

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF EAST CHICAGO
LAKE COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
09/07/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Valeriano Gomez	01-01-15 to 12-31-16
Mayor	Anthony Copeland	01-01-12 to 12-31-19
President of the Board of Public Works	Valeriano Gomez	01-01-15 to 12-31-16
President of the Common Council	Juda Parks	01-01-15 to 12-31-16
Director of Utilities	Gregory Crowley	01-01-15 to 12-31-16



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 EAST CHICAGO, LAKE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the City of East Chicago (City), which comprises the financial position and results of operations for the year ended December 31, 2015, and the related notes to the financial statement as listed in the Table of Contents.

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 (Indiana Code 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, 2015.

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, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

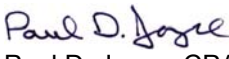
Other Information

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 20, 2016, 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.


Paul D. Joyce, CPA
State Examiner

July 20, 2016



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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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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 EAST CHICAGO, 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 East Chicago (City), which comprises the financial position and results of operations for the year ended December 31, 2015, and the related notes to the financial statement, and have issued our report thereon dated July 20, 2016, 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.

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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

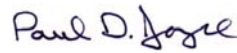
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

July 20, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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 EAST CHICAGO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2015

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15
General	\$ 6,562,619	\$ 30,531,247	\$ 31,119,140	\$ 5,974,726
Motor Vehicle Highway	3,066,923	1,073,226	1,051,584	3,088,565
Local Road And Street	742,810	270,747	447,515	566,042
Park Nonreverting Operating	11,948	8,377	10,115	10,210
Health Maintenance	46,085	84,258	74,511	55,832
Economic Development Operating	3,026,465	2,007,345	2,360,958	2,672,852
Building Demolition	136,100	451,007	377,342	209,765
Transportation	286,860	1,318,421	1,280,438	324,843
CDBG	(82,323)	1,138,072	1,054,493	1,256
Law Enforcement Continuing Ed	116,317	53,588	73,859	96,046
Clerk's Records Perpetuation	9,902	5,018	-	14,920
Unsafe Building	358,892	147,533	184,151	322,274
Riverboat	7,278,629	18,065,686	16,748,387	8,595,928
Parks And Recreation	1,448,303	2,503,002	2,123,396	1,827,909
Civil City Levy Excess	-	892	-	892
Park Nonreverting Capital	418,716	-	417,712	1,004
Redevelopment Capital	1,243,354	7,214,705	8,201,343	256,716
Fire Equipment (Not Debt Service)	11,085	5,470	-	16,555
Co Economic Development Income Tax Capital	1,372,053	2,540,121	937,784	2,974,390
Cumulative Capital Improvement	-	74,593	74,529	64
Self-Insurance	(2,122,571)	10,703,346	9,713,965	(1,133,190)
Police Pension	289,108	3,322,612	3,446,903	164,817
Fire Pension	41,356	2,548,918	2,629,982	(39,708)
City And Town Court Costs	3,950	29,215	31,137	2,028
LOIT Public Safety	588,172	2,790,763	2,112,598	1,266,337
Local Development Agreement	10,125,468	3,698,943	7,963,885	5,860,526
TIF US Gypsum	389,768	926,357	852,946	463,179
TIF Riley Plaza	48,678	102,859	100,108	51,429
Local Police Forfeitures	7,759	33,910	-	41,669
Harborside Apartments	1,275,099	2,466,405	3,134,973	606,531
TIF Northtown Village Townhomes	45,091	141,129	168,529	17,691
Home Investment Partnership Program	45,148	459,355	194,496	310,007
Local Law Enforcement Grants	-	306,206	306,206	-
Corporation Bond and Interest	-	5,000	-	5,000
City of EC Construction Account	-	11,400,029	195,000	11,205,029
General Adult Probation	141,268	18,088	19,819	139,537
Federal Grants	4,328	78,743	46,306	36,765
State Grant	7,551	346,525	454,012	(99,936)
Grant Misc	598,888	26,056	17,020	607,924
SSED Revolving Loan	311,974	344	312,318	-
Summer Youth Training Program	-	172,596	172,596	-
Police Federal Forfeitures	47,756	24,162	34,411	37,507
Damage To City Property	103,023	-	13,289	89,734
Vital Records	177,560	49,546	13,746	213,360
City Court Programs	51,234	18,886	30,525	39,595
EC Petty Cash Accts	2,003	758	929	1,832
EC/Gary/Hammond RLF	266,314	66,852	333,152	14
Redevelopment Rehab Escrow	4,349	104,125	103,836	4,638
Lease Rental Payment	754,427	2,214,944	2,223,000	746,371
Communications Revolving	(7,392)	135,056	132,442	(4,778)
Gasoline Revolving	(73,660)	662,030	672,226	(83,856)
EC Redevelopment	494,898	3,688,647	2,271,147	1,912,398
Payroll Withholding	(3,925)	63,064,601	63,058,593	2,083
Health Insurance	78,174	6,361,484	6,276,475	163,183
Misc Employee Ins	56,962	3,921	2,092	58,791
Worker's Compensation	2,813	351,096	351,084	2,825
City Clerk	551,851	588,472	551,911	588,412
ECSDWW Petty Cash	5,000	2	2	5,000
Sewage Utility Construction	2,186,569	7,053,929	2,785,064	6,455,434
Sewage Utility Bond and Interest	-	6,089,876	6,069,700	20,176
Sewage Debt Service Reserve	-	949,063	-	949,063
Sanitary Levy Excess	-	263	-	263
Wastewater Utility-Operating	775,671	7,071,273	6,655,197	1,191,747
Wastewater Replacement Reserve	733,444	325,000	64,715	993,729
Storm Water Utility-Operating	589,173	1,266,687	892,704	963,156
Solid Waste-Operating	4,559,720	6,942,442	5,926,219	5,575,943
Solid Waste-Bond And Interest	657,152	522,091	842,950	336,293
Sanitary District Revolving	1,044,740	254,066	332,147	966,659
Utilities Revolving	-	714,294	714,294	-
Sanitary State Revolving	38,683	-	-	38,683
Water Utility Meter Deposit	277,425	17,905	17,453	277,877
Water Utility-Operating	454,529	7,099,999	7,626,079	(71,551)
Water Tank Refurbishment	46,584	891,560	839,950	98,194
Water Utility-Construction	134,370	1,875,000	324,234	1,685,136
Change Fund	500	-	-	500
Water Utility-Debt Reserve	1,388,040	-	-	1,388,040
Water Utility-Bond and Interest	2,684,008	3,277,832	3,247,760	2,714,080
EC Marina	173,900	926,285	929,091	171,094
EC Marina Petty Cash Accts	1,000	1,399	1,661	738
Totals	\$ 56,112,668	\$ 229,684,253	\$ 211,748,134	\$ 74,048,787

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

CITY OF EAST CHICAGO
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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 include the following sources:

Taxes, which can include one or more of the following: property tax, 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 licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts, which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of these types of receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distributions 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 including, but 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 include the following uses:

Personal services, which 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, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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 EAST CHICAGO
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 a cost-sharing 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF EAST CHICAGO
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 EAST CHICAGO
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
One North Capitol, 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 some funds with deficits in cash. This is a result of some of the funds being set up for reimbursable grants and as internal service funds. For the Self-Insurance, Fire Pension, and Water Utility-Operating funds, disbursements exceeded receipts.

Note 8. Holding Corporation

The City has entered into a capital lease with the East Chicago Municipal Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related-party of the City. Lease payments during the year 2015 totaled \$2,223,000.

Note 9. Subsequent Events

Short-Term Debt - Loans Between Funds

Due to a delay in collecting revenue from water customer billings and marina slip rentals, as well as the delay in the reimbursements from the Blight Elimination Program, the City made temporary loans between funds during 2015. These loans were not repaid during 2015. As of December 31, 2015, four loans totaling \$1,325,000 were still outstanding. They were repaid on June 30, 2016.

CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENT
(Continued)

Short-Term Debt - Tax Anticipation Warrants

On January 5, 2016, the City issued tax anticipation warrants for 2016 totaling \$4,999,257 in the General fund. Principal of \$4,999,257 and interest of \$123,739 is due on December 31, 2016. Interest rate on these tax anticipation warrants is 2.51 percent.

Note 10. Other Postemployment Benefits

The City provides health benefits to eligible retirees and their spouses. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

Note 11. Contingent Liabilities and Lawsuits

The City has been named as defendant in several pending lawsuits of which the outcome and the amount of potential damages has not been estimated.

Note 12. Tax Increment Receipts Pledged

The City has pledged a portion of tax incremental finance property tax receipts to repay \$9,065,040 in tax increment finance revenue bonds issued in 1999 to finance the acquisition of processing and production equipment for high capacity wallboard manufacturing facility (U.S. Gypsum Company). The bonds are payable solely from the incremental property tax generated by the allocation area. Incremental property taxes were projected to produce 100 percent of the debt service requirements over the life of the bonds. The tax incremental finance property taxes received in 2015 were not enough to cover the 2015 payments due.

The City has pledged a portion of tax incremental finance property tax receipts to repay \$1,750,000 in tax increment finance revenue bonds issued in 2007 to finance the costs of converting an existing retail structure located in Riley Plaza into a supermarket facility. The bonds are payable solely from the incremental property tax generated by the allocation area. Incremental property taxes were projected to produce 100 percent of the debt service requirements over the life of the bonds. The tax incremental finance property tax receipts received in 2015 were not enough to cover the 2015 payments due.

The City has pledged a portion of tax incremental finance property tax receipts to repay \$3,000,000 in tax increment finance revenue bonds issued in 2015 to finance the acquisition and rehabilitation of a vacant industrial warehouse facility into the light industrial operations of Hoist Lifttruck Manufacturing. The bonds are payable solely from the incremental property tax generated by the allocation area. Incremental property taxes were projected to produce 100 percent of the debt service requirements over the life of the bonds. The tax incremental finance property tax receipts are expected to begin in 2017.

Note 13. Indiana Harbor Revitalization Project

The Community Builders, Inc. (TCB), Hispanic Housing Development Corp. (HHDC), and EDAW combined to form the Indiana Harbor Community Master Development Team, which was jointly selected by the East Chicago Board of Public Works, East Chicago Housing Authority, and the East Chicago Redevelopment Commission.

CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENT
(Continued)

On March 1, 2006, a Master Development Agreement was entered into for a Master Developer to oversee and carry out the redevelopment (the Revitalization) of a certain portion of the City known as the Indiana Harbor Community. This area was designated by the City's Redevelopment Commission as a Tax Increment Financing (TIF) District in 2002. As part of the agreement, the Master Developer is to plan, coordinate, and implement all aspects of the Revitalization. The Revitalization contemplates a comprehensive redevelopment of the Revitalization Area, including the development or redevelopment of housing, commercial and retail space, public space, public facilities, and industrial facilities.

To achieve the revitalization, the City's Redevelopment Commission transferred ownership of 21 parcels of property to Northtown Village Townhomes Limited Partnership (Northtown) for the sum of \$10 in 2008. Northtown is a wholly owned subsidiary of TCB, one of the three entities which comprise the Indiana Harbor Community Master Development Team.

The Commission also loaned Northtown \$3,000,000 to be used to finance construction of 75 unit townhomes consisting of two, three, and four bedroom rental units comprised of ten separate buildings. The loan was made in installments over a three year period. Northtown was loaned \$619,558 in October 2007 and \$1,380,442 in November 2008 from the Economic Development Commission Fund, which receipts the tax increment financing property tax revenues generated from the TIF District. The final installment was paid to Northtown on February 6, 2009, from grants awarded to the City in 2007 from the East Chicago Urban Enterprise Association, Inc., and the Gary/Hammond/East Chicago Empowerment Zone. The Phase I loan bears interest at 1.75 percent compounded annually. The unpaid principal as well as any accrued and unpaid interest will be due and payable no later than December 31, 2048.

Northtown completed the 75 unit development and all units were fully occupied as of March 30, 2010, with plans underway for a Phase II development. Phase II will consist of 50 additional units. To undertake this project the Northtown retained \$1,200,000 of funds available for repayment on the \$3,000,000 loan for Phase I, and the Commission provided an additional \$500,000 from the Economic Development Commission Fund. A new loan agreement was established to evidence the \$1,700,000 loan made by the Commission to Northtown as of June 30, 2010. This loan bears interest at 1.25 percent, compounding annually. The unpaid principal as well as any accrued and unpaid interest will be due and payable no later than December 31, 2050.

On June 30, 2010, the Commission loaned Northtown \$953,000 also bearing interest at 1.25 percent, compounding annually. The unpaid principal as well as any accrued and unpaid interest will be due and payable no later than December 31, 2050. The Commission received the loan funds from the U.S. Department of Housing and Urban Development through the Neighborhood Stabilization Program (NSP).

The loan activity between the City's Redevelopment Commission and Northtown is as follows:

	Balance 01-01-15	New Loans	Repayments	Balance 12-31-15	Accrued and Unpaid
Phase I	\$ 1,800,000	\$ -	\$ -	\$ 1,800,000	\$ 246,355
Phase II	<u>2,653,000</u>	<u>-</u>	<u>-</u>	<u>2,653,000</u>	<u>115,208</u>
Totals	<u>\$ 4,453,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,453,000</u>	<u>\$ 361,563</u>

CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 14. Water Filtration Plant

In 2006, the City authorized the construction of a new water treatment plant and improvements to the intake system, water pumping station, pretreatment and filtration systems, and water storage system. To finance the estimated \$54,200,000 water filtration plant construction and improvements, the City has committed the following resources:

1. In 2006, the City entered into a \$16,600,000 loan with the State Revolving Loan Fund (SRF). Under the terms of the financial assistance agreement, waterworks revenue bonds issued by the City have been purchased by the Indiana Finance Authority (IFA). Funds were loaned to the City's water department as costs were incurred to the maximum allowed. The initial \$16,600,000 in loan program funds was completely drawn down, however, as of December 31, 2015, an additional \$83,615 in accumulated interest is still available to be drawn on this program. The repayment of the loan is from the Water Utility Operating and Economic Development Operating Funds.
2. In 2009, the City entered into a \$27,200,000 loan with the SRF. Under the terms of the financial assistance agreement, waterworks revenue bonds issued by the City have been purchased by the IFA. Funds were loaned to the City's water department as costs were incurred to the maximum allowed. During 2010 and 2011, the City drew down the entire amount of the \$27,200,000 loan.

The City approved Ordinance 06-0053 on January 9, 2007, to irrevocably pledge a maximum of \$3,000,000 annually of gaming revenue for the payment of principal and interest on the 2009 \$27,200,000 State Revolving Fund loan. Per the financial assistance agreement, the City is to deposit, by January 16 of each year, an annual amount equal to the principal and interest on all outstanding bonds payable during the next 12 month period. If gaming revenue is insufficient, the City would cause a levy of a special benefit tax upon all property of the Waterworks District in the amount necessary to meet and pay the principal and interest payments when due.

3. In 2009, the City entered into a \$3,000,000 forgivable loan with the SRF. Under the terms of the financial assistance agreement, waterworks bond anticipation notes (BAN) issued by the City have been purchased by the IFA. Funds were loaned to the City's water department as costs were incurred to the maximum allowed. The 2009 BAN was subject to loan forgiveness and was deemed forgiven and discharged on November 12, 2010, for the entire amount of the loan, as permitted by the American Recovery and Reinvestment Act. During 2010, the City drew down the entire \$3,000,000 loan.
4. In 2009, the City disbursed \$5,750,000 from the Economic Development Commission Fund, in accordance with the financial assistance agreement with the IFA. As of December 31, 2015, the City has drawn \$5,704,967, which left \$45,033.
5. The U.S. Army Corp of Engineers contributed to the construction of a water storage reservoir at an estimated value of \$1,650,000. The water filtration plant construction was completed in the fall of 2011. However, the new state-of-the-art water filtration plant has yet to provide the rated 17 million gallons of clean water a day. Thus, the City has not been able to fully integrate the new water filtration plant online and has had to operate and maintain the old water filtration plant. The City expected to demolish the old water filtration plant in January 2012 for the City's continued improvement to the lakefront. The City has been assessing a \$2,000 per day penalty against Siemens USA for failing to provide a water filtration plant that met specifications.

CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENT
(Continued)

6. On August 7, 2013, Siemens and the City initiated separate lawsuits entitled City of East Chicago v. Siemens Water Technologies Group, et al, Case No. 45D01-1308-PL-72 (Lake County, IN) and Siemens Industry, Inc., successor through merger to Siemens Water Technologies v. The City of East Chicago, Indiana, Case No. 2:13-CV-00273-JTM-PRC (U.S. Dist. Ct. N.D. IN). The litigation concerned a dispute regarding the performance of the water filtration system installed in the new membrane water filtration facility. Each party denied the allegations made against them by their opponents.
7. On June 25, 2015, the City executed a Settlement and Release Agreement with Evoqua Water Technologies LLC, Federal Insurance Company and Fidelity and Deposit Company of Maryland which terminated the above litigation and provided, among other things, that the City would receive new N-module membranes for all six trains at the filtration plant and a cash payment of \$1,875,000. The Department conducted an 11 month pilot plant study testing a proposed Fluid Engineering Strainer system and concluded that it was uniquely suited to operate in conjunction with the existing membrane filtration system with minimal reconfiguration of the existing plant and in May 2015 the Department authorized the purchase of the Fluid Engineering Strainer system.
8. On July 16, 2015, the Department adopted a resolution appropriating the proceeds of the \$1,875,000 cash settlement directing in part that \$1,356,446 be applied to the cost of the project to replace the raw water strainer system used in conjunction with the Department's membrane water filtration system and other substantial improvements at the Department's water filtration facility. The project is expected to take four months and be completed in January 2016.

Note 15. Settlements

Consent Decree

An Agreed Judgment resolving the case of the Indiana Department of Environment Management (IDEM) vs. The East Chicago Sanitary District (District) was approved and entered by the Judge of the Lake Circuit Court on October 1, 2007. The Consent Decree contains both specific and general tasks and obligations and goals which are to be accomplished within prescribed deadlines. The Consent Decree provides for the payment of stipulated penalties in the event of the District's failure to comply with specified wastewater treatment plant performance standards or to achieve facility improvement programs within the time limits imposed.

The major component of the Agreed Judgment is the District's obligation to revise and implement a long-term combined sewer overflow control plan (Long-Term Plan). The process includes submission of a Use Attainability Analysis which determines a financial capability assessment of the District user charge payers and the cost effectiveness of treatment plant and system improvements which would reduce Combined Sewer Overflows (CSO) into the Grand Calumet River. The Long-Term Plan has been submitted to the IDEM and review by the United States Environmental Protection Agency (EPA) and is pending. The current plan proposes spending approximately \$4,000,000 on treatment plant and system improvements. IDEM has recently suggested that EPA approval may require an additional expenditure over years in order to reduce the number of CSO events. The District is currently negotiating with representatives of IDEM to determine whether to modify the terms of the Long-Term Plan so as to contain additional obligations of the District. The total cost of this project could be as much as \$10,000,000, to be completed over a time period negotiated.

CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENT
(Continued)

Ameristar Property Tax Appeal Settlement

The City, as well as Lake County, has reached a settlement on property tax matters with Ameristar to receive a refund of \$5,700,000. The refund shall be paid by credits applied on property tax bills for any of its real and personal property located in Lake County. The credit is applied at a rate of \$1,425,000 per installment for tax years' 2012 payable in 2013 through 2015 payable in 2016.

Morgan Lewis & Bockius LLP Settlement

The matter of *Morgan Lewis & Bockius LLP vs City of East Chicago* involved that firm's claims for unpaid legal bills in the amount of \$3.2 million, plus interest claimed to be another approximately \$3 million, from approximately December 2007. The case was scheduled for trial in the Circuit Court of Cook County early in 2015. On the eve of trial, the parties engaged in settlement discussion and the entire matter was resolved by settlement prior to trial. The settlement included satisfaction of a previously entered judgment against the city in the amount of \$145,000. The City made two separate payments of \$822,500 on March 23, 2015, and June 10, 2015, which fully resolved this matter.

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OTHER INFORMATION - UNAUDITED

The City's Annual Financial 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 Financial 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 other information presented was approved by management of the City. It is presented as intended by the City.

CITY OF EAST CHICAGO
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015

	General	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Health Maintenance	Economic Development Operating	Building Demolition	Transportation
Cash and investments - beginning	\$ 6,562,619	\$ 3,066,923	\$ 742,810	\$ 11,948	\$ 46,085	\$ 3,026,465	\$ 136,100	\$ 286,860
Receipts:								
Taxes	19,951,364	-	-	-	-	2,007,345	-	616,332
Licenses and permits	755,531	-	-	-	-	-	-	-
Intergovernmental receipts	1,581,287	1,073,226	270,747	-	84,258	-	251,007	700,583
Charges for services	108,772	-	-	8,327	-	-	-	-
Fines and forfeits	102,629	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	8,031,664	-	-	50	-	-	200,000	1,506
Total receipts	30,531,247	1,073,226	270,747	8,377	84,258	2,007,345	451,007	1,318,421
Disbursements:								
Personal services	20,690,258	576,461	-	-	10,123	-	-	1,109,167
Supplies	387,053	282,614	5,391	-	5,186	-	-	95,283
Other services and charges	2,195,605	192,509	442,124	10,115	46,324	286,128	377,342	75,988
Debt service - principal and interest	7,844,326	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	12,878	111,663	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	1,898	-	-	-	-	1,963,167	-	-
Total disbursements	31,119,140	1,051,584	447,515	10,115	74,511	2,360,958	377,342	1,280,438
Excess (deficiency) of receipts over disbursements	(587,893)	21,642	(176,768)	(1,738)	9,747	(353,613)	73,665	37,983
Cash and investments - ending	\$ 5,974,726	\$ 3,088,565	\$ 566,042	\$ 10,210	\$ 55,832	\$ 2,672,852	\$ 209,765	\$ 324,843

CITY OF EAST CHICAGO
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015
(Continued)

	CDBG	Law Enforcement Continuing Ed	Clerk's Records Perpetuation	Unsafe Building	Riverboat	Parks And Recreation	Civil City Levy Excess	Park Nonreverting Capital
Cash and investments - beginning	\$ (82,323)	\$ 116,317	\$ 9,902	\$ 358,892	\$ 7,278,629	\$ 1,448,303	\$ -	\$ 418,716
Receipts:								
Taxes	-	-	-	-	-	1,849,777	892	-
Licenses and permits	-	7,500	-	-	-	-	-	-
Intergovernmental receipts	1,032,875	-	-	-	17,292,176	51,099	-	-
Charges for services	-	-	-	-	-	576,467	-	-
Fines and forfeits	-	46,088	5,018	112,760	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	105,197	-	-	34,773	773,510	25,659	-	-
Total receipts	1,138,072	53,588	5,018	147,533	18,065,686	2,503,002	892	-
Disbursements:								
Personal services	313,893	-	-	-	193,189	1,388,193	-	-
Supplies	4,099	2,892	-	-	123,450	193,831	-	-
Other services and charges	736,501	45,864	-	171,615	10,443,919	525,024	-	-
Debt service - principal and interest	-	-	-	-	142,026	-	-	-
Capital outlay	-	25,103	-	-	4,145,803	-	-	417,712
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	12,536	1,700,000	16,348	-	-
Total disbursements	1,054,493	73,859	-	184,151	16,748,387	2,123,396	-	417,712
Excess (deficiency) of receipts over disbursements	83,579	(20,271)	5,018	(36,618)	1,317,299	379,606	892	(417,712)
Cash and investments - ending	\$ 1,256	\$ 96,046	\$ 14,920	\$ 322,274	\$ 8,595,928	\$ 1,827,909	\$ 892	\$ 1,004

CITY OF EAST CHICAGO
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015
(Continued)

	Redevelopment Capital	Fire Equipment (Not Debt Service)	Co Economic Development Income Tax Capital	Cumulative Capital Improvement	Self-Insurance	Police Pension	Fire Pension	City And Town Court Costs
Cash and investments - beginning	\$ 1,243,354	\$ 11,085	\$ 1,372,053	\$ -	\$ (2,122,571)	\$ 289,108	\$ 41,356	\$ 3,950
Receipts:								
Taxes	-	-	-	-	-	14,842	2,548,508	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	2,540,121	74,593	-	3,306,756	410	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	550	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	7,214,155	5,470	-	-	10,703,346	1,014	-	29,215
Total receipts	7,214,705	5,470	2,540,121	74,593	10,703,346	3,322,612	2,548,918	29,215
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	485,565	-	-	-	41,991	9,498	8,700	-
Debt service - principal and interest	-	-	305,762	-	-	-	-	-
Capital outlay	6,731,157	-	632,022	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	984,621	-	-	74,529	9,671,974	3,437,405	2,621,282	31,137
Total disbursements	8,201,343	-	937,784	74,529	9,713,965	3,446,903	2,629,982	31,137
Excess (deficiency) of receipts over disbursements	(986,638)	5,470	1,602,337	64	989,381	(124,291)	(81,064)	(1,922)
Cash and investments - ending	\$ 256,716	\$ 16,555	\$ 2,974,390	\$ 64	\$ (1,133,190)	\$ 164,817	\$ (39,708)	\$ 2,028

CITY OF EAST CHICAGO
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015
(Continued)

	LOIT Public Safety	Local Development Agreement	TIF US Gypsum	TIF Riley Plaza	Local Police Forfeitures	Harborside Apartments	TIF Northtown Village Townhomes	Home Investment Partnership Program
Cash and investments - beginning	\$ 588,172	\$ 10,125,468	\$ 389,768	\$ 48,678	\$ 7,759	\$ 1,275,099	\$ 45,091	\$ 45,148
Receipts:								
Taxes	-	-	926,357	102,859	-	-	141,129	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental receipts	2,790,763	-	-	-	-	-	-	104,078
Charges for services	-	-	-	-	-	1,697,011	-	15,400
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	3,698,943	-	-	33,910	769,394	-	339,877
Total receipts	2,790,763	3,698,943	926,357	102,859	33,910	2,466,405	141,129	459,355
Disbursements:								
Personal services	2,112,598	-	-	-	-	-	-	29,908
Supplies	-	-	-	-	-	32,719	-	-
Other services and charges	-	4,624,880	-	-	-	1,433,527	168,529	164,588
Debt service - principal and interest	-	-	852,946	100,108	-	-	-	-
Capital outlay	-	1,839,005	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	1,500,000	-	-	-	1,668,727	-	-
Total disbursements	2,112,598	7,963,885	852,946	100,108	-	3,134,973	168,529	194,496
Excess (deficiency) of receipts over disbursements	678,165	(4,264,942)	73,411	2,751	33,910	(668,568)	(27,400)	264,859
Cash and investments - ending	\$ 1,266,337	\$ 5,860,526	\$ 463,179	\$ 51,429	\$ 41,669	\$ 606,531	\$ 17,691	\$ 310,007

CITY OF EAST CHICAGO
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015
(Continued)

	Local Law Enforcement Grants	Corporation Bond and Interest	City of EC Construction Account	General Adult Probation	Federal Grants	State Grant	Grant Misc	SSED Revolving Loan
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 141,268	\$ 4,328	\$ 7,551	\$ 598,888	\$ 311,974
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental receipts	196,189	-	-	-	72,052	236,671	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	18,088	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	110,017	5,000	11,400,029	-	6,691	109,854	26,056	344
Total receipts	306,206	5,000	11,400,029	18,088	78,743	346,525	26,056	344
Disbursements:								
Personal services	306,206	-	-	-	-	-	-	-
Supplies	-	-	-	5,736	21,507	-	3,978	-
Other services and charges	-	-	195,000	9,412	24,799	454,012	13,042	76
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	4,671	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	312,242
Total disbursements	306,206	-	195,000	19,819	46,306	454,012	17,020	312,318
Excess (deficiency) of receipts over disbursements	-	5,000	11,205,029	(1,731)	32,437	(107,487)	9,036	(311,974)
Cash and investments - ending	\$ -	\$ 5,000	\$ 11,205,029	\$ 139,537	\$ 36,765	\$ (99,936)	\$ 607,924	\$ -

CITY OF EAST CHICAGO
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015
(Continued)

	Summer Youth Training Program	Police Federal Forfeitures	Damage To City Property	Vital Records	City Court Programs	EC Petty Cash Accts	EC/Gary/Hammond RLF	Redevelopment Rehab Escrow
Cash and investments - beginning	\$ -	\$ 47,756	\$ 103,023	\$ 177,560	\$ 51,234	\$ 2,003	\$ 266,314	\$ 4,349
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental receipts	61,400	24,114	-	-	-	-	-	-
Charges for services	-	-	-	45,051	-	-	-	-
Fines and forfeits	-	-	-	-	18,886	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	111,196	48	-	4,495	-	758	66,852	104,125
Total receipts	172,596	24,162	-	49,546	18,886	758	66,852	104,125
Disbursements:								
Personal services	172,596	-	-	-	-	-	-	-
Supplies	-	-	-	5,717	4,558	-	-	-
Other services and charges	-	11,067	13,289	3,772	22,726	925	124	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	23,344	-	561	3,241	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	3,696	-	4	333,028	103,836
Total disbursements	172,596	34,411	13,289	13,746	30,525	929	333,152	103,836
Excess (deficiency) of receipts over disbursements	-	(10,249)	(13,289)	35,800	(11,639)	(171)	(266,300)	289
Cash and investments - ending	\$ -	\$ 37,507	\$ 89,734	\$ 213,360	\$ 39,595	\$ 1,832	\$ 14	\$ 4,638

CITY OF EAST CHICAGO
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015
(Continued)

	Lease Rental Payment	Communications Revolving	Gasoline Revolving	EC Redevelopment	Payroll Withholding	Health Insurance	Misc Employee Ins	Worker's Compensation
Cash and investments - beginning	\$ 754,427	\$ (7,392)	\$ (73,660)	\$ 494,898	\$ (3,925)	\$ 78,174	\$ 56,962	\$ 2,813
Receipts:								
Taxes	2,171,613	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental receipts	43,331	-	-	-	-	-	-	-
Charges for services	-	-	-	8,400	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	135,056	662,030	3,680,247	63,064,601	6,361,484	3,921	351,096
Total receipts	2,214,944	135,056	662,030	3,688,647	63,064,601	6,361,484	3,921	351,096
Disbursements:								
Personal services	-	-	-	229,593	-	-	-	-
Supplies	-	-	672,226	3,046	-	-	-	-
Other services and charges	29,396	132,442	-	618,588	-	263,885	-	-
Debt service - principal and interest	2,193,604	-	-	-	-	-	-	-
Capital outlay	-	-	-	973,631	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	446,289	63,058,593	6,012,590	2,092	351,084
Total disbursements	2,223,000	132,442	672,226	2,271,147	63,058,593	6,276,475	2,092	351,084
Excess (deficiency) of receipts over disbursements	(8,056)	2,614	(10,196)	1,417,500	6,008	85,009	1,829	12
Cash and investments - ending	\$ 746,371	\$ (4,778)	\$ (83,856)	\$ 1,912,398	\$ 2,083	\$ 163,183	\$ 58,791	\$ 2,825

CITY OF EAST CHICAGO
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015
(Continued)

	City Clerk	ECSDWW Petty Cash	Sewage Utility Construction	Sewage Utility Bond and Interest	Sewage Debt Service Reserve	Sanitary Levy Excess	Wastewater Utility-Operating	Wastewater Replacement Reserve
Cash and investments - beginning	\$ 551,851	\$ 5,000	\$ 2,186,569	\$ -	\$ -	\$ -	\$ 775,671	\$ 733,444
Receipts:								
Taxes	-	-	-	-	-	263	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	6,766,560	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	40,514	-
Other receipts	588,472	2	7,053,929	6,089,876	949,063	-	264,199	325,000
Total receipts	588,472	2	7,053,929	6,089,876	949,063	263	7,071,273	325,000
Disbursements:								
Personal services	-	-	-	-	-	-	2,386,166	-
Supplies	-	-	-	-	-	-	185,490	-
Other services and charges	-	-	210,247	-	-	-	1,771,945	-
Debt service - principal and interest	-	-	-	6,069,700	-	-	-	-
Capital outlay	-	-	1,359,676	-	-	-	14,185	64,715
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	551,911	2	1,215,141	-	-	-	2,297,411	-
Total disbursements	551,911	2	2,785,064	6,069,700	-	-	6,655,197	64,715
Excess (deficiency) of receipts over disbursements	36,561	-	4,268,865	20,176	949,063	263	416,076	260,285
Cash and investments - ending	\$ 588,412	\$ 5,000	\$ 6,455,434	\$ 20,176	\$ 949,063	\$ 263	\$ 1,191,747	\$ 993,729

CITY OF EAST CHICAGO
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015
(Continued)

	Storm Water Utility-Operating	Solid Waste-Operating	Solid Waste-Bond And Interest	Sanitary District Revolving	Utilities Revolving	Sanitary State Revolving	Water Utility Meter Deposit	Water Utility-Operating
Cash and investments - beginning	\$ 589,173	\$ 4,559,720	\$ 657,152	\$ 1,044,740	\$ -	\$ 38,683	\$ 277,425	\$ 454,529
Receipts:								
Taxes	-	6,561,230	518,556	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	61,621	3,535	-	-	-	-	-
Charges for services	1,266,687	294,008	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	5,429,735
Penalties	-	-	-	-	-	-	-	13,153
Other receipts	-	25,583	-	254,066	714,294	-	17,905	1,657,111
Total receipts	1,266,687	6,942,442	522,091	254,066	714,294	-	17,905	7,099,999
Disbursements:								
Personal services	882,298	4,220,218	-	232,147	714,294	-	-	1,402,601
Supplies	3,208	181,584	-	-	-	-	-	-
Other services and charges	7,198	1,309,166	-	-	-	-	-	57,391
Debt service - principal and interest	-	-	842,950	-	-	-	-	-
Capital outlay	-	122,224	-	-	-	-	-	162,883
Utility operating expenses	-	-	-	-	-	-	-	2,749,996
Other disbursements	-	93,027	-	100,000	-	-	17,453	3,253,208
Total disbursements	892,704	5,926,219	842,950	332,147	714,294	-	17,453	7,626,079
Excess (deficiency) of receipts over disbursements	373,983	1,016,223	(320,859)	(78,081)	-	-	452	(526,080)
Cash and investments - ending	\$ 963,156	\$ 5,575,943	\$ 336,293	\$ 966,659	\$ -	\$ 38,683	\$ 277,877	\$ (71,551)

CITY OF EAST CHICAGO
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015
(Continued)

	Water Tank Refurbishment	Water Utility-Construction	Change Fund	Water Utility-Debt Reserve	Water Utility-Bond and Interest	EC Marina	EC Marina Petty Cash Accts	Totals
Cash and investments - beginning	\$ 46,584	\$ 134,370	\$ 500	\$ 1,388,040	\$ 2,684,008	\$ 173,900	\$ 1,000	\$ 56,112,668
Receipts:								
Taxes	-	-	-	-	-	-	-	37,411,067
Licenses and permits	-	-	-	-	-	-	-	763,031
Intergovernmental receipts	-	-	-	-	-	-	-	31,852,892
Charges for services	-	-	-	-	-	690,871	-	11,477,554
Fines and forfeits	-	-	-	-	-	-	-	304,019
Utility fees	-	-	-	-	-	-	-	5,429,735
Penalties	-	-	-	-	-	-	-	53,667
Other receipts	891,560	1,875,000	-	-	3,277,832	235,414	1,399	142,392,288
Total receipts	891,560	1,875,000	-	-	3,277,832	926,285	1,399	229,684,253
Disbursements:								
Personal services	-	-	-	-	-	479,288	-	37,449,197
Supplies	-	-	-	-	-	31,161	-	2,250,729
Other services and charges	-	-	-	-	-	314,391	1,661	27,950,890
Debt service - principal and interest	-	-	-	-	3,247,760	-	-	21,599,182
Capital outlay	14,950	67,007	-	-	-	-	-	16,726,431
Utility operating expenses	-	257,227	-	-	-	-	-	3,007,223
Other disbursements	825,000	-	-	-	-	104,251	-	102,764,482
Total disbursements	839,950	324,234	-	-	3,247,760	929,091	1,661	211,748,134
Excess (deficiency) of receipts over disbursements	51,610	1,550,766	-	-	30,072	(2,806)	(262)	17,936,119
Cash and investments - ending	\$ 98,194	\$ 1,685,136	\$ 500	\$ 1,388,040	\$ 2,714,080	\$ 171,094	\$ 738	\$ 74,048,787

CITY OF EAST CHICAGO
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2015

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Sanitary District	\$ 482,348	\$ 842,285
Water	156,699	926,653
Marina	17,601	-
Governmental activities	<u>3,261,468</u>	<u>2,964,316</u>
Totals	<u>\$ 3,918,116</u>	<u>\$ 4,733,254</u>

CITY OF EAST CHICAGO
SCHEDULE OF LEASES AND DEBT
December 31, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
East Chicago Municipal Building Corporation	Public Safety Facility	\$ 2,223,000	07/05/2007	01/05/2024
Motorola	E-911 Radio Equipment Lease-Purchase	305,763	09/01/2014	09/01/2017
Total governmental activities		<u>2,528,763</u>		
Sanitary District:				
KS State Bank	ECSD Equipment Lease Purchase	<u>283,517</u>	01/15/2015	01/15/2016
Total of annual lease payments		<u>\$ 2,812,280</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
Revenue bonds	Redevelopment Tax Increment Financing Bonds	1999 USG Project	\$ 2,783,250	\$ 2,605,000
Revenue bonds	Taxable Economic Development Revenue Bond			
	Series 2007A Riley Plaza Project		1,410,000	137,700
Loan	EC Truck Loan 2012		266,881	142,026
Revenue bonds	Taxable Economic Development Revenue Bonds			
	Series 2015 (Hoist Lift Mfg.)		3,000,000	105,188
Loan	EC Government Obligation Contract 2015 Fire Trucks		2,500,000	525,000
General obligation bonds	EC General Obligation Bonds	Series 2015 Community Centers	<u>11,400,000</u>	<u>1,240,250</u>
Total governmental activities			<u>21,360,131</u>	<u>4,755,164</u>
Sanitary District:				
General obligation bonds	State Revolving Fund (SRF) Loan	1996 Pump Station Improvements & WWTF Modifications	3,180,000	841,200
Revenue bonds	Sanitary District Revenue Bonds	Series 2015 Improvements to Wastewater Plant	<u>12,940,000</u>	<u>347,157</u>
Total Sanitary District			<u>16,120,000</u>	<u>1,188,357</u>
Water:				
Revenue bonds	State Revolving Fund (SRF) Loan	2002 Water Utility Improvements	945,000	130,883
Revenue bonds	State Revolving Fund (SRF) Loan	2006 New Water Filtration Plant	11,650,000	1,250,610
Revenue bonds	State Revolving Fund (SRF) Loan	2009 New Water Filtration Plant	<u>21,465,000</u>	<u>1,860,253</u>
Total Water			<u>34,060,000</u>	<u>3,241,746</u>
Totals			<u>\$ 71,540,131</u>	<u>\$ 9,185,267</u>

CITY OF EAST CHICAGO
SCHEDULE OF CAPITAL ASSETS
December 31, 2015

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	\$ 6,092,179
Infrastructure	35,423,840
Buildings	38,067,592
Improvements other than buildings	4,937,380
Machinery, equipment, and vehicles	3,995,168
Construction in progress	<u>19,955,873</u>
Total governmental activities	<u>108,472,032</u>
Sanitary District:	
Land	885,268
Buildings	13,845,156
Improvements other than buildings	4,185,724
Machinery, equipment, and vehicles	2,616,785
Construction in progress	<u>6,104,209</u>
Total Sanitary District	<u>27,637,142</u>
Water:	
Land	249,859
Buildings	148,960
Improvements other than buildings	4,148,704
Machinery, equipment, and vehicles	9,593
Construction in progress	<u>54,202,905</u>
Total Water	<u>58,760,021</u>
Marina:	
Land	1,020,000
Buildings	5,659,952
Improvements other than buildings	325,857
Construction in progress	<u>40,775</u>
Total Marina	<u>7,046,584</u>
Total capital assets	<u><u>\$ 201,915,779</u></u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE CITY OF EAST CHICAGO, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the City of East Chicago's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended December 31, 2015.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

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

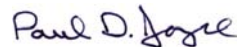
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of 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 the Uniform Guidance, 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.

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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002 that we consider 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

CITY OF EAST CHICAGO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (Or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Housing and Community Development Authority Housing Counseling Assistance Program	14.169	2014D1-BEP-001	\$ -	\$ 351,106
Direct Grants				
Section 8 Project-Based Cluster				
Section 8 Housing Assistance Payments Program	14.195	IN36L0002278 & IN36M000280	-	1,486,663
Total for cluster			-	1,486,663
Direct Grants				
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-180004 B-14-MC-180004	12,144 52,571	751,148 281,727
Total for program			64,715	1,032,875
Direct Grants				
HOME Investment Partnerships Program	14.239	M-08-MC-18210 M-12-MC-18210 M-13-MC-18210 M-14-MC-18210	- - - -	55,616 17,854 18,351 12,257
Total for program			-	104,078
Total for federal grantor agency			64,715	2,974,722
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Grants				
Bulletproof Vest Partnership Program	16.607	FY 2013	-	6,375
Public Safety Partnership and Community Policing Grants	16.710	2013UMWX0168	-	196,189
Equitable Sharing Program	16.922	FY 2011 FY 2015	- -	10,297 24,114
Total for program			-	34,411
Total for federal grantor agency			-	236,975
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	A249-12-320704 (Des#1173711)	-	10,270
Total for cluster			-	10,270

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

CITY OF EAST CHICAGO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (Or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION (continued)</u>				
Pass-Through Northwestern Indiana Regional Planning Commission Federal Transit Cluster Federal Transit_Formula Grants	20.507	IN-90-X653 IN-90-X667	- -	97,015 438,979
Total for cluster			-	535,994
Pass-Through Indiana Department of Transportation Surface Transportation_Discretionary Grants for Capital Investment	20.932	DES#0900061 DES#0900062	- -	181,150 218,290
Total for program			-	399,440
Total for federal grantor agency			-	945,704
<u>EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u>				
Direct Grant Employment Discrimination_Title VII of the Civil Rights Act of 1964	30.001	EECCN110057 EECFPIND15100233	- -	1,543 800
Total for federal grantor agency			-	2,343
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Department of Environmental Management Beach Monitoring and Notification Program Implementation Grants	66.472	EDS# A305-5-216 EDS# A305-5-229	- -	18,270 6,849
Total for federal grantor agency			-	25,119
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Indiana State Department of Health Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements.	93.074	EDS #A70-5-0532381 BASE EDS #A70-5-0532360 CRI U90TP000521 BASE U90TP000521 CRI	- - - -	13,842 19,528 13,750 490
Total for program			-	47,610
Pass-Through Indiana State Department of Health Immunization Cooperative Agreements	93.268	6H23IP522522-10	-	4,754
Total for federal grantor agency			-	52,364
Total federal awards expended			\$ 64,715	\$ 4,237,227

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

CITY OF EAST CHICAGO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2015. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-133, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

CITY OF EAST CHICAGO
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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
14.195	Section 8 Housing Assistance Payments Program	Unmodified
14.218	Community Development Block Grants/Entitlement Grants	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-001 - SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM

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

Federal Program: Section 8 Housing Assistance Payments Program

CFDA Number: 14.195

Federal Award Numbers and Years (or Other Identifying Numbers): IN36L0002278, IN36M000280

CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

Management of the City's Department of Redevelopment (Department) had not established an effective internal control system related to the grant agreement and the following compliance requirements: Cash Management, Eligibility, Reporting, and Special Tests and Provisions - Vacant Units and Housing Quality Standards.

The Department contracted with a management company to administer the Section 8 Housing Assistance Payments Program. The management company completed all of the reimbursement vouchers, the necessary eligibility calculations, the required reports, and the activities related to the Special Tests and Provisions - Vacant Units and Housing Quality Standards. The management company performed all of these activities without oversight by the Department.

Context

The City had a lack of internal controls throughout the audit period. This is a repeat finding from the immediate prior year. The prior year finding number was 2014-001.

Criteria

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. . . ."

Cause

The Department failed to establish a proper internal control structure to ensure compliance with requirements associated with the Section 8 Housing Assistance Payments Program.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the Department.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Department's management establish controls related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Correction Action Plan that is part of this report.

CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2015-002 - PROCUREMENT

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

Federal Program: Community Development Block Grants/Entitlement Grants

CFDA Number: 14.218

Federal Award Numbers and Years (or Other Identifying Numbers): B-13-MC180004, B-14-MC180004

Condition

An effective internal control system was not in place at the City's Department of Redevelopment (Department) in order to ensure compliance with requirements related to the grant agreement and the Procurement compliance requirement.

The Department failed to comply with the purchasing policy approved by the Redevelopment Commission (Commission) on August 5, 2014. According to the Commission procurement policy, goods and services which cost less than \$25,000 were to be procured by obtaining quotes. The Department failed to consistently follow this policy.

Context

Of the 25 transactions tested, there were 11 instances of noncompliance with the Commission's procurement policy.

Criteria

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. . . ."

24 CFR 85.36 states in part:

"(a) *States*. When procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds. The State will ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Other grantees and subgrantees will follow paragraphs (b) through (i) in this section.

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

The Commission's Procurement Policies and Procedures manual passed via Resolution 2014-RED-1507 on August 5, 2014, states in part:

"1. For purchases of goods and services estimated to cost less than \$500 using federal or federally-assisted funds, the ECDC or award recipient shall make a solicitation from at least two (2) persons known to deal in the class of work proposed to be done by telephone, facsimile transmission, email, or provide any other form of notice, any of which must be documented and filed for record. A sufficient amount of time for the return of costs shall be

CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- provided to vendors in allowing for fair and reasonable competition in the solicitation. Responses to the solicitation shall be evaluated and documented by ECDR staff or representatives of ECDR, and the findings and conclusions of the solicitation shall be placed in a respective ECDR or award recipient's business file for record.
2. For purchase of goods or services estimated to cost at least \$500 and less than \$25,000 using federal or federally-assisted funds, the ECDR or award recipient shall request quotes from at least three persons known to deal in the class of work proposed to be done by telephone, facsimile transmission, email, or provide any other form of notice, any of which must be documented and filed for record, stating that the plans/ specifications and/or bidding documents are on file in a specified office. A sufficient amount of time for the return of quotes shall be provided to vendors in allowing for fair and reasonable competition in the solicitation. Quotes shall be evaluated and documented by ECDR staff or representatives of ECDR, and the findings and conclusions of the solicitation shall be reported in a timely fashion to the ECDR Commissioners for record in the minutes. . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with approved policies.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the Department.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Department's management establish controls to ensure compliance and comply with the Procurement requirements of the program.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-001 – SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Section 8 Housing Assistance Payments Program
CFDA Number: 14.195
Federal Award Numbers: IN36L000278, IN36M000280
Contact Person Responsible for Corrective Action: Frank Rivera - New Executive Director as of January 5, 2016
Contact Phone Number: (219) 391-8513

Status as of December 31, 2015

The City of East Chicago Department of Redevelopment is working on developing an internal control system that will establish controls, including segregation of duties, related to the grant agreement and the compliance requirements.

Frank Rivera
Executive Director
City of East Chicago Dept. of Redevelopment
May 4, 2016

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

City of East Chicago



Department of Redevelopment
400 E. Chicago Avenue
East Chicago, IN 46312
Ph: (219) 391-8513 • Fax: (219) 391-7005

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-002 – SPECIAL TESTS AND PROVISIONS – HOUSING QUALITY STANDARDS

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Section 8 Housing Assistance Payments Program
CFDA Number: 14.195
Federal Award Numbers: IN36L000278, IN36M000280
Contact Person Responsible for Corrective Action: Frank Rivera - New Executive Director as of January 5, 2016
Contact Phone Number: (219) 391-8513

Status as of December 31, 2015

The City of East Chicago Department of Redevelopment is working on developing an internal control system that will ensure compliance and comply with the contract and the requirements for Special Tests and Provisions – Housing Quality Standards.

Frank Rivera
Executive Director
City of East Chicago Dept. of Redevelopment
May 4, 2016

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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East Chicago, IN 46312
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-003 – COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B-11-MC-180004, B-12-MC-180004, B-13-MC-180004
Contact Person Responsible for Corrective Action: Frank Rivera - New Executive Director as of January 5, 2016
Contact Phone Number: (219) 391-8513

Status as of December 31, 2015

The City of East Chicago Department of Redevelopment is working on the processes to establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted that have a direct and material effect on the program.

Frank Rivera
Executive Director
City of East Chicago Dept. of Redevelopment
May 4, 2016

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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400 E. Chicago Avenue
East Chicago, IN 46312
Ph: (219) 391-8513 • Fax: (219) 391-7005

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-004 – EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B-11-MC-180004, B-12-MC-180004, B-13-MC-180004
Contact Person Responsible for Corrective Action: Frank Rivera - New Executive Director as of January 5, 2016
Contact Phone Number: (219) 391-8513

Status as of December 31, 2015

The City of East Chicago Department of Redevelopment is working on the processes to establish controls to ensure compliance and comply with the contract and the requirements for Equipment and Real Property Management.

Frank Rivera
Executive Director
City of East Chicago Dept. of Redevelopment
May 4, 2016

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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400 E. Chicago Avenue
East Chicago, IN 46312
Ph: (219) 391-8513 • Fax: (219) 391-7005

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-005 – REPORTING

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B-12-MC-180004, B-13-MC-180004
Contact Person Responsible for Corrective Action: Frank Rivera - New Executive Director as of January 5, 2016
Contact Phone Number: (219) 391-8513

Status as of December 31, 2015

The City of East Chicago Department of Redevelopment is working on the processes to establish controls to ensure compliance and comply with the Reporting requirements of the program.

Frank Rivera
Executive Director
City of East Chicago Dept. of Redevelopment
May 4, 2016

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



CORRECTIVE ACTION PLAN

FINDING 2015-001 – SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM

Contact Person Responsible for Corrective Action: Frank Rivera - New Executive Director as of January 5, 2016
Contact Phone Number: (219) 391-8513

DESCRIPTION OF CORRECTIVE ACTION PLAN


The City of East Chicago Department of Redevelopment is working on developing an internal control system that will establish controls, including segregation of duties, related to the grant agreement and the compliance requirements.

ANTICIPATED COMPLETION DATE

December 31, 2016



Ronald London
President – Redevelopment Commission
City of East Chicago Dept. of Redevelopment
July 9, 2016



Frank Rivera
Executive Director
City of East Chicago Dept. of Redevelopment
July 20, 2016

City of East Chicago



Department of Redevelopment
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East Chicago, IN 46312
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CORRECTIVE ACTION PLAN

FINDING 2015-002 – COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS

Contact Person Responsible for Corrective Action: Frank Rivera - New Executive Director as of January 5, 2016
Contact Phone Number: (219) 391-8513

DESCRIPTION OF CORRECTIVE ACTION PLAN

The City of East Chicago Department of Redevelopment is working on establishing controls to ensure compliance with the Procurement requirements of the program.

ANTICIPATED COMPLETION DATE

DECEMBER 31, 2016

Ronald London
President – Redevelopment Commission
City of East Chicago Dept. of Redevelopment
July 19, 2016

Frank Rivera
Executive Director
City of East Chicago Dept. of Redevelopment
July 20, 2016

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.