(576,597)</u>	<u>(683,046)</u>	<u>(5,198)</u>	<u>(186,063)</u>	<u>(2,777,251)</u>	<u>1,291,331</u>	<u>(353,701)</u>
Cash and investments - ending	<u>\$ (296,506)</u>	<u>\$ (667,185)</u>	<u>\$ 42,746</u>	<u>\$ 7,382,426</u>	<u>\$ 2,586,049</u>	<u>\$ 1,485,854</u>	<u>\$ 139,329</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Debt Service Exempt	Capital Projects BAN	Water Utility	Marina Operations	Marina Construction	Gaming Fund	Lakefront Management
Cash and investments - beginning	\$ 2,948,585	\$ -	\$ 2,668,197	\$ 825,969	\$ 2,672,593	\$ 1,586,651	\$ 11,315
Receipts:							
Taxes	4,431,514	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	7,000,000	-
Charges for services	-	-	-	2,731,421	-	35,150	27,165
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	229,776	-	10,079,439	-	-	-	-
Other receipts	<u>17,845,704</u>	<u>7,004,125</u>	<u>3,704</u>	<u>628,473</u>	<u>2,108,852</u>	<u>1,000</u>	<u>50,000</u>
Total receipts	<u>22,506,994</u>	<u>7,004,125</u>	<u>10,083,143</u>	<u>3,359,894</u>	<u>2,108,852</u>	<u>7,036,150</u>	<u>77,165</u>
Disbursements:							
Personal services	-	-	-	995,238	-	282,163	60,422
Supplies	-	-	-	1,139,109	-	-	229
Other services and charges	-	-	-	1,152,244	-	126,243	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	250,971	243,317	737,511	466,917	2,586
Utility operating expenses	-	-	9,302,729	-	-	-	-
Other disbursements	<u>23,314,943</u>	<u>3,328,552</u>	<u>-</u>	<u>12,832</u>	<u>184,946</u>	<u>6,503,531</u>	<u>-</u>
Total disbursements	<u>23,314,943</u>	<u>3,328,552</u>	<u>9,553,700</u>	<u>3,542,740</u>	<u>922,457</u>	<u>7,378,854</u>	<u>63,237</u>
Excess (deficiency) of receipts over disbursements	<u>(807,949)</u>	<u>3,675,573</u>	<u>529,443</u>	<u>(182,846)</u>	<u>1,186,395</u>	<u>(342,704)</u>	<u>13,928</u>
Cash and investments - ending	<u>\$ 2,140,636</u>	<u>\$ 3,675,573</u>	<u>\$ 3,197,640</u>	<u>\$ 643,123</u>	<u>\$ 3,858,988</u>	<u>\$ 1,243,947</u>	<u>\$ 25,243</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Lost Marsh Golf Course	Wolf Lake Operations	RDA Project	2008 Revenue Bond DSR	2008 Revenue Bond Debt Service	Payroll and Withholding
Cash and investments - beginning	\$ 457,815	\$ 338,988	\$ 166,990	\$ 1,250,000	\$ 923,242	\$ (101)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	3,417,837	-	-	-
Charges for services	1,193,512	204,786	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>587,675</u>	<u>775,000</u>	<u>187,815</u>	<u>-</u>	<u>2,307,531</u>	<u>365,281</u>
Total receipts	<u>1,781,187</u>	<u>979,786</u>	<u>3,605,652</u>	<u>-</u>	<u>2,307,531</u>	<u>365,281</u>
Disbursements:						
Personal services	653,096	307,778	-	-	-	-
Supplies	420,980	60,152	-	-	-	-
Other services and charges	463,984	660,407	-	-	-	-
Debt service - principal and interest	-	-	-	-	2,213,231	-
Capital outlay	69,994	36,660	3,726,267	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>365,279</u>
Total disbursements	<u>1,608,054</u>	<u>1,064,997</u>	<u>3,726,267</u>	<u>-</u>	<u>2,213,231</u>	<u>365,279</u>
Excess (deficiency) of receipts over disbursements	<u>173,133</u>	<u>(85,211)</u>	<u>(120,615)</u>	<u>-</u>	<u>94,300</u>	<u>2</u>
Cash and investments - ending	<u>\$ 630,948</u>	<u>\$ 253,777</u>	<u>\$ 46,375</u>	<u>\$ 1,250,000</u>	<u>\$ 1,017,542</u>	<u>\$ (99)</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	River Park Refunding	Refunding General	Refunding Issuance	2012 Potash Bond Interest	2012 Potash Bond Issuance	2012 Potash Construction
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>13,473,707</u>	<u>25,440,791</u>	<u>115,143</u>	<u>321,165</u>	<u>200,257</u>	<u>10,000,006</u>
Total receipts	<u>13,473,707</u>	<u>25,440,791</u>	<u>115,143</u>	<u>321,165</u>	<u>200,257</u>	<u>10,000,006</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	2,500,257
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>13,473,707</u>	<u>25,292,599</u>	<u>115,143</u>	<u>-</u>	<u>198,257</u>	<u>-</u>
Total disbursements	<u>13,473,707</u>	<u>25,292,599</u>	<u>115,143</u>	<u>-</u>	<u>198,257</u>	<u>2,500,257</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>148,192</u>	<u>-</u>	<u>321,165</u>	<u>2,000</u>	<u>7,499,749</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 148,192</u>	<u>\$ -</u>	<u>\$ 321,165</u>	<u>\$ 2,000</u>	<u>\$ 7,499,749</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	2012 Potash Debt Service Reserve	2012 Potash Bond General	2012 Jobs General Fund	2012 Jobs Cost of Issuance	2012 Jobs Debt Service Reserve	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,671,444
Receipts:						
Taxes	-	-	-	-	-	40,474,421
Licenses and permits	-	-	-	-	-	1,775,516
Intergovernmental	-	-	-	-	-	70,149,279
Charges for services	-	-	-	-	-	11,884,505
Fines and forfeits	-	-	-	-	-	7,353,806
Utility fees	-	-	-	-	-	30,368,344
Other receipts	<u>1,121,001</u>	<u>11,817,294</u>	<u>17,016,889</u>	<u>125,000</u>	<u>1,735,418</u>	<u>231,784,726</u>
Total receipts	<u>1,121,001</u>	<u>11,817,294</u>	<u>17,016,889</u>	<u>125,000</u>	<u>1,735,418</u>	<u>393,790,597</u>
Disbursements:						
Personal services	-	-	-	-	-	79,903,436
Supplies	-	-	-	-	-	3,689,115
Other services and charges	-	-	-	-	-	57,059,485
Debt service - principal and interest	-	-	-	-	-	7,861,150
Capital outlay	-	-	-	-	-	13,619,982
Utility operating expenses	-	-	-	-	-	33,489,490
Other disbursements	-	<u>11,642,165</u>	<u>17,016,876</u>	<u>110,000</u>	-	<u>189,559,507</u>
Total disbursements	-	<u>11,642,165</u>	<u>17,016,876</u>	<u>110,000</u>	-	<u>385,182,165</u>
Excess (deficiency) of receipts over disbursements	<u>1,121,001</u>	<u>175,129</u>	<u>13</u>	<u>15,000</u>	<u>1,735,418</u>	<u>8,608,432</u>
Cash and investments - ending	<u>\$ 1,121,001</u>	<u>\$ 175,129</u>	<u>\$ 13</u>	<u>\$ 15,000</u>	<u>\$ 1,735,418</u>	<u>\$ 69,279,876</u>

CITY OF HAMMOND
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Sanitary District	\$ 1,784,971	\$ 1,531,638
Water Utility	2,602,391	2,811,781
Governmental activities	<u>13,742,453</u>	<u>14,809,375</u>
Totals	<u>\$ 18,129,815</u>	<u>\$ 19,152,794</u>

CITY OF HAMMOND
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Kansas State Bank	Fire Dept Vehicle Lease	\$ 287,729	06-01-09	06-01-13
Sanitary District: 1st Source Bank	Vactor Truck	74,325	03-15-11	03-15-15
Total of annual lease payments		<u>\$ 362,054</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Series 2006	\$ 1,725,000	\$ 386,003
General obligation bonds	Series 2008A	3,570,000	603,503
Revenue bonds	2012 Refunding Bonds	8,590,000	2,309,969
Revenue bonds	Redevelopment Bonds Series 2006	965,000	132,900
Revenue bonds	Economic Development Bonds Series 2007	25,195,000	2,684,625
Revenue bonds	Series 2012C Economic Development Revenue Bonds	11,210,000	83,265
Revenue bonds	Series 2012A Public Improvement Bonds	17,000,000	3,236,476
Notes and loans payable	Town of Highland Interlocal Agreement	1,750,000	50,860
Notes and loans payable	HUD 108 Series 2006A	2,149,000	436,596
Total governmental activities		<u>72,154,000</u>	<u>9,924,197</u>
Sanitary District:			
General obligation bonds	Series 2007 A	2,055,000	745,163
General obligation bonds	2010 Special Taxing District Bond Series A	9,035,000	738,893
Notes and loans payable	Bond Anticipation Note	7,000,000	7,076,889
Notes and loans payable	1993 SRF Series B	310,000	319,486
Notes and loans payable	Series 2007B	16,565,000	893,618
Notes and loans payable	1993 SRF Series A	1,335,000	1,361,700
Notes and loans payable	1997 SRF Series A	1,105,000	208,675
Notes and loans payable	1998 SRF Series A	1,815,000	298,525
Notes and loans payable	2001 SRF A	5,560,000	661,288
Notes and loans payable	2001 SRF B	6,265,000	760,200
Notes and loans payable	Series 2006 A	1,705,000	154,339
Total Sanitary District		<u>52,750,000</u>	<u>13,218,776</u>
Port Authority:			
Revenue bonds	Redevelopment Bonds Series 2008	9,465,000	2,440,000
Totals		<u>\$ 134,369,000</u>	<u>\$ 25,582,973</u>

CITY OF HAMMOND
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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 Balance
Governmental activities:	
Land	\$ 78,656,553
Infrastructure	204,295,537
Buildings	49,641,448
Improvements other than buildings	219,347
Machinery, equipment, and vehicles	24,246,729
Construction in progress	55,858,778
Books and other	11,400
Total governmental activities	412,929,792
Sanitary District:	
Land	497,919
Infrastructure	122,419,172
Buildings	57,843,610
Machinery, equipment, and vehicles	50,865,605
Construction in progress	8,505,400
Total Sanitary District	240,131,706
Water Utility:	
Land	134,466
Infrastructure	52,134,357
Buildings	660,783
Machinery, equipment, and vehicles	27,022,760
Construction in progress	116,911
Total Water Utility	80,069,277
Port Authority:	
Land	1,944,207
Infrastructure	7,048,960
Buildings	22,145,437
Improvements other than buildings	16,830,410
Machinery, equipment, and vehicles	3,330,392
Construction in progress	1,475,605
Total Port Authority	52,775,011
Total capital assets	\$ 785,905,786

CITY OF HAMMOND
OTHER REPORTS

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

City Clerk
City Clerk Special Investigation
Sanitary District
Water Utility

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the City related to financial transactions and reporting. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements.

The City has not established effective controls to allow for the proper reporting of the City's financial transactions and cash and investment balances. Reconciled trust and bank account balances were not verified by management which allowed material misstatements in the original financial statement. The financial statement was compiled from information entered by the City into the Annual Financial Report. The financial statement presented for audit included the following errors and omissions which we believe constitute material weaknesses:

1. The financial statement omitted three funds that were accounted for in the City's ledgers. These funds included receipts of \$39,029,641, disbursements of \$38,881,449, and an ending cash and investments balance of \$148,192.
2. The financial statement omitted eight trust funds related to public improvement projects. These funds were also not in the City's records and included receipts of \$42,337,030, disbursements of \$31,467,555, and an ending cash and investments balance of \$10,869,475.
3. The receipts and disbursements of several Hammond Sanitary District funds were understated by \$32,116,943 and \$35,030,385, in total, respectively. These errors also resulted in the ending cash and investments balance of these funds to be overstated by a total of \$2,913,443. The misstatements were due to reporting the funds on the accrual basis of accounting rather than the prescribed regulatory basis.

The City approved and made the necessary adjustments to correct these issues which results in a financial statement that is fairly presented.

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)

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS AND COMPLIANCE OVER REPORTING FEDERAL EXPENDITURES IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City did not have a proper system of internal controls in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without an effective system of internal controls in place, material misstatements of the SEFA could remain undetected.

The City has not established controls to effectively identify, manage, and report federal financial assistance. Under the current system, each department independently monitors their grant activities. Grant agreements and requests for advances or reimbursements of federal funds are not always provided to the City Controller. Federal and state grant monitoring reports are prepared by each department based upon the records of grant activities maintained by the departments. The City Controller relies on each department to report their federal assistance activities for use in preparing the SEFA.

In failing to establish controls to effectively identify, manage, and report federal financial assistance, the City materially misrepresented the federal assistance expended in 2012 on the SEFA presented for audit.

During the audit of the SEFA, we noted the following material errors and/or omissions which we believe constitute material weaknesses:

1. The City initially reported federal expenditures of \$3,848,615. Audit adjustments to the SEFA were \$1,039,784. The total of federal expenditures for 2012 has been determined to be \$4,888,399.
2. The City failed to report Capitalization Grants for Clean Water State Revolving Funds which were passed through the Indiana Finance Authority in the amount of \$1,049,369. The receipts and disbursements associated with this grant were accounted for by the Hammond Sanitary District.
3. The City failed to report expenditures associated with the Highway Safety Cluster of \$61,537 which passed through the Indiana Criminal Justice Institute. These funds were administered by the Hammond Police Department and accounted for in the official records of the City Controller.
4. The City made additional errors and/or omissions which totaled \$71,122.
5. The City failed to correctly identify pass-through entities.
6. The City failed to report that the Energy Efficiency and Conservation Block Grant Program was funded with American Recovery and Reinvestment Act of 2009 funds (ARRA).

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement. A similar finding appeared in the prior report.

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.

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"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. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

The Special Terms and Conditions for the Energy Efficiency and Conservation Block Grant Programs - Formula Grants also include requirements to separately identify ARRA funding as follows:

"For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133 . . . recipients agree to separately identify the expenditures for Federal awards under the Recovery Act of the Schedule of Expenditures of Federal Awards (SEFA) . . . required by OMB Circular A-133 . . . This shall be accomplished by identifying expenditures for Federal Awards made under the Recovery Act separately on the SEFA . . . and inclusion of the prefix 'ARRA -' in identifying the name of the Federal program on the SEFA . . ."

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS OF THE CITY CLERK

We noted deficiencies in the internal control system of the City Clerk related to financial transactions. Control activities should be selected and developed at various levels of the City Clerk's office to reduce risks to the achievement of financial reporting objectives. The City Clerk has not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. We believe the following deficiencies constitute material weaknesses:

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

Employees of the City Clerk's office were able to collect payments, issue receipts, record receipts and, in the case of traffic tickets, submit documentation to the Bureau of Motor Vehicles to release suspended licenses. The lack of segregation of duties in this area allowed an employee to misappropriate funds of the City Clerk. Beginning in June 2013, the duties related to receipts have been segregated; one employee can no longer collect the payment, issue the receipt, and record the transaction.

In addition, one employee in the office of the City Clerk was responsible for all aspects of the disbursement process. The employee initiated, processed, and recorded disbursements, as well as, performed the monthly depository reconcilements.

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)

INTERNAL CONTROLS OVER PAYROLL

We noted deficiencies in the internal control system of the City related to payroll processing. 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 potential fraud through timely detection by management and those charged with governance.

Effective controls include establishing policies and procedures for ensuring federal, state, and local laws and regulations are adhered to by management and staff.

Salary Ordinance

Salaries require proper authorization by the City Council through the passage of a salary ordinance or resolution. The salaries for the Department of Planning and Development's employees paid from federal or state grants were not included in the 2012 Salary Ordinance approved by the City Council.

The union agreement for police officers refers 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 2006 Salary Ordinance.

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

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

Payment in Advance

Employee compensation, hours, and leave time are to be reported by the departmental payroll clerks to the Controller's Office on a bi-weekly "Payroll Earnings Forecast" (forecast). The forecasts must be submitted for payroll processing by the Monday or Tuesday prior to the pay date, which is on Friday. Salaried employees are paid for the current and subsequent week and, are therefore, paid in advance up to ten days prior to performing the service. This pay also cannot reflect leave time used for the period covered.

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

Leave Policies

The City abides by negotiated union agreements for sick and injured 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 specifies the details of the policy but instead state: "The present sick and injured leave policies shall remain unchanged during the term of this Agreement . . ." "We could not determine what the policy entailed; therefore, it is possible that overpayments to employees could occur.

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

Employee Service Records

Time records or an Employee Service Record (General Form 99A) were not maintained by the Corporation Council, a city employee, for 2012.

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 on leave balances, leave accruals, and leave usage. Hours worked are also not recorded on the attendance record; a "W" is recorded on days worked regardless of how many hours are worked. Leave time is also not reported on the "Payroll Earnings Forecast" which is certified by the department head.

The Police Department maintains employee service records; however, overtime hours worked are not reported. Leave time is not reported on the "Payroll Earnings Forecast" which is certified by the department head. Additionally, compensatory leave accruals, usage, and balances are not reported. In many instances, the Employee Service Records were not in agreement with the Payroll Earnings Forecast leave time reported.

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

- General Form 99A, Employees' Service Record
- General Form 99B, Employee's Earnings Record
- General Form 99C, Employee's Weekly Earnings Record

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS OVER SELF-INSURANCE FUND DISBURSEMENTS

The City maintains a Self-Insurance Fund for the payment of employee health insurance claims. A third party administrator initially receives the medical claims, processes them, and produces the vendor checks for payment. The vendor checks are accumulated each month and are remitted to the City Controller's office (controller) the following month, accompanied by a printed check register. The Controller records the individual vendor payments in the City's ledger and also mails the checks to the vendors as funds are available in the Self-Insurance Fund.

The Controller received October and November 2012 health insurance vendor checks which totaled \$2,266,335.32 in November and December 2012, respectively. These checks were not recorded in the City's ledger or remitted to the vendors until January 2013.

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)

OVERDRAWN CASH BALANCES

The financial statement presented in this report included the following funds with overdrawn cash balances at December 31, 2012:

Fund Number	Fund Type/Name	Amount
	City:	
101	General	\$ 23,409,240
201	Motor Vehicle Highway	2,519,739
204	Local Road and Street	373,283
252	Transit	375,309
204	Parks and Recreation	3,467,049
004	Centrex	76,646
253	Local Seizure	8,188
264	Ambulance Fees	125,000
270	Unemployment	461,132
276	HENRY Unit	856,473
293	Inspections/Rental	169,727
461	Golf Course	244,270
	Sanitary District:	
SD	Operations	1,735,189
SD	Sanitation	296,506
SD	Recycling	667,185
	Port Authority:	
HPA	Payroll Withholding	<u>99.00</u>
	Total overdrawn funds	<u><u>\$ 34,785,035</u></u>

Funds with overdrawn cash balances as the result of grant expenditures awaiting reimbursement are not included in the list above.

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

CITY OF HAMMOND
 AUDIT RESULTS AND COMMENTS
 (Continued)

DISBURSEMENTS IN EXCESS OF APPROPRIATIONS

The following funds recorded expenditures in excess of budgeted appropriations:

Fund	Disbursements in Excess of Appropriations
General	\$ 7,928,811
Motor Vehicle Highway	1,355,252
Park	739,666
Local Road and Street	683,356
Water Hydrant Rental	7,692
Gaming Revenue	5,770,676
Self-Insurance	4,595,394
CDBG Escrow	35,407
CDBG Escrow	324,915

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."

APPROVAL OF FORMS

The City uses forms which have not been approved for use in lieu of prescribed forms to document certain financial transactions.

The City uses an Animal License as the payer's receipt. This form has not been approved as an alternate form for General Receipt Form 352. The license does not include all necessary information including the method of payments: check, cash, debit card, credit card, or money order.

The City Controller's office uses counter receipts for certain sources of collections that are not approved as an alternate to the prescribed General Receipt Form 352. These receipt transactions are never individually recorded in the City's records. They are placed in batches by source, such as rental registrations, and entered into the accounting software which produces one receipt for each batch. Batch totals are recorded in the proper funds and accounts.

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

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the 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, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on the CDBG – Entitlement Grants Cluster

As described in items 2012-05, 2012-06, and 2012-07, in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Equipment and Real Property Management, Subrecipient Monitoring, and Reporting 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Basis for Qualified Opinion on the Capitalization Grants for Clean Water State Revolving Funds

As described in items 2012-09 and 2012-10, in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Equipment and Real Property Management and Procurement that are applicable to its Capitalization Grants for Clean Water State Revolving Funds program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

Basis for Qualified Opinion on ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)

As described in items 2012-12 and 2012-13, in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Allowable Costs and Reporting that are applicable to its ARRA Energy Efficiency and Conservation Block Grant Program (EECBG). Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

Qualified Opinion on the CDBG – Entitlement Grants Cluster, Capitalization Grants for Clean Water State Revolving Funds, and the ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraphs, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the CDBG – Entitlement Grants Cluster, Capitalization Grants for Clean Water State Revolving Funds, and the ARRA Energy Efficiency and Conservation Block Grant Program (EECBG) for the year ended December 31, 2012.

Other Matters

The City's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 2012-04, 2012-08, and 2012-11 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

September 24, 2013

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, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Agriculture</u>				
Urban and Community Forestry Program	Indiana Department of Natural Resources	10.675	300FR10GLRI2010	\$ 10,000
<u>Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	Direct grant	14.218		
Community Development Block Grant			B-10-MC-18-0006	1,854,989
Neighborhood Stabilization Program			B-11-MC-18-0006	666,940
			B-10-MN-18-0006	115,044
Total - CDBG - Entitlement Grants Cluster				<u>2,636,973</u>
Emergency Shelter Grants Program				
Emergency Solutions Grant Program	Direct grant	14.231	S-10-MC-18-0006	565
			E-11-MC-18-0006	71,780
Total - Emergency Shelter Grants Program				<u>72,345</u>
HOME Investment Partnerships Program				
	Direct grant	14.239	M-00-MC-18-0204	8,692
			M-06-MC-18-0204	26,473
			M-07-MC-18-0204	73,404
			M-08-MC-18-0204	309,230
			M-10-MC-18-0204	11,498
			M-11-MC-18-0204	25,114
Total - HOME Investment Partnerships Program				<u>454,411</u>
Fair Housing Assistance Program - State and Local				
Fair Housing Assistance Program	Direct grant	14.401		
Fair Housing Assistance Program Partnership Funds			FF 205 K 125024	14,994
Human Relations Outreach			FF 205 K 115024	19,215
Total - Fair Housing Assistance Program - State and Local				<u>34,209</u>
Total - Department of Housing and Urban Development				<u>3,197,938</u>
<u>Department of Justice</u>				
Crime Victim Compensation	Indiana Criminal Justice Institute	16.576	03210VCGX001003	600
Equitable Sharing Program	Direct grant	16.922	2012	63,297
Total - Department of Justice				<u>63,897</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	Indiana Department of Transportation	20.205	DES No. 1297017	186,871
Highway Safety Cluster				
State and Community Highway Safety		20.600		
Big City/Big County Enforcement Program	Indiana Criminal Justice Institute		PT-12-11-04-21	59,537
Operation Pullover Awards Banquet Equipment Grant	Indiana Criminal Justice Institute		PT-12-11-04-21	2,000
Total - Highway Safety Cluster				<u>61,537</u>
Total - Department of Transportation				<u>248,408</u>
<u>Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458	WW0516452	1,049,369
<u>Department of Energy</u>				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)				
ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	Direct grant	81.128	SC0001386	290,102
<u>Department of Homeland Security</u>				
Assistance to Firefighters Grant	Direct grant	97.044	EMW-2010-FO-01486	28,685
Total federal awards expended				<u>\$ 4,888,399</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, 2012:

Program Title	Federal CFDA Number	2012
Community Development Block Grants/Entitlement Grants	14.218	\$ 151,936
Emergency Shelter Grants Program	14.231	102,317

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; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for all major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	CDBG – Entitlement Grants Cluster
81.128	Capitalization Grants for Clean Water State Revolving Funds ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)

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 2012-01 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the City related to financial transactions and reporting. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements.

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

The City has not established effective controls to allow for the proper reporting of the City's financial transactions and cash and investment balances. Reconciled trust and bank account balances were not verified by management which allowed material misstatements in the original financial statement. The financial statement was compiled from information entered by the City into the Annual Financial Report. The financial statement presented for audit included the following errors and omissions which we believe constitute material weaknesses:

1. The financial statement omitted three funds that were accounted for in the City's ledgers. These funds included receipts of \$39,029,641, disbursements of \$38,881,449, and an ending cash and investments balance of \$148,192.
2. The financial statement omitted eight trust funds related to public improvement projects. These funds were also not in the City's records and included receipts of \$42,337,030, disbursements of \$31,467,555, and an ending cash and investments balance of \$10,869,475.
3. The receipts and disbursements of several Hammond Sanitary District funds were understated by \$32,116,943 and \$35,030,385, in total, respectively. These errors also resulted in the ending cash and investments balance of these funds to be overstated by a total of \$2,913,443. The misstatements were due to reporting the funds on the accrual basis of accounting rather than the prescribed regulatory basis.

The City approved and made the necessary adjustments to correct these issues which results in a financial statement that is fairly presented.

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 5-11-1-4(a) 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 in the form and content presented by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

We recommended that officials establish controls to allow for the preparation of a complete and accurate financial statement.

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

FINDING 2012-02 - INTERNAL CONTROLS AND COMPLIANCE OVER REPORTING FEDERAL EXPENDITURES IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City did not have a proper system of internal controls in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without an effective system of internal controls in place, material misstatements of the SEFA could remain undetected.

The City has not established controls to effectively identify, manage, and report federal financial assistance. Under the current system, each department independently monitors their grant activities. Grant agreements and requests for advances or reimbursements of federal funds are not always provided to the City Controller. Federal and state grant monitoring reports are prepared by each department based upon the records of grant activities maintained by the departments. The City Controller relies on each department to report their federal assistance activities for use in preparing the SEFA.

In failing to establish controls to effectively identify, manage, and report federal financial assistance, the City materially misrepresented the federal assistance expended in 2012 on the SEFA presented for audit.

During the audit of the SEFA, we noted the following material errors and/or omissions which we believe constitute material weaknesses:

1. The City initially reported federal expenditures of \$3,848,615. Audit adjustments to the SEFA were \$1,039,784. The total of federal expenditures for 2012 has been determined to be \$4,888,399.
2. The City failed to report Capitalization Grants for Clean Water State Revolving Funds which were passed through the Indiana Finance Authority in the amount of \$1,049,369. The receipts and disbursements associated with this grant were accounted for by the Hammond Sanitary District.
3. The City failed to report expenditures associated with the Highway Safety Cluster of \$61,537 which passed through the Indiana Criminal Justice Institute. These funds were administered by the Hammond Police Department and accounted for in the official records of the City Controller.
4. The City made additional errors and/or omissions which totaled \$71,122.
5. The City failed to correctly identify pass-through entities.
6. The City failed to report that the Energy Efficiency and Conservation Block Grant Program was funded with American Recovery and Reinvestment Act of 2009 funds (ARRA).

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement. A similar finding appeared in the prior report.

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.

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

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"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. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

The Special Terms and Conditions for the Energy Efficiency and Conservation Block Grant Programs - Formula Grants also include requirements to separately identify ARRA funding as follows:

"For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133 . . . recipients agree to separately identify the expenditures for Federal awards under the Recovery Act of the Schedule of Expenditures of Federal Awards (SEFA) . . . required by OMB Circular A-133 . . . This shall be accomplished by identifying expenditures for Federal Awards made under the Recovery Act separately on the SEFA . . . and inclusion of the prefix 'ARRA -' in identifying the name of the Federal program on the SEFA . . ."

We recommended that the City establish controls to adequately identify federal financial assistance and to accurately report federal expenditures.

FINDING 2012-03 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS OF THE CITY CLERK

We noted deficiencies in the internal control system of the City Clerk related to financial transactions. Control activities should be selected and developed at various levels of the City Clerk's office to reduce risks to the achievement of financial reporting objectives. The City Clerk has not separated incompatible activities

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

related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. We believe the following deficiencies constitute material weaknesses:

Employees of the City Clerk's office were able to collect payments, issue receipts, record receipts and, in the case of traffic tickets, submit documentation to the Bureau of Motor Vehicles to release suspended licenses. The lack of segregation of duties in this area allowed an employee to misappropriate funds of the City Clerk. Beginning in June 2013, the duties related to receipts have been segregated; one employee can no longer collect the payment, issue the receipt, and record the transaction.

In addition, one employee in the office of the City Clerk was responsible for all aspects of the disbursement process. The employee initiated, processed, and recorded disbursements, as well as, performed the monthly depository reconcilements.

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

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

We recommended that the City Clerk establish controls to adequately segregate the duties related to disbursements and cash and investment balance reconcilements.

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-04 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE CDBG – ENTITLEMENT GRANTS CLUSTER

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Number and Year (or Other Identifying Number): B-10-MC-18-0006, B-11-MC-18-0006

Management of the City of Hammond has not established effective internal control systems, which would include segregation of duties, related to the grant agreements and some of the compliance requirements that have direct and material effects on the Community Development Block Grants/Entitlement Grant (CDBG) programs. This includes the compliance requirements for Cash Management, Davis Bacon, Period of Availability, Equipment and Real Property Management, Suspension and Debarment, Reporting, and Sub-recipient Monitoring. The failure to establish an effective internal control system places the City at risk of non-compliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

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

Cash Management

The City Department of Planning and Development (Department) receives CDBG grant funds in advance of the expenditure; however, they do not have controls in place to monitor cash balances to ensure that funds are only drawn as needed to cover current expenditures. There is no documentation of any oversight of the funds requested in relation to the cash balance on hand.

Davis Bacon

The Department developed a manual of policies and procedures for compliance with labor standards. However, not all of these policies or procedures were followed in administering the CDBG program. There was no evidence of a review or comparison of certified weekly payrolls to applicable prevailing wages by the grant administrator or other personnel. There was also no evidence of review or oversight of compliance with these requirements.

Period of Availability

The Department has not established controls to ensure federal funds are used only during the authorized period of availability. Management does not review the timing of program expenditures to ensure that funds are expended or obligated during the grant period.

Equipment and Real Property Management

The City of Hammond has not designed or implemented adequate policies or procedures to account for and safeguard assets purchased with federal funds. The City does not maintain adequate records that identify equipment and other property acquired with federal funds. The financial accounting software is not integrated with the software used to account for capital assets. All assets purchased and charged to asset accounts have to be separately recorded in the capital asset program which allows for errors to occur; in addition, those assets purchased with federal funds were not identified as such.

Although the Neighborhood Stabilization Program (NSP) Director tracks the real property purchased and sold from NSP grant funds, an annual reconciliation with the City's official capital assets records is not performed. In addition, there is no review to ensure that NSP funded asset purchases and sales are properly recorded in the City's capital asset records.

Suspension and Debarment

The Department does not have a policy or standard procedure in place for determining whether or not a vendor has been suspended or excluded from doing business with the federal government. Records were not maintained to document if the Department researched the vendors and whether or not they were suspended or debarred.

Reporting

The Department has not established effective internal controls to ensure accurate reporting of NSP disbursements. The City's ledger was not used to complete NSP Quarterly Reports; it was not clear what records were used. In addition, management did not review reports or underlying documentation.

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

Subrecipient Monitoring

The City of Hammond distributed CDBG funds to various subrecipients - local nonprofit organizations. The Department did not have adequate internal controls to properly monitor subrecipient performance. They did not have a system in place to ensure that subrecipients were performing site reviews or determining if, and documenting how, low and moderate income clientele were benefited.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to be properly informed of the grant compliance requirements and ensure consultants are monitored. This is accomplished by ensuring that proper oversight, reviews, and approvals take place and having a separation of functions over certain activities related to the program.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the City.

We recommended that management of the City establish controls to ensure compliance related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the CDBG programs.

FINDING 2012-05 – NONCOMPLIANCE WITH EQUIPMENT AND REAL PROPERTY MANAGEMENT REQUIREMENTS OF THE COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Program Title: Neighborhood Stabilization Program
Federal Award Number: B-10-MN-18-0006

The City receives federal funds from the Neighborhood Stabilization Program (NSP) for the acquisition and rehabilitation of foreclosed and/or vacant residential homes. The City sold 11 of these homes in 2012; however, 7 of the homes sold were not removed from the City's capital asset records as of December 31, 2012.

The City does not maintain records that adequately identify equipment and other property acquired with federal funds. Although the City's capital asset accounting software has the capability of separately identifying items acquired with federal funds, this information is not entered into the system.

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

24 CFR § 85.32(d) states in part:

- "(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated . . .
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Failure to maintain accurate capital asset records that identify assets purchased with federal grant awards and the subsequent disposal of these assets results in noncompliance with grant requirements.

We recommended that the City comply with equipment and real property management requirements by separately identifying assets acquired with federal funds and accurately recording purchases and disposals of these items in a timely manner.

FINDING 2012-06 - SUBRECIPIENT MONITORING OF COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Program Title: Community Development Block Grant (CDBG)
Federal Award Numbers: B-10-MC-18-0006, B-11-MC-18-0006

The City distributed \$124,981 in Community Development Block Grant (CDBG) funds to the following subrecipients: The Greater Hammond Food Pantry, Hammond Legal Aid, Parents As Teachers, and We Care From the Heart Senior Services. The City could not produce any supporting documentation that it had complied with the subrecipient monitoring requirements. For example, there was no evidence of site visits, regular contact with the subrecipients, or verification of subrecipient performance reporting which would report how low and moderate income clientele benefited from CDBG funds.

24 CFR § 85.40(a) states:

"Grantees are responsible for managing the day-to day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals being achieved. Grantee monitoring must cover each program function or activity."

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

OMB Circular A-133 .400 states in part:

"(d) A pass through entity shall perform the following for the Federal awards it makes: . . .

Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."

Failure to adequately monitor subrecipients could result in the subrecipients receiving CDBG funds and not complying with applicable federal requirements and the required performance goals to be achieved.

We recommended that the City monitor subrecipients in compliance with the federal requirements and document the subrecipient's compliance with grant requirements through actions such as site visits, contacts made with key individuals, and maintaining copies of performance reports.

**FINDING 2012-07 - REPORTING OF COMMUNITY DEVELOPMENT
 BLOCK GRANTS/ENTITLEMENT GRANTS**

Federal Agency: Department of Housing and Urban Development
 Federal Program: Community Development Block Grants/Entitlement Grants
 CFDA Number: 14.218
 Program Title: Neighborhood Stabilization Program
 Federal Award Numbers: B-10-MN-18-0006

The U.S. Department of Housing and Urban Development (HUD) requires recipients of the Neighborhood Stabilization Program (NSP) to file financial reports on a quarterly basis. The City filed the four required reports for 2012; however, the reported amounts for the four quarters did not agree with amounts recorded in the City's ledger. The City's ledger was not used to complete the reports; it was not clear what documentation or records were used. The following details the variances between the quarterly reported disbursements and the City's disbursements recorded in the ledger:

Period	Disbursements Reported	Disbursements Recorded	Variance
01-01-12 to 03-31-12	\$ 544,651	\$ 267,659	\$ 276,992
04-01-12 to 06-30-12	1,117,541	494,028	623,513
07-01-12 to 09-30-12	607,335	230,340	376,995
10-01-12 to 12-31-12	75,832	322,856	(247,024)
Totals	<u>\$ 2,345,359</u>	<u>\$ 1,314,883</u>	<u>\$ 1,030,476</u>

In addition, the performance report, HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons, was not filed in 2012 as required.

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

24 CFR § 85.20 states in part:

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

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

HUD cannot adequately monitor the grant funds, or adequately assess the City's needs without accurate and timely reporting from the City. Submission of inaccurate financial reports could jeopardize the receipt of future federal financial assistance to the City.

We recommended that the City prepare and submit accurate, complete, and timely reports in accordance with HUD's guidelines.

FINDING 2012-08 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number: WW0516452
Pass-Through Entity: Indiana Finance Authority

Management of the Hammond Sanitary District (District) has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect on the program. This includes the compliance requirements for Equipment and Real Property Management; and Procurement, Suspension, and Debarment. The failure to establish an effective internal control system places the District at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

Equipment and Real Property Management

The District has not designed or implemented adequate policies or procedures to account for and safeguard assets, including those purchased with federal funds. The accounting software and the capital asset software used by the District are not integrated. All assets purchased and charged to asset accounts must still be separately recorded in the capital asset program which could allow for errors to occur and not be detected. In addition, the capital asset program does not identify the source of the funds used to purchase the asset. Therefore, those assets purchased with federal funds are not identified.

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

Procurement, Suspension, and Debarment

The District's program administrator was not aware of procurement requirements regarding change orders which could allow for noncompliance to occur and not be detected. In addition, the program administrator was not aware of suspension and debarment requirements. The consulting engineer is aware of the requirements, but the District has not implemented adequate review or management oversight to ensure compliance with these requirements.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by ensuring proper oversight, reviews, and approvals take place and having a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (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."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the District.

We recommended that the District's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the program.

FINDING 2012-09 - NONCOMPLIANCE WITH EQUIPMENT AND REAL PROPERTY MANAGEMENT REQUIREMENTS OF THE CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number: WW0516452
Pass-Through Entity: Indiana Finance Authority

The Hammond and Sanitary District (District) does not maintain records that identify equipment and other property acquired with federal monies. No system exists to provide separate identification for items acquired with federal and nonfederal funds. No physical inventory of federally purchased equipment was presented for audit. Equipment purchased during the audit period represented 8 percent of program expenditures.

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

40 CFR § 31.32 (d) states in part:

- "(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated . . ."

Failure to maintain detailed and accurate equipment and property records, to perform a physical inventory, and to reconcile a physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the District ensure that accurate, detailed capital asset records are maintained and that inventories of property and equipment are conducted and reconciled with a detailed capital asset ledger at least once every two years. Any significant differences should be investigated and the appropriate adjustments made to the records. Also any assets acquired with federal funds must be identified as such so that they are not disposed of improperly.

FINDING 2012-10 - NONCOMPLIANCE WITH PROCUREMENT REQUIREMENTS OF THE CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number: WW0516452
Pass-Through Entity: Indiana Finance Authority

The Hammond Sanitary District (District) approved change orders for two construction projects, which increased the contract amounts in excess of 20 percent. The first construction project contract was awarded for \$183,700; one change order was approved for \$41,563. This change order increased the original contract by 23 percent. The second construction project contract was awarded for \$296,502; two change orders were approved totaling \$154,386. These change orders increased the original contract by 53 percent.

The District allowed the contractors to submit change orders for the performance of additional work, rather than advertising for bids or soliciting quotes from other vendors.

40 CFR § 31.36(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, the standards identified in this section, and if applicable, § 31.38.

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

- (2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. . . ."

Indiana Code 36-1-12-18 states in part:

"(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. . . .

(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."

Failure to fully comply with the procurement requirements could lead to additional costs if others were able to bid or quote the project at a lower cost than the change order amount. Failure to comply with these requirements could also jeopardize future awards.

We recommended that District officials comply with the all federal, state, and local laws regarding procurement and public works projects.

FINDING 2012-11 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT PROGRAM

Federal Agency: Department of Energy

Federal Program: Energy Efficiency and Conservation Block Grant Program (EECBG)

CFDA Number: 81.128

Federal Award Number: SC0001386

Management of the City of Hammond (City) has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect on the Energy Efficiency and Conservation Block Grant Program (EECBG). This includes the compliance requirements for Allowable Costs, the Davis-Bacon Act, Period of Availability, and Reporting. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

Allowable Costs

The City Department of Planning and Development (Department) did not implement effective procedures to ensure that all expenses of the EECBG were allowable costs and eligible for reimbursement. The grant administrator was responsible for ensuring that only allowable costs were reported and

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

reimbursed. Evidence of a thorough review of the Special Terms and Conditions of the program (which prohibited certain costs) by the grant administrator was not documented. There was not adequate review or approval of program expenses to ensure compliance with program requirements.

Davis-Bacon Act

The Department developed a manual of policies and procedures for compliance with labor standards; however, not all of these policies or procedures were followed in administering the EECBG program. Oversight of the grant administrator's duties to ensure compliance with all requirements of the Davis-Bacon Act was inadequate. Subcontractor's contracts and/or certifications of Davis-Bacon Compliance were not maintained. In addition, evidence of review or comparison of certified weekly payrolls to applicable prevailing wages by the grant administrator or other personnel was not documented.

Period of Availability

The Department has not designed or implemented adequate policies and procedures to ensure that grant funds are obligated and/or expended during the period of availability. The grant administrator was responsible for ensuring compliance with these requirements. There was no segregation of duties, such as management oversight, to prevent or timely detect noncompliance with the requirements for period of availability.

Reporting

The Department does not have effective policies and procedures in place to ensure that required reports are prepared and submitted, or that those that are submitted are accurate and timely. The grant administrator was responsible for preparing and submitting the required reports. There was no segregation of duties, such as adequate management oversight, to ensure that all reports were submitted accurately and by the required due dates.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by ensuring proper oversight, reviews, and approvals take place and having a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall . . . (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"

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the City.

We recommended that the City's management establish and controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the program.

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

***FINDING 2012-12 - ALLOWABLE COSTS OF THE ENERGY
EFFICIENCY AND CONSERVATION BLOCK GRANT PROGRAM***

Federal Agency: Department of Energy
Federal Program: Energy Efficiency and Conservation Block Grant Program (EECBG)
CFDA Number: 81.128
Federal Award Number and Year (or Other Identifying Number): SC0001386

The City requested and received reimbursement of \$19,305.85 in fringe benefits related to the salaries of the grant administrator and others involved with the Energy Efficiency and Conservation Block Grant Program (EECBG). However, the Special Terms and Conditions for the EECBG prohibit reimbursement of fringe benefits.

The grant application and the amendments noted below address the fringe benefits:

1. The original grant application requested \$30,131 for salaries and \$7,533 for fringe benefits.
2. A subsequent amendment approved in January 2011 included only \$6,826 for fringe benefits.
3. The 4th and final amendment submitted in December 2012 did not include salaries or fringe benefits, but included \$65,284 for "administration."

In a December 2012 e-mail received from a Contract Specialist with the Department of Energy (DOE), the City was specifically told to "add an amendment Summary (Be sure to include the City request for fringe benefits)." A subsequent e-mail dated June 24, 2013, from the same DOE Contract Specialist indicated that this final amendment had not yet been processed and that the changes would be implemented in the final closeout amendment.

The City has not yet received specific approval for the fringe benefits that were prohibited in the Special Terms and Conditions for this program: Number 8 Rebudgeting and Recovery of Indirect Costs, states in part: "The budget for this award does not include indirect costs or fringe benefits. Therefore, these expenses shall not be charged to nor reimbursement requested for this project . . ."

Failure to receive specific approval of prohibited costs prior to requesting reimbursement of those costs could result in the requirement that the City return federal funds to the grantor agency.

We recommended that officials obtain specific approval for costs that are prohibited in grant provisions prior to requesting reimbursement to ensure compliance with allowable costs provisions.

***FINDING 2012-13 - NONCOMPLIANCE WITH REPORTING REQUIREMENTS OF
THE ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT PROGRAM***

Federal Agency: Department of Energy
Federal Program: Energy Efficiency and Conservation Block Grant Program (EECBG)
CFDA Number: 81.128
Federal Award Number: SC0001386

The U.S. Department of Energy (DOE) required the City to submit Quarterly Performance Reports (QPR), quarterly Federal Financial Reports (Form SF-425, which replaced Standard Form 269, Financial Status Report), and a Schedule of Final Expenditures upon completion for the Energy Efficiency and

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

Conservation Block Grant Program (EECBG). The City completed the grant in 2012; therefore, three QPR, three SF-425, and the final report were required to be submitted. The quarterly reports were due within 30 days after the end of the quarter; the final report was due 90 days after the expiration of the grant period. Since the grant period ended August 9, 2012, the final report would have originally been due by November 8, 2012; however, the DOE requested the report be submitted by December 10, 2012.

1. One QPR was filed seven days late; the other two were filed timely. One of the two reports submitted timely, the report for the second quarter (due July 30, 2012), was rejected twice for inaccuracies and finally accepted on October 12, 2012.
2. Two of the three Federal Financial Reports were not filed timely; one report was filed 91 days late and the other filed 72 days late.
3. The Schedule of Final Expenditures was filed 25 days late.

Several of the required reports were also inaccurately prepared and submitted. The reports were noted as prepared on the accrual basis of accounting; however, the City did not consistently report expenditures on that basis. The first quarter reports claimed expenditures paid on June 15, 2012, but not those paid on April 18 or June 14, 2012. Because the first quarter reports were incorrect, the second quarter reports were also incorrect. Expenditures paid on June 15, 2012, were reported on both the QPR and the Federal Financial Report for the first quarter ending March 31, 2012.

10 CFR § 600.240 Monitoring and reporting program performance, states in part:

"(b)(1) Grantees shall submit annual performance reports unless the awarding agency requires quarterly or semi-annual reports. However, performance reports will not be required more frequently than quarterly. Annual reports shall be due 90 days after the grant year, quarterly or semi-annual reports shall be due 30 days after the reporting period. The final performance report will be due 90 days after the expiration or termination of grant support. If a justified request is submitted by a grantee, the Federal agency may extend the due date for any performance report. Additionally, requirements for unnecessary performance reports may be waived by the Federal agency."

10 CFR § 600.241 *Financial reporting*, states in part:

"(b) *Financial Status Report*—

- (1) *Form*. Grantees will use Standard Form 269 or 269A, Financial Status Report, to report the status of funds for all nonconstruction grants and for construction grants when required in accordance with § 600.241(e)(2)(iii).
- (2) *Accounting basis*. Each grantee will report program outlays and program income on a cash or accrual basis as prescribed by the awarding agency. If the Federal agency requires accrual information and the grantee's accounting records are not normally kept on the accrual basis, the grantee shall not be required to convert its accounting system but shall develop such accrual information through and analysis of the documentation on hand.

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

- (3) *Frequency.* The Federal agency may prescribe the frequency of the report for each project or program. However, the report will not be required more frequently than quarterly. If the Federal agency does not specify the frequency of the report, it will be submitted annually. A final report will be required upon expiration or termination of grant support.

- (4) *Due date.* When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support."

In addition, this grant was funded by the American Recovery and Reinvestment Act of 2009 (ARRA) which required additional quarterly reports. No ARRA quarterly reports for 2012 were presented for audit.

The Special Terms and Conditions for the EECBG also included reporting requirements under Section 1512 of the ARRA as follows:

"This award requires the recipient to . . . report on use of Recovery Act funds provided through this award . . . The reports are due no later than ten calendar days after each calendar quarter in which the recipient receives the assistance award funded in whole or in part by the Recovery Act . . ."

The City did not comply with reporting requirements for this grant program. The failure to submit required reports could result in the withholding of future payments, suspension, or termination of the current award, and withholding of future awards.

We recommended that City officials ensure that all required reports are prepared on a timely and accurate basis in accordance with the reporting requirements.



Thomas M. McDermott, Jr.
Mayor

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND

May 28, 2013

PHIL TAILLON
Executive Director

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

RE: Summary Schedule of Prior Audit Findings

To Whom It May Concern:

This Report is our Summary Schedule of Prior Audit Findings. Please read the 2013 Current Status :

FINDING NUMBER 2011- 5 Summary Schedule of Prior Audit Findings

RECOMMENDATION: 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.

2013 Current Status: Planning and Development has increased communication with the Controller's office to ensure an accurate Summary Schedule has been prepared.

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 property 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.

2013 Current Status: We have followed our corrective action plan from last year. In addition to our Corrective Action Plan, we also submit a copy of our HUD 1 and Key # to the controller's office to make sure they add or remove the property from the Capital Assets Ledger.

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.

2013 Current Status: Our NSP staff is maintaining an active file on all contractors that are being used in relation to Debarment. On April 3rd, 2012, the Hammond Redevelopment Commission passed Resolution 2-2012 that gives the Executive Director permission to approve all change orders for federally funded projects that are under 20% (see attached).

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 controller's office accounts show. We have already corrected the procedure for verifying that the controller's office dollar amounts match what is listed in DRGR.

2013 Current Status: We have attempted to clear this issue via DRGR and the City Account Ledgers, but after it seems that it is corrected, the next time we inquire into DRGR, it is again out of balance in respect to the City of Hammond Expense. All items are auto-calculated via the DRGR draw requests which should balance to the City Ledger Accounts EXCEPT the City of Hammond expense line item. That item needs to have the current quarterly expenses manually entered. It is that item that continues to be out of balance with amounts listed as the total draws. We have discussed this issue with HUD and our HUD consultant and he has reviewed the issue

and he too noted a difference in the account. Our HUD consultant has recommended that we reconcile that amount once a quarter, at the quarter's end. He stated that we will always be trying to hit a moving target, entering the information that is correct at the time into DRGR, only to have it change when a draw to DRGR is entered. We will start beginning with the DRGR QPR for the calendar quarter ending 6/30/2013, and will balance those amounts prior to that if possible. This is currently an issue with NSP1 only, NSP3 appears to be balanced.

Thank you


Phil Tallon
Executive Director of Planning and Development
City of Hammond

RESOLUTION NO.2- 2012

A RESOLUTION OF THE HAMMOND REDEVELOPMENT COMMISSION ADOPTING AND APPROVING A CHANGE ORDER POLICY FOR FEDERALLY FUNDED PROJECTS

WHEREAS, the City of Hammond ("City"), Lake County, Indiana, is the recipient of federal block grants from the U.S. Department of Housing and Urban Development ("HUD"), including the Community Development Block Grant ("CDBG"), Emergency Solutions Grant ("ESG"), Home Investment Partnerships Grant ("HOME"), and Neighborhood Stabilization Program ("NSP"); and

WHEREAS, the City's Department of Planning and Development (the "Department") administer the CDBG, ESG, HOME, and NSP grants on behalf of the City; and

WHEREAS, the City of Hammond Redevelopment Commission (the "Commission") exercises budget authority and oversight for the CDBG, ESG, HOME, and NSP grants;

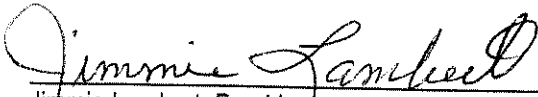
NOW, THEREFORE, BE IT RESOLVED by the Hammond Redevelopment Commission of Hammond, Lake County, Indiana, as follows:

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.
2. All change orders on a federally funded project that DO NOT exceed twenty percent of the current approved project budget may be approved by the Executive Director of the Department without prior approval of the Commission.
3. The Executive Director of the Department will report on all change orders not previously approved by the Commission at the next meeting of the Commission.

ADOPTED AND APPROVED at a meeting of the Hammond Redevelopment Commission held on the 3rd day of April, 2012.

HAMMOND REDEVELOPMENT COMMISSION

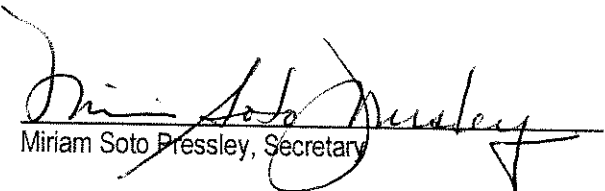
BY:



Jimmie Lambert, President

ATTEST:

BY:



Miriam Soto Pressley, Secretary



Robert Lendi, CPA
Controller

CITY OF HAMMOND

September 23, 2013

CORRECTIVE ACTION PLAN

FINDING NO. 2012-01 – Internal Control over Financial Transactions

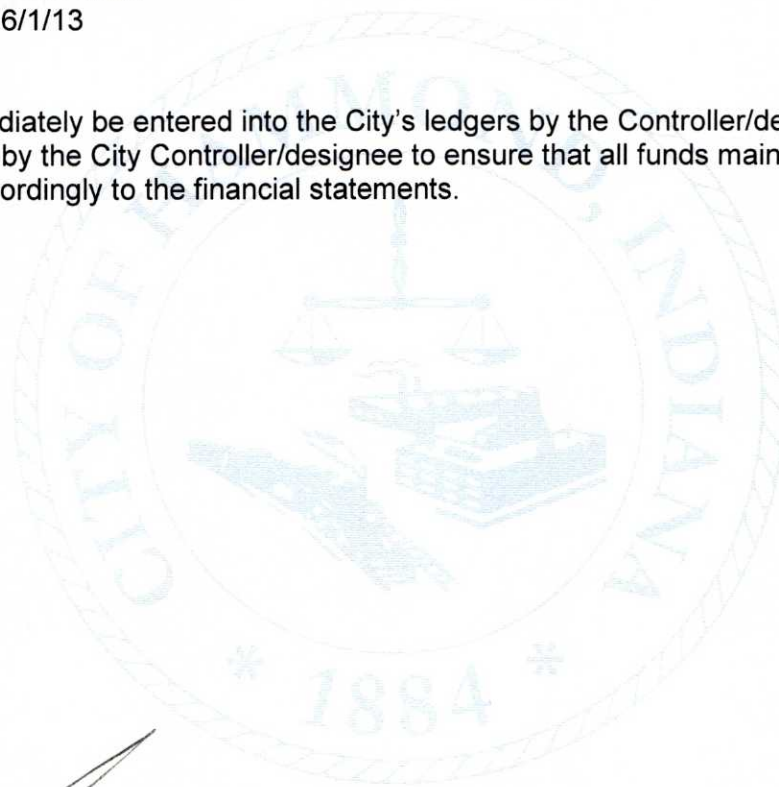
Auditee Contact Person: Robert Lendi, Controller

Contact Phone Number: 219-853-6324

Expected Completion Date: 6/1/13

Corrective Action:

Bond trust funds shall immediately be entered into the City's ledgers by the Controller/designee. Financial statements shall be audited by the City Controller/designee to ensure that all funds maintained locally on City Ledgers are transmitted accordingly to the financial statements.



Robert Lendi

City of Hammond
Controller's Office
5925 Calumet Avenue
Hammond, Indiana 46320

219.853.6324
fax: 219.853.6345
www.gohammond.com
e-mail: lendir@gohammond.com



Robert Lendi, CPA
Controller

CITY OF HAMMOND

September 23, 2013

CORRECTIVE ACTION PLAN

FINDING NO. 2012-02 – Internal Control over Federal Expenditures

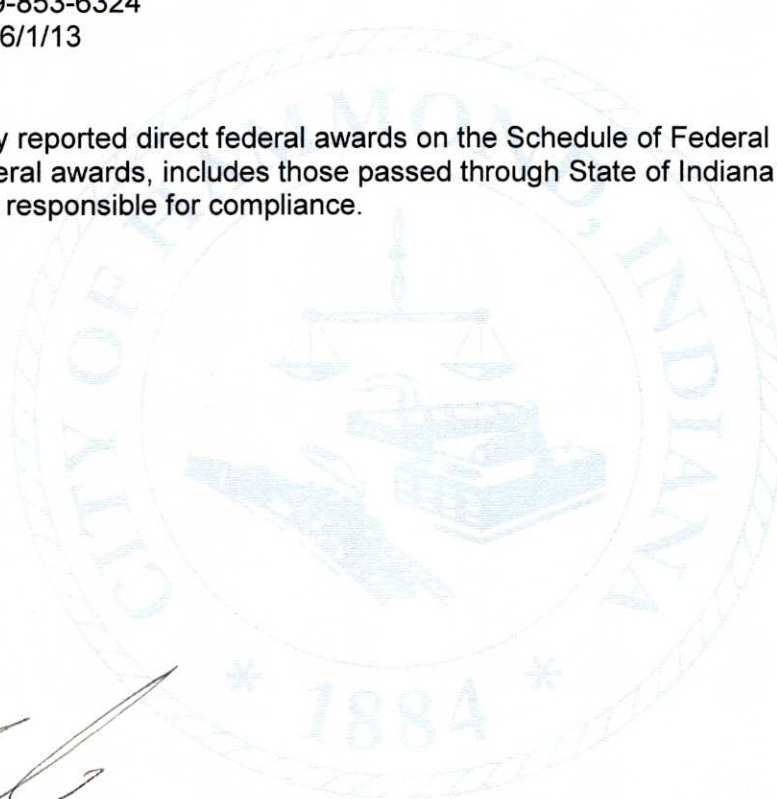
Auditee Contact Person: Robert Lendi, Controller

Contact Phone Number: 219-853-6324

Expected Completion Date: 6/1/13

Corrective Action:

Historically, the City has only reported direct federal awards on the Schedule of Federal Financial Assistance. The City shall report all Federal awards, includes those passed through State of Indiana agencies. The City Controller/designee shall be responsible for compliance.



Robert Lendi

City of Hammond
Controller's Office
5925 Calumet Avenue
Hammond, Indiana 46320

219.853.6324

fax: 219.853.6345

www.gohammond.com

e-mail: lendir@gohammond.com



City of Hammond
ROBERT J. GOLEC
City Clerk

CORRECTIVE ACTION PLAN

FINDING 2012 – 03 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS OF THE CITY CLERK

AUDITEE CONTACT PERSON: Robert J. Golec, Hammond City Clerk

CONTACT PHONE NUMBER: 219-853-6346

EXPECTED COMPLETION DATE: The plan has already been activated

Exception to statement in first paragraph:

“We noted deficiencies in the internal control system of the City Clerk related to financial transactions.”

The Hammond City Clerk’s office has been following the same procedures that have been in place even before I became the City Clerk. The State Board of Accounts has never stated in any previous reviews that the procedures in place were flawed in any way. Since I took office, we have added supplementary controls to the internal process and a corrective action to the material weaknesses you mentioned stated below:

- Release of bond money will not be processed and signed off by the same employee.
- All cash bond money deposit slips will be verified and initialed against the Hammond Police Department ledger.
- End of the day balancing will not be processed and signed off by the same employee.
- All cash receipts will be verified and initialed.

CORRECTIVE ACTION

- Cash bond and/or payment transaction will not be received and receipted by the same employee.

These procedures and corrective action have been in place well before this current audit began. Also, the State Board of Accounts has never provided any guidance with regards to accounting methods to achieve financial objectives as stated in this Findings Document. As for the reference to Chapter 7 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, there are no specific procedures listed that should be followed only segregation of duties. I feel that our procedures, as stated above, meet these requirements. If you have any further issues you would like to discuss, please feel free to contact me directly.

Signature: _____

Robert J. Golec
Hammond City Clerk

Date: September 20, 2013



Thomas M. McDermott, Jr.
Mayor

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND

PHIL TAILLON
Executive Director

September 19, 2013

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

RE: CORRECTIVE ACTION PLAN

To Whom It May Concern:

This letter is in response to the finding of State Board of Accounts during our 2013 Audit:

FINDING NUMBER 2012-04 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

RECOMMENDATION: We recommended that management of the City establish controls to ensure compliance related to the grant agreement and all compliance requirements that have a direct and material effect on the CDBG programs.

Corrective Action Plan for Finding Number 2012-04 - Cash Management:

The City of Hammond will meet on a bi-weekly basis to determine compliance with the programs and procedures of the grant agreement in regards to the CDBG programs. We have put into effect dual control procedures for majority of the control systems that we currently have in place. We continually work closer with other departments to ensure our reporting and record keeping is accurate. The City will only draw funds for reimbursement only as costs have been incurred and management will receive quarterly reports for approval before the reports are submitted to HUD. The City will also work with CDBG consultants to have quarterly training seminars including but not limited to the following areas: Cash Management, Davis Bacon, Equipment and Real Property Management, Suspension and Debarment, Reporting, and Subrecipient Monitoring.

FINDING NUMBER 2012-05- NONCOMPLIANCE WITH EQUIPMENT AND REAL PROPERTY MANAGEMENT REQUIREMENTS OF THE COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANT CLUSTER

RECOMMENDATION: We recommend that the City comply with equipment real property management requirements by separately identifying assets acquired with federal funds and accurately recording purchase and disposals of these items in a timely manner.

Corrective Action Plan for Finding Number 2012-05

NSP Staff will obtain a list of the NSP Properties listed on the City Controller's General Ledger quarterly and reconcile that to the active list of NSP Properties maintained by NSP Staff. The City Controller's List will be obtained by the Department Finance Manager and made available to the NSP/HOME Manager. Any variances between the lists will be corrected, at minimum, on a Quarterly basis. The list will correspond to those properties reported on the HUD DRGR NSP reports. A report recording any variances will be initialed, date and maintained with the HOME/NSP Manager and the Director of Community Development. A current procedure exists for the reporting of NSP Properties added or removed (purchases and disposals) from the City's Capital Assets records as they are acquired and/or sold.

FINDING NUMBER 2012-06 SUBRECIPIENT MONITORING OF THE COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANT CLUSTER

RECOMMENDATION: We recommend that the City monitor subrecipients in compliance with the federal requirement the subrecipient's compliance with grant requirements through actions such as site visits, contacts made with key individuals, and maintaining copies of performance reports.

Corrective Action Plan for Finding Number 2012-06

The City will monitor all subrecipient's as required under OMB Circular A-133. Monitoring will be conducted twice a year during May and October. Once monitoring of all documentation is complete and signed off to confirm that subrecipient meets the audit requirements, a supervisory review will be performed to determine the adequacy of subrecipient monitoring.

FINDING NUMBER 2012-07 REPORTING OF COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANT CLUSTER

RECOMMENDATION: We recommend that the City prepare and submit accurate, complete, and timely reports in accordance with the U.S. Department and Urban Development guidelines.

Corrective Action Plan for Finding Number 2012-07

On a quarterly basis, at minimum, NSP Staff will provide a Cash Receipt and Disbursement reconciliation to the Executive Director and/or the Director of Community Development. The City Controller's List will be obtained by the Department Finance Manager and made available to the NSP/HOME Manager together with a record of the Department's Financial Reporting of NSP. The Reconciliation Report will reflect those transactions which took place during the previous calendar quarter as recorded on the City's General Ledger, The Department's Financial Reporting System, and the HUD NSP DRGR Reporting System. The HOME/NSP Manager and the Director of Community Development will initial and date the Reconciliation Report and maintain a file of the initialed and dated reports, reconciliations, and reviews.

FINDING NUMBER 2012-11 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT

RECOMMENDATION: We recommended that the City's management establish and controls, including a segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

Corrective Action Plan for Finding Number 2012-11

The Management of the City of Hammond will establish an effective internal control system, which will include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect on future federally funded programs. This will ensure proper oversight, which will prohibit an individual or small group of individuals from being in a position to initiate, approve, undertake, and review the same activity.

Program has been completed and closed out.

FINDING NUMBER 2012-12 ALLOWABLE COSTS OF THE ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG)

RECOMMENDATION: We recommended that officials obtain specific approval for costs that are prohibited in grant provisions prior to requesting reimbursement to ensure compliance with allowable costs provisions.

Corrective Action Plan for Finding Number 2012-12

The Management of the City of Hammond will obtain specific approval for costs that are prohibited in grant provisions prior to requesting reimbursement to ensure compliance with allowable costs provisions. Management will further maintain confirmation (in writing) of acceptable costs pursuant to grant provisions.

Program has been completed and closed out.

FINDING NUMBER 2012-13 NONCOMPLIANCE WITH REPORTING REQUIREMENTS OF THE ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG)

RECOMMENDATION: We recommended that City officials ensure that all required reports are prepared on a timely and accurate basis in accordance with the reporting requirements.

Corrective Action Plan for Finding Number 2012-13

The Management of the City of Hammond will establish an effective internal control system, which will include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect on future federally funded programs. This action will ensure that

multiple people are working together to ensure that reports are completed and submitted in an appropriate time frame. A tracking system reminding staff when reports are due will be created. There will also be a Supervisory review of reports performed to assure accuracy and completeness of data and information included in reports. Management will also document any technical issues which may prohibit the timely submission of reports.

Program has been completed and closed out.

Thank you,

A handwritten signature in black ink, appearing to read "Phil Taillon". The signature is stylized with a large, sweeping initial "P" and a long horizontal line extending to the right.

Phil Taillon

Executive Director of Planning and Development

City of Hammond



Robert Lendi, CPA
Controller

CITY OF HAMMOND

September 23, 2013

CORRECTIVE ACTION PLAN

FINDING NO. 2012-08 – Internal Control over Compliance

Federal Agency: Environmental Protection Agency

Federal Program: Capitalization Grants or Clean Water State Revolving Funds

CFDA Number: 66.458

Pass-through Agency: Indiana Finance Authority

Auditee Contact Person: Rachel Montes, Business Manager

Contact Phone Number: 219-853-6413

Expected Completion Date: 12/31/13

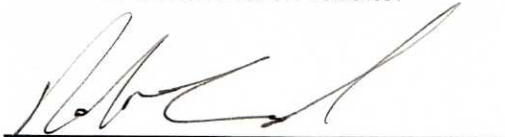
Corrective Action:

Equipment and Real Property Management:

1. Account/Safeguard Assets (purchased with Federal funds): The District will design and implement adequate policies and procedures to account for and safeguard assets, including those purchased with federal funds. The procedures will be designed to identify the source of the funds used to purchase the assets.
2. Capital Asset Program Records: All capital assets purchased with Federal funds will be recorded in a capital asset worksheet with all pertinent information.

Procurement, Suspension and Debarment:

1. The District will design and operate an internal control system, including segregation of duties, to provide reasonable assurance that material noncompliance with a grant agreement or a type of compliance requirement of a federal program will be prevented, detected and corrected on a timely basis.
2. Specifically the district will implement procedures to ensure that contractors and vendors that HSD employs are not suspended or disbarred from participation in federal programs. HSD will keep a copy of these search results.



Robert Lendi

City of Hammond
Controller's Office
5925 Calumet Avenue
Hammond, Indiana 46320

219.853.6324

fax: 219.853.6345

www.gohammond.com

e-mail: lendir@gohammond.com



Robert Lendi, CPA
Controller

CITY OF HAMMOND

September 23, 2013

CORRECTIVE ACTION PLAN

FINDING NO. 2012-09 – Noncompliance with Asset Management

Federal Agency: U.S. Environmental Protection Agency

Federal Program: Capitalization Grants or Clean Water State Revolving Funds

CFDA Number: 66.458

Pass-through Agency: Indiana Finance Authority

Auditee Contact Person: Rachel Montes, Business Manager

Contact Phone Number: 219-853-6413

Expected Completion Date: 12/31/13

Corrective Action:

The District will comply with the requirements of capitalization grants for clean water and state revolving funds.

1. Property records will be maintained with information that includes a description of the property, a serial number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including date of disposal and sale price of the property.
2. A physical inventory of the property will be taken and reconciled with the records of the District at least once every two years.



Robert Lendi

City of Hammond
Controller's Office
5925 Calumet Avenue
Hammond, Indiana 46320

219.853.6324

fax: 219.853.6345

www.gohammond.com

e-mail: lendir@gohammond.com



Robert Lendi, CPA
Controller

CITY OF HAMMOND

September 23, 2013

CORRECTIVE ACTION PLAN

FINDING NO. 2012-10 – Noncompliance with Procurement Requirements

Federal Agency: U.S. Environmental Protection Agency

Federal Program: Capitalization Grants or Clean Water State Revolving Funds

CFDA Number: 66.458

Pass-through Agency: Indiana Finance Authority

Auditee Contact Person: Rachel Montes, Business Manager

Contact Phone Number: 219-853-6413

Expected Completion Date: 12/31/13

Corrective Action:

Procurement Procedures:

1. HSD will design and implement its own procurement procedures which reflect applicable state and local laws and regulations and that conform to applicable federal law.
2. HSD will develop and maintain a contract administrative system which ensures that contactors perform in accordance with the terms, conditions and specifications of their contracts or purchase orders.



Robert Lendi

City of Hammond
Controller's Office
5925 Calumet Avenue
Hammond, Indiana 46320

219.853.6324

fax: 219.853.6345

www.gohammond.com

e-mail: lendir@gohammond.com

CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2013, with Thomas M. McDermott, Jr., Mayor; Robert Lendi, CPA, City Controller; Michael Opinker, President of the Common Council; Phil Taillon, Executive Director of Planning and Development; Caryn Janiga, Finance Manager of Planning and Development; Milan Kruszynski, Director of the Port Authority; Richard Szany, Port Authority Finance Director; Dennis Hardesty, Chairman of the Port Authority Board of Directors; Rachel Montes, Sanitary District Business Manager; and Marty J. Wielgos, Chief of Staff at the Sanitary District.