

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF HAMMOND
LAKE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
12/08/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Robert Lendi, CPA (Vacant) Heather Garay	01-01-14 to 04-30-14 05-01-14 to 05-11-14 05-12-14 to 12-31-16
Mayor	Thomas M. McDermott, Jr.	01-01-12 to 12-31-19
Clerk	Robert J. Golec	01-01-12 to 12-31-19
City Judge	Jeffrey Harkin Gerald P. Kray	01-01-14 to 04-22-16 04-23-16 to 12-31-16
President of the Board of Public Works and Safety	Robert Lendi, CPA Edward Krusa Stanley Dostatni	01-01-14 to 05-07-14 05-08-14 to 10-28-15 10-29-15 to 12-31-16
President of the Common Council	Michael Opinker Janet Venecz	01-01-14 to 07-28-16 07-29-16 to 12-31-16
President of the Redevelopment Commission	Jimmie Lambert Anthony Hauprich	01-01-14 to 08-19-14 08-20-14 to 12-31-16
Sanitary District Manager	Marty J. Wielgos	01-01-14 to 12-31-16
Sanitary District Business Manager	Rachel Montes	01-01-14 to 12-31-16
President of the Sanitary District Board of Commissioners	Stanley J. Dostatni Dean Button	01-01-14 to 12-31-15 01-01-16 to 12-31-16
Chief Executive Operator of the Water Utility	Edward Krusa	01-01-14 to 12-31-16
Water Utility Office Manager	Deborah L. Van Meter	01-01-14 to 12-31-16
President of the Utility Service Board	Sharon M. Daniels	01-01-14 to 12-31-16
Director of the Port Authority	Milan A. Kruszynski	01-01-14 to 12-31-16
Chairman of the Port Authority Board of Directors	Scott Rakos Thomas E. Kuhn	01-01-14 to 12-31-15 01-01-16 to 12-31-16
Port Authority Financial Director	Richard A. Szany	01-01-14 to 12-31-16



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Hammond (City), which comprises the financial position and results of operations for the year ended December 31, 2014, 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 (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2014.

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, 2014, 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 the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

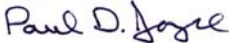
Other Information

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 November 3, 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

November 3, 2016



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Hammond (City), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated November 3, 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be a material weakness.

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 statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001.

City of Hammond's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

November 3, 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 HAMMOND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
General	\$ (33,829,002)	\$ 60,325,173	\$ 56,606,127	\$ (30,109,956)
M. V. H.	(3,139,277)	9,603,856	7,496,040	(1,031,461)
LRS	(971,505)	780,362	337,908	(529,051)
Garbage Bins	-	7,948	-	7,948
Transit	(375,309)	-	-	(375,309)
Clks Perpetual	128,041	23,115	15,962	135,194
Deferral Program	210,511	85,051	66,617	228,945
Gaming Revenue	26,440,257	36,834,653	41,281,813	21,993,097
Park	(1,925,989)	3,528,126	2,079,140	(477,003)
Pretrial Div Pg	2,630	43,310	39,285	6,655
CEDIT	-	2,550,917	2,360,238	190,679
Haz-Mat	77,978	27,928	60,822	45,084
Major Moves	17,351	-	-	17,351
C.C.D.F.	361,803	190,871	133,017	419,657
C.C.I.F.	58,793	213,806	236,026	36,573
Self Insurance	2,551,931	20,788,216	21,733,607	1,606,540
Police Pension	3,068,358	4,836,172	5,068,504	2,836,026
Fire Pension	4,113,821	4,507,797	4,748,003	3,873,615
LOIT	-	2,713,373	2,703,065	10,308
Facade	50,530	75,000	114,080	11,450
Centrex	(77,443)	5,499	7,530	(79,474)
Diesel Fuel Tax	4,796	2,605	11,657	(4,256)
College Bound	44,510	16,263	58,158	2,615
Demolition	975,925	123,362	973,350	125,937
Cut and Clean	31,339	201,136	167,137	65,338
Graffiti Removal	30	-	-	30
Homebound	49,988	150,500	83,247	117,241
Redv Event Fund	282,807	-	44,996	237,811
NSP/Neighborhood Stabilization	145,964	831,098	1,081,034	(103,972)
Engineering	2,778,313	-	132,760	2,645,553
ASAP Grant	65,275	-	-	65,275
Columbia Plaza TIF	1,047,914	786,662	-	1,834,576
Lear TIF	2,400,359	405,703	-	2,806,062
Downtown TIF	2,669,854	951,764	123,957	3,497,661
Home Depot TIF	2,313,094	469,520	50,949	2,731,665
Woodmar TIF	4,894,140	1,097,941	1,308,817	4,683,264
Woodmar Gateways TIF	780,519	1,268,303	1,326,817	722,005
Gateways TIF	2,229,267	456,377	710,377	1,975,267
Judge Gen 756777	-	381,803	381,803	-
City Clerk Trust Funds	1,845,258	4,704,426	4,625,290	1,924,394
HIDTA Overtime Reimbursement	44,396	95,738	103,944	36,190
HIDTA Equipment Grant - Drug Free Lk CT	386	-	-	386
Human Relations Grant	6,409	47,500	42,496	11,413
River Park Refunding General	148,224	2,308,394	2,308,394	148,224

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

CITY OF HAMMOND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2014
(Continued)

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
Jobs Bill Bond General Fund	13,826	3,235,302	3,235,275	13,853
Jobs Bill Bond DSR	1,700,005	15,324	-	1,715,329
Potash Bond Construction	7,511,409	17,030	9,281	7,519,158
Potash Bond DSR	1,121,113	112	-	1,121,225
Potash Bond General	153,999	1,508,023	1,508,000	154,022
Recycling Grant	215,133	430,266	549,053	96,346
Seatbelt Enforcement	(1,452)	4,872	8,193	(4,773)
Potash	237,910	1,270,091	1,508,000	1
Jobs Rebt	36,164	4	-	36,168
Red P & I	(152,434)	-	-	(152,434)
SEMA Grant	-	221,148	261,936	(40,788)
Park Bond	-	-	100	(100)
Park Bond Proceeds	-	7,538,950	3,311,783	4,227,167
Munster Steel Construction	-	1	1	-
Local Infraction Deferral	-	43,583	-	43,583
Public Defender	1,575	-	-	1,575
Fed Forfeit Pro	21,639	26,100	17,369	30,370
Evidence Money	20,629	3,147	3,147	20,629
Police Donation	40,056	16,136	13,114	43,078
Park Activities	40,851	107,350	91,820	56,381
Background Cks	355	1,180	1,241	294
State Forfieted	30,131	3,171	23,121	10,181
Fed Prisoners	403,919	266,812	202,676	468,055
Impaired Driving	(8,419)	74,476	70,524	(4,467)
Redevelopment	134,873	396,023	615,209	(84,313)
Park/Tourism	4,795	16,020	7,088	13,727
Eco Dev/Tourism	28,910	10,800	21,572	18,138
CDBG Escrow	225,340	1,697,952	880,017	1,043,275
Human Relations	6,401	-	1,274	5,127
Public Safety	69,121	835,207	839,804	64,524
Water Hydrant Rental	197,291	451,150	183,660	464,781
Penalties	2,643,448	137,786	662,394	2,118,840
Human Rel (Fed)	61,152	24,811	9,936	76,027
Local Seizure	(8,188)	-	-	(8,188)
C.D.B.G.	(350,069)	1,938,682	1,876,105	(287,492)
Ambulance Fees	(249,735)	-	125,000	(374,735)
CDBG Donation	12,969	7,825	8,820	11,974
Anm Ctrl Donation	2,856	2,313	930	4,239
Vehicle Release	17,228	51,500	40,053	28,675
Unemployment	(474,487)	30,146	43,170	(487,511)
Adult Probation	99,695	146,879	158,207	88,367
Tobacco Ed/Judg	17,134	850	2,100	15,884
Henry Unit	(1,298,453)	450,000	589,191	(1,437,644)
Park/Gaming	14,008	598,569	820,173	(207,596)

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

CITY OF HAMMOND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2014
(Continued)

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
Afford Housing	(127,063)	903,894	990,747	(213,916)
Emergency/CDBG	38,368	139,779	139,779	38,368
Section 108	81,486	-	-	81,486
Technology Park	1,053,772	494,631	46,000	1,502,403
Inspt/Rental	(279,753)	862,319	1,152,183	(569,617)
H D Bond 756775	82,653	48,347	131,000	-
Civil City Bond	(15,851)	1,508,533	977,972	514,710
R P Gam 756773	2,013,756	2,684,688	2,308,412	2,390,032
Cabela's/105415	1,360,836	1,326,814	2,687,650	-
Golf Course	(244,270)	-	-	(244,270)
Cost Due County	-	189,970	189,676	294
Continuing Ed	51,801	87,709	47,385	92,125
Pay Withholding	126,212	13,134,493	13,130,497	130,208
Operations	(1,408,085)	26,475,069	19,415,885	5,651,099
Pre Treatment	406,492	394,062	319,066	481,488
Unemployment	51,380	2,902	4,281	50,001
Sewer	(103,395)	3,497,915	3,984,388	(589,868)
GIS	2,039	-	-	2,039
Storm Water	1,756,481	302,325	434,831	1,623,975
Great Lakes Legacy	46,101	-	-	46,101
2010 Bond	4,978,534	7,189	1,200,546	3,785,177
SRF Loan	1,209,894	393	1,210,287	-
Replacement	1,635,031	400,224	-	2,035,255
Debt Service Non Exempt	140,824	4,027,795	2,599,100	1,569,519
Debt Service Exempt	1,967,724	4,664,246	4,826,623	1,805,347
Capital Projects BAN	1,668,211	2,072	1,820	1,668,463
SRF Loan 7	29,876,816	210,320	21,577,535	8,509,601
Recycling	(995,422)	1,058,905	63,483	-
Sanitation	(418,302)	710,022	291,720	-
Water Utility	3,271,283	11,132,803	11,845,316	2,558,770
Water Utility-City Clearing Fund	1,237,450	4,646,954	4,500,000	1,384,404
Marina Operations	598,014	3,415,327	3,457,076	556,265
Marina Construction	2,986,031	1,450,000	499,339	3,936,692
Gaming Fund	710,520	7,046,800	7,507,137	250,183
Lakefront Management	35,604	52,133	63,804	23,933
Lost Marsh Golf Course	589,358	1,612,705	1,658,308	543,755
Wolf Lake Operations	315,446	811,638	721,136	405,948
RDA Project	955,750	4,339,670	5,262,803	32,617
2008 Revenue Bond DSR	1,250,000	-	-	1,250,000
2008 Revenue Bond Debt Service	1,222,376	2,436,600	2,439,450	1,219,526
Payroll and Withholding	(98)	438,128	438,128	(98)
Totals	\$ 90,190,948	\$ 283,537,233	\$ 292,445,667	\$ 81,282,514

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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, innkeeper's 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 the following: peddler licenses, dog tax licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF HAMMOND
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 distributions 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.

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 HAMMOND
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 HAMMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

State statutes authorize the City to invest in securities including, but not limited to, the following: 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 HAMMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

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

On Behalf Payments

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

C. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

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

Indiana Public Retirement System
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. Some are the result of reimbursements for expenditures of federal and state grants not received by December 31, 2014. The remaining funds with cash balance deficits are the result of expenditures exceeding receipts and available cash balances.

Note 8. Holding Corporation

The City entered into a capital lease with the Hammond Sanitary District 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 will begin during 2016.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Subsequent Events

A. New Major Debt

The City issued the following new major debt in 2015 and 2016:

- I. On August 5, 2015, the City of Hammond issued the City of Hammond, IN Taxable Economic Development Revenue Bonds, Series 2015A (Gateway Area Project) for \$1,700,000 for the "Gateway Area Project." The debt will be used to finance a portion of acquisition and construction of a new Class A office building in the allocation area. The debt will be repaid by TIF increment revenues from the Gateway Development Area.
- II. On June 30, 2015, the City of Hammond issued the City of Hammond, Indiana Economic Development Revenue Bonds, Series 2015 (ThruPort Project) for \$2,975,000 for the "ThruPort Project." The debt will be used to finance the construction of facilities for the ThruPort Intermodal LLC economic development project. The debt will be repaid by TIF increment revenues from the Hammond Central Allocation Area.
- III. On June 17, 2015, the City of Hammond issued the City of Hammond, Indiana Revenue Bonds, Series 2015A (Taxable) for \$36,500,000. The debt was used to support the cash balance in the City's General Fund and will be used in the exercise of the powers of the City or for the payment of debt in the future. The bond will be repaid by a portion of the City's share of water revenues derived from the Hammond Water Works contract with the City of Chicago Heights.
- IV. On May 29, 2015, the Hammond Sanitary District issued the Hammond Sanitary - Special Taxing District Bond Series 2015C for \$5,410,000. This debt was used to refund the Hammond Sanitary - Special Taxing District Bonds Series 2013 BAN. It will be repaid by property tax revenues.
- V. In July of 2012, the District issued \$7,000,000 of Bond Anticipation Bonds, for flood control and sewer separation, due on or before March 31, 2013. In April 2013, the District issued \$52,850,000 through the State Revolving Loan Fund (SRF) as part of the \$77,000,000 bond approval. The District renewed the Bond Anticipation Note in the amount of \$5,000,000 for projects not covered in the 2013 SRF loan. Due to the impact of the property tax caps, the District has decided not to bond for the balance of the \$77,000,000 at this time. Therefore, in 2015, the District's Board approved the issuance of \$5,410,000 of bonds, Bond Series 2015C, for the payment of the 2013 Bond Anticipation Note.
- VI. On May 2, 2016, the Hammond Redevelopment Commission entered into an installment purchase contract with the developer, Hammond Fire Station 8 LLC, to construct a new fire station. The total cost of the project is \$3,750,000. Payments will be made from TIF revenues of the Gateways Allocation Area. Payments commence in July of 2016.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

- VII. The Hammond Water Works is currently pursuing financing for electrical upgrades to the plant. This debt will be between \$6 and \$8 million dollars. Financing is expected to be secured by the end of 2017.
- VIII. On August 2, 2016, the City of Hammond was awarded loan assistance under Section 108 of the Housing and Community Development Act in the amount of \$8,651,000. These funds will finance the development of a new Community and Wellness Center in Hammond. The project is currently in the development phase.

B. Capital Acquisitions

- IX. The Sanitary District of Board of Commissioners awarded the Secondary Expansion Project to Morrison Construction. The project will consist of constructing two new secondary clarifiers, appurtenant equipment, and new piping. The estimated completion date is December 31, 2017. The estimated cost is \$5,300,000
- X. The Sanitary District is in the process of acquiring 25 to 30 properties in the area of 175th Street and Columbia Avenue. The properties acquired will be demolished for the purpose of constructing a 1.36 MG storm water storage basin with appurtenant structures. The estimated completion date is April 30, 2018.

The estimated cost is \$4.5M and will be allocated as follows:

I.	Property Acquisition	\$2,114,000
II.	Storm Basin and Appurtenances	\$2,164,824
III.	Engineering, Legal, and Administration	\$216,482

C. Rate Increase

- IV. On October 25, 2016, the Sanitary District Board of Commissioners approved a rate increase as follows:

Residential and Industrial customers	
Increase of monthly flow charge per 1,000 gallons	Phase I - \$1.08 Phase II - \$1.40
Increase of bi-monthly admin charge	Phase I - \$7.78 Phase II - \$10.07
Commercial Customers	
Increase of monthly flow charge per 1,000 gallons	Phase I - \$2.28 Phase II - \$2.94
Increase of bi-monthly admin charge	Phase I - \$7.78 Phase II - \$10.06

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

Industrial Customers per lb.

Increase Carbonaceous Oxygen Demand (COD)	Phase I - \$0.05 Phase II - \$0.01
Increase Suspended Solids (SS)	Phase I - \$0.13 Phase II - \$0.02
Increase Total Kjeldahl Nitrogen (TKN)	Phase I - \$0.26 Phase II - \$0.06

The Common Council, as well as the Munster Town Council, will still have to approve the rates before they become effective.

Note 10. Other Postemployment Benefits

The City provides to eligible retirees and their spouses the following benefits: Medicare supplemental health insurance, vision and dental coverage, and life insurance. 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. Noncompliance - Legal/Contractual Provisions

In April of 1999, Hammond Sanitary District (HSD) and the United States, through the Environmental Protection Agency (USEPA) and the State of Indiana, through the Indiana Department of Environmental Management (IDEM) reached a settlement regarding alleged violations of the Clean Water Act, 33 U.S.C. Sec. 1251 et seq., which was documented in a consent decree entered by the United States District Court in cause number 2:93-CV-225-JM. Among other things, the Consent Decree prohibited HSD from violating the effluent limitations in its National Pollutant Discharge Elimination System ("NPDES") permit, discharging dry weather flows through any Combined Sewer Overflows ("CSO"), and required that HSD design and construct facilities as needed to eliminate the use of the Columbia Ave., Sohl Ave., and Johnson Ave. CSOs according to a schedule contained in Article V.c of the Consent Decree. After a timely submission of a schedule for the design and construction of "CSO improvements," construction was delayed due in large part to lack of consensus on the size of the CSO retention basin and the terms to be contained in an Amended Consent Decree that would provide for extended deadlines. In June 2011 EPA and IDEM submitted an amended draft Consent Decree that provided for full operation of the basin project by the end of 2013 but the parties failed to agree on the design criteria. Negotiations broke down and on August 15, 2011, the Agencies notified HSD that they were seeking \$2,437,000 in stipulated penalties for failing to complete design and construction of the CSO Control Project, violating the prohibition against dry weather overflows, and violating its NPDES permit effluent limitations.

Thereafter HSD invoked the formal dispute resolution process provided in the 1999 Consent Decree and on November 18, 2011, the Agencies lowered their demand for stipulated penalties to \$1,850,000 and after further proceedings the Water Division Director for Region 5 EPA issued a Final Administrative Decision further reducing the penalty to \$1,416,500.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

On July 16, 2012, HSD filed its "Notice of Judicial Appeal" in the United States District Court seeking judicial review of the Final Administrative Decision of the Water Division Director. After initial motion practice and limited discovery, the matter is now pending and has been stayed by the Court since April 9, 2013. Most recently, the parties reported to the Court that negotiations on an amended consent decree between them are ongoing and that a tolling agreement with a present expiration date of December 15, 2015, is in place. HSD continues to dispute a large portion of the penalty assessed by EPA that is the subject of the appeal and has noted to EPA, IDEM, and the Court that the major CSO improvements required by the 1999 Consent Decree have now been constructed and are operational.

Negotiations on an amended consent decree are continuing. The current tolling agreement expired on September 30, 2016.

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 City's Annual Financial Report 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 HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	General	M. V. H.	LRS	Garbage Bins	Transit	Clks Perpetual	Deferral Program
Cash and investments - beginning	\$ (33,829,002)	\$ (3,139,277)	\$ (971,505)	\$ -	\$ (375,309)	\$ 128,041	\$ 210,511
Receipts:							
Taxes	23,414,602	5,927,553	-	-	-	-	-
Licenses and permits	2,119,432	-	-	-	-	-	-
Intergovernmental receipts	3,387,846	3,318,148	780,362	-	-	-	-
Charges for services	12,001,025	-	-	7,948	-	-	-
Fines and forfeits	627,386	-	-	-	-	23,115	85,051
Utility fees	-	-	-	-	-	-	-
Other receipts	18,774,882	358,155	-	-	-	-	-
Total receipts	<u>60,325,173</u>	<u>9,603,856</u>	<u>780,362</u>	<u>7,948</u>	<u>-</u>	<u>23,115</u>	<u>85,051</u>
Disbursements:							
Personal services	38,719,841	5,645,791	-	-	-	15,962	-
Supplies	1,338,917	1,187,741	337,908	-	-	-	-
Other services and charges	12,304,798	550,638	-	-	-	-	66,617
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	8,749	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	4,233,822	111,870	-	-	-	-	-
Total disbursements	<u>56,606,127</u>	<u>7,496,040</u>	<u>337,908</u>	<u>-</u>	<u>-</u>	<u>15,962</u>	<u>66,617</u>
Excess (deficiency) of receipts over disbursements	<u>3,719,046</u>	<u>2,107,816</u>	<u>442,454</u>	<u>7,948</u>	<u>-</u>	<u>7,153</u>	<u>18,434</u>
Cash and investments - ending	<u>\$ (30,109,956)</u>	<u>\$ (1,031,461)</u>	<u>\$ (529,051)</u>	<u>\$ 7,948</u>	<u>\$ (375,309)</u>	<u>\$ 135,194</u>	<u>\$ 228,945</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Gaming Revenue	Park	Pretrial Div Pg	CEDIT	Haz-Mat	Major Moves	C.C.D.F.
Cash and investments - beginning	\$ 26,440,257	\$ (1,925,989)	\$ 2,630	\$ -	\$ 77,978	\$ 17,351	\$ 361,803
Receipts:							
Taxes	-	3,064,851	-	-	-	-	179,326
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	35,054,331	197,312	-	2,550,917	-	-	11,545
Charges for services	-	260,405	-	-	-	-	-
Fines and forfeits	-	-	43,310	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,780,322	5,558	-	-	27,928	-	-
Total receipts	36,834,653	3,528,126	43,310	2,550,917	27,928	-	190,871
Disbursements:							
Personal services	30,853	1,341,846	-	-	-	-	-
Supplies	-	105,985	-	-	-	-	-
Other services and charges	19,075,449	506,176	39,285	2,360,238	60,822	-	-
Debt service - principal and interest	3,235,275	-	-	-	-	-	-
Capital outlay	483,105	125,133	-	-	-	-	133,017
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	18,457,131	-	-	-	-	-	-
Total disbursements	41,281,813	2,079,140	39,285	2,360,238	60,822	-	133,017
Excess (deficiency) of receipts over disbursements	(4,447,160)	1,448,986	4,025	190,679	(32,894)	-	57,854
Cash and investments - ending	\$ 21,993,097	\$ (477,003)	\$ 6,655	\$ 190,679	\$ 45,084	\$ 17,351	\$ 419,657

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	C.C.I.F.	Self Insurance	Police Pension	Fire Pension	LOIT	Facade	Centrex
Cash and investments - beginning	\$ 58,793	\$ 2,551,931	\$ 3,068,358	\$ 4,113,821	\$ -	\$ 50,530	\$ (77,443)
Receipts:							
Taxes	-	-	4,835,404	4,507,797	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	213,806	-	-	-	2,713,373	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	20,788,216	768	-	-	75,000	5,499
Total receipts	<u>213,806</u>	<u>20,788,216</u>	<u>4,836,172</u>	<u>4,507,797</u>	<u>2,713,373</u>	<u>75,000</u>	<u>5,499</u>
Disbursements:							
Personal services	-	-	11,445	12,981	2,703,065	-	-
Supplies	-	-	986	1,088	-	-	-
Other services and charges	236,026	-	108,382	69,243	-	114,080	7,530
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	21,733,607	4,947,691	4,664,691	-	-	-
Total disbursements	<u>236,026</u>	<u>21,733,607</u>	<u>5,068,504</u>	<u>4,748,003</u>	<u>2,703,065</u>	<u>114,080</u>	<u>7,530</u>
Excess (deficiency) of receipts over disbursements	<u>(22,220)</u>	<u>(945,391)</u>	<u>(232,332)</u>	<u>(240,206)</u>	<u>10,308</u>	<u>(39,080)</u>	<u>(2,031)</u>
Cash and investments - ending	<u>\$ 36,573</u>	<u>\$ 1,606,540</u>	<u>\$ 2,836,026</u>	<u>\$ 3,873,615</u>	<u>\$ 10,308</u>	<u>\$ 11,450</u>	<u>\$ (79,474)</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Diesel Fuel Tax	College Bound	Demolition	Cut and Clean	Graffiti Removal	Homebound	Redv Event Fund
Cash and investments - beginning	\$ 4,796	\$ 44,510	\$ 975,925	\$ 31,339	\$ 30	\$ 49,988	\$ 282,807
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,605	16,263	123,362	201,136	-	150,500	-
Total receipts	<u>2,605</u>	<u>16,263</u>	<u>123,362</u>	<u>201,136</u>	<u>-</u>	<u>150,500</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	11,657	58,158	973,350	167,137	-	83,247	44,996
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>11,657</u>	<u>58,158</u>	<u>973,350</u>	<u>167,137</u>	<u>-</u>	<u>83,247</u>	<u>44,996</u>
Excess (deficiency) of receipts over disbursements	<u>(9,052)</u>	<u>(41,895)</u>	<u>(849,988)</u>	<u>33,999</u>	<u>-</u>	<u>67,253</u>	<u>(44,996)</u>
Cash and investments - ending	<u>\$ (4,256)</u>	<u>\$ 2,615</u>	<u>\$ 125,937</u>	<u>\$ 65,338</u>	<u>\$ 30</u>	<u>\$ 117,241</u>	<u>\$ 237,811</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	NSP/Neighborhood Stabilization	Engineering	ASAP Grant	Columbia Plaza TIF	Lear TIF	Downtown TIF	Home Depot TIF
Cash and investments - beginning	\$ 145,964	\$ 2,778,313	\$ 65,275	\$ 1,047,914	\$ 2,400,359	\$ 2,669,854	\$ 2,313,094
Receipts:							
Taxes	-	-	-	735,224	379,394	889,379	438,279
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	135,003	-	-	51,438	26,309	62,385	31,241
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	696,095	-	-	-	-	-	-
Total receipts	<u>831,098</u>	<u>-</u>	<u>-</u>	<u>786,662</u>	<u>405,703</u>	<u>951,764</u>	<u>469,520</u>
Disbursements:							
Personal services	66,589	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	992,869	132,760	-	-	-	123,957	50,949
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	21,576	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>1,081,034</u>	<u>132,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,957</u>	<u>50,949</u>
Excess (deficiency) of receipts over disbursements	<u>(249,936)</u>	<u>(132,760)</u>	<u>-</u>	<u>786,662</u>	<u>405,703</u>	<u>827,807</u>	<u>418,571</u>
Cash and investments - ending	<u>\$ (103,972)</u>	<u>\$ 2,645,553</u>	<u>\$ 65,275</u>	<u>\$ 1,834,576</u>	<u>\$ 2,806,062</u>	<u>\$ 3,497,661</u>	<u>\$ 2,731,665</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Woodmar TIF	Woodmar Gateways TIF	Gateways TIF	Judge Gen 756777	City Clerk Trust Funds	HIDTA Overtime Reimbursement	HIDTA Equipment Grant - Drug Free Lk CT
Cash and investments - beginning	\$ 4,894,140	\$ 780,519	\$ 2,229,267	\$ -	\$ 1,845,258	\$ 44,396	\$ 386
Receipts:							
Taxes	1,021,065	1,199,434	427,273	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	76,876	68,869	29,104	-	-	95,738	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	4,704,426	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	381,803	-	-	-
Total receipts	<u>1,097,941</u>	<u>1,268,303</u>	<u>456,377</u>	<u>381,803</u>	<u>4,704,426</u>	<u>95,738</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	103,944	-
Supplies	-	-	-	-	-	-	-
Other services and charges	1,308,817	1,326,817	710,377	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	381,803	4,625,290	-	-
Total disbursements	<u>1,308,817</u>	<u>1,326,817</u>	<u>710,377</u>	<u>381,803</u>	<u>4,625,290</u>	<u>103,944</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(210,876)</u>	<u>(58,514)</u>	<u>(254,000)</u>	<u>-</u>	<u>79,136</u>	<u>(8,206)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 4,683,264</u>	<u>\$ 722,005</u>	<u>\$ 1,975,267</u>	<u>\$ -</u>	<u>\$ 1,924,394</u>	<u>\$ 36,190</u>	<u>\$ 386</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Human Relations Grant	River Park Refunding General	Jobs Bill Bond General Fund	Jobs Bill Bond DSR	Potash Bond Construction	Potash Bond DSR	Potash Bond General
Cash and investments - beginning	\$ 6,409	\$ 148,224	\$ 13,826	\$ 1,700,005	\$ 7,511,409	\$ 1,121,113	\$ 153,999
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	47,500	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	2,308,394	3,235,302	15,324	17,030	112	1,508,023
Total receipts	<u>47,500</u>	<u>2,308,394</u>	<u>3,235,302</u>	<u>15,324</u>	<u>17,030</u>	<u>112</u>	<u>1,508,023</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	42,496	-	-	-	-	-	-
Debt service - principal and interest	-	2,308,394	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	3,235,275	-	9,281	-	1,508,000
Total disbursements	<u>42,496</u>	<u>2,308,394</u>	<u>3,235,275</u>	<u>-</u>	<u>9,281</u>	<u>-</u>	<u>1,508,000</u>
Excess (deficiency) of receipts over disbursements	<u>5,004</u>	<u>-</u>	<u>27</u>	<u>15,324</u>	<u>7,749</u>	<u>112</u>	<u>23</u>
Cash and investments - ending	<u>\$ 11,413</u>	<u>\$ 148,224</u>	<u>\$ 13,853</u>	<u>\$ 1,715,329</u>	<u>\$ 7,519,158</u>	<u>\$ 1,121,225</u>	<u>\$ 154,022</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Recycling Grant	Seatbelt Enforcement	Potash	Jobs Rebt	Red P & I	SEMA Grant	Park Bond
Cash and investments - beginning	\$ 215,133	\$ (1,452)	\$ 237,910	\$ 36,164	\$ (152,434)	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	430,266	4,872	-	-	-	221,148	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	1,270,091	4	-	-	-
Total receipts	<u>430,266</u>	<u>4,872</u>	<u>1,270,091</u>	<u>4</u>	<u>-</u>	<u>221,148</u>	<u>-</u>
Disbursements:							
Personal services	-	8,193	-	-	-	261,936	-
Supplies	-	-	-	-	-	-	-
Other services and charges	549,053	-	-	-	-	-	100
Debt service - principal and interest	-	-	1,508,000	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>549,053</u>	<u>8,193</u>	<u>1,508,000</u>	<u>-</u>	<u>-</u>	<u>261,936</u>	<u>100</u>
Excess (deficiency) of receipts over disbursements	<u>(118,787)</u>	<u>(3,321)</u>	<u>(237,909)</u>	<u>4</u>	<u>-</u>	<u>(40,788)</u>	<u>(100)</u>
Cash and investments - ending	<u>\$ 96,346</u>	<u>\$ (4,773)</u>	<u>\$ 1</u>	<u>\$ 36,168</u>	<u>\$ (152,434)</u>	<u>\$ (40,788)</u>	<u>\$ (100)</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Park Bond Proceeds	Munster Steel Construction	Local Infraction Deferral	Public Defender	Fed Forfeit Pro	Evidence Money	Police Donation
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 1,575	\$ 21,639	\$ 20,629	\$ 40,056
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	43,583	-	26,100	3,147	-
Utility fees	-	-	-	-	-	-	-
Other receipts	7,538,950	1	-	-	-	-	16,136
Total receipts	7,538,950	1	43,583	-	26,100	3,147	16,136
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	3,311,783	1	-	-	17,369	3,147	13,114
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	3,311,783	1	-	-	17,369	3,147	13,114
Excess (deficiency) of receipts over disbursements	4,227,167	-	43,583	-	8,731	-	3,022
Cash and investments - ending	\$ 4,227,167	\$ -	\$ 43,583	\$ 1,575	\$ 30,370	\$ 20,629	\$ 43,078

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Park Activities	Background Cks	State Forfeited	Fed Prisoners	Impaired Driving	Redevelopment	Park/Tourism
Cash and investments - beginning	\$ 40,851	\$ 355	\$ 30,131	\$ 403,919	\$ (8,419)	\$ 134,873	\$ 4,795
Receipts:							
Taxes	-	-	-	-	-	373,325	16,020
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	3,171	266,812	74,476	22,670	-
Charges for services	107,350	1,180	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	28	-
Total receipts	<u>107,350</u>	<u>1,180</u>	<u>3,171</u>	<u>266,812</u>	<u>74,476</u>	<u>396,023</u>	<u>16,020</u>
Disbursements:							
Personal services	18	-	-	-	60,528	396,339	-
Supplies	-	-	-	-	9,996	-	-
Other services and charges	58,205	1,241	23,121	202,676	-	40,265	7,088
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	178,605	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	33,597	-	-	-	-	-	-
Total disbursements	<u>91,820</u>	<u>1,241</u>	<u>23,121</u>	<u>202,676</u>	<u>70,524</u>	<u>615,209</u>	<u>7,088</u>
Excess (deficiency) of receipts over disbursements	<u>15,530</u>	<u>(61)</u>	<u>(19,950)</u>	<u>64,136</u>	<u>3,952</u>	<u>(219,186)</u>	<u>8,932</u>
Cash and investments - ending	<u>\$ 56,381</u>	<u>\$ 294</u>	<u>\$ 10,181</u>	<u>\$ 468,055</u>	<u>\$ (4,467)</u>	<u>\$ (84,313)</u>	<u>\$ 13,727</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Eco Dev/Tourism	CDBG Escrow	Human Relations	Public Safety	Water Hydrant Rental	Penalties	Human Rel (Fed)
Cash and investments - beginning	\$ 28,910	\$ 225,340	\$ 6,401	\$ 69,121	\$ 197,291	\$ 2,643,448	\$ 61,152
Receipts:							
Taxes	10,800	-	-	-	423,862	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	835,207	27,288	-	24,811
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	137,786	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	1,697,952	-	-	-	-	-
Total receipts	<u>10,800</u>	<u>1,697,952</u>	<u>-</u>	<u>835,207</u>	<u>451,150</u>	<u>137,786</u>	<u>24,811</u>
Disbursements:							
Personal services	-	-	-	148,000	-	623,835	-
Supplies	-	-	-	-	-	3,501	-
Other services and charges	21,572	880,017	1,274	-	183,660	30,291	9,936
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	691,804	-	4,767	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>21,572</u>	<u>880,017</u>	<u>1,274</u>	<u>839,804</u>	<u>183,660</u>	<u>662,394</u>	<u>9,936</u>
Excess (deficiency) of receipts over disbursements	<u>(10,772)</u>	<u>817,935</u>	<u>(1,274)</u>	<u>(4,597)</u>	<u>267,490</u>	<u>(524,608)</u>	<u>14,875</u>
Cash and investments - ending	<u>\$ 18,138</u>	<u>\$ 1,043,275</u>	<u>\$ 5,127</u>	<u>\$ 64,524</u>	<u>\$ 464,781</u>	<u>\$ 2,118,840</u>	<u>\$ 76,027</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Local Seizure	C.D.B.G.	Ambulance Fees	CDBG Donation	Ann Ctrl Donation	Vehicle Release	Unemployment
Cash and investments - beginning	\$ (8,188)	\$ (350,069)	\$ (249,735)	\$ 12,969	\$ 2,856	\$ 17,228	\$ (474,487)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	1,877,014	-	-	-	-	-
Charges for services	-	-	-	-	-	51,500	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	61,668	-	7,825	2,313	-	30,146
Total receipts	-	1,938,682	-	7,825	2,313	51,500	30,146
Disbursements:							
Personal services	-	376,603	-	-	-	-	43,170
Supplies	-	-	-	-	930	-	-
Other services and charges	-	1,499,502	-	8,820	-	40,053	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	125,000	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	1,876,105	125,000	8,820	930	40,053	43,170
Excess (deficiency) of receipts over disbursements	-	62,577	(125,000)	(995)	1,383	11,447	(13,024)
Cash and investments - ending	\$ (8,188)	\$ (287,492)	\$ (374,735)	\$ 11,974	\$ 4,239	\$ 28,675	\$ (487,511)

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Adult Probation	Tobacco Ed/Judg	Henry Unit	Park/Gaming	Afford Housing	Emergency/CDBG	Section 108
Cash and investments - beginning	\$ 99,695	\$ 17,134	\$ (1,298,453)	\$ 14,008	\$ (127,063)	\$ 38,368	\$ 81,486
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	626,578	139,779	-
Charges for services	-	-	-	554,879	-	-	-
Fines and forfeits	146,879	850	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	450,000	43,690	277,316	-	-
Total receipts	<u>146,879</u>	<u>850</u>	<u>450,000</u>	<u>598,569</u>	<u>903,894</u>	<u>139,779</u>	<u>-</u>
Disbursements:							
Personal services	143,436	-	589,191	121,257	135,569	-	-
Supplies	2,075	-	-	-	-	-	-
Other services and charges	7,737	2,100	-	698,916	855,178	139,779	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	4,959	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>158,207</u>	<u>2,100</u>	<u>589,191</u>	<u>820,173</u>	<u>990,747</u>	<u>139,779</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(11,328)</u>	<u>(1,250)</u>	<u>(139,191)</u>	<u>(221,604)</u>	<u>(86,853)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 88,367</u>	<u>\$ 15,884</u>	<u>\$ (1,437,644)</u>	<u>\$ (207,596)</u>	<u>\$ (213,916)</u>	<u>\$ 38,368</u>	<u>\$ 81,486</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Technology Park	Inspt/Rental	H D Bond 756775	Civil City Bond	R P Gam 756773	Cabela's/105415	Golf Course
Cash and investments - beginning	\$ 1,053,772	\$ (279,753)	\$ 82,653	\$ (15,851)	\$ 2,013,756	\$ 1,360,836	\$ (244,270)
Receipts:							
Taxes	-	-	-	1,426,460	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	494,631	-	-	82,073	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	862,185	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	134	48,347	-	2,684,688	1,326,814	-
Total receipts	494,631	862,319	48,347	1,508,533	2,684,688	1,326,814	-
Disbursements:							
Personal services	-	996,751	-	-	-	-	-
Supplies	-	36,020	-	-	-	-	-
Other services and charges	46,000	118,912	-	-	31	-	-
Debt service - principal and interest	-	-	131,000	977,972	-	2,687,650	-
Capital outlay	-	500	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	2,308,381	-	-
Total disbursements	46,000	1,152,183	131,000	977,972	2,308,412	2,687,650	-
Excess (deficiency) of receipts over disbursements	448,631	(289,864)	(82,653)	530,561	376,276	(1,360,836)	-
Cash and investments - ending	\$ 1,502,403	\$ (569,617)	\$ -	\$ 514,710	\$ 2,390,032	\$ -	\$ (244,270)

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Cost Due County	Continuing Ed	Pay Withholding	Operations	Pre Treatment	Unemployment	Sewer
Cash and investments - beginning	\$ -	\$ 51,801	\$ 126,212	\$ (1,408,085)	\$ 406,492	\$ 51,380	\$ (103,395)
Receipts:							
Taxes	-	-	-	-	-	-	2,287,397
Licenses and permits	-	21,375	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	36,166
Charges for services	-	46,855	-	-	-	-	-
Fines and forfeits	189,970	-	-	-	-	-	-
Utility fees	-	-	-	13,319,743	-	-	-
Other receipts	-	19,479	13,134,493	13,155,326	394,062	2,902	1,174,352
Total receipts	<u>189,970</u>	<u>87,709</u>	<u>13,134,493</u>	<u>26,475,069</u>	<u>394,062</u>	<u>2,902</u>	<u>3,497,915</u>
Disbursements:							
Personal services	-	-	-	3,352,653	83,857	-	1,003,371
Supplies	-	-	-	-	-	-	-
Other services and charges	189,676	47,385	-	2,138,334	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	350,274	-	-	74,324
Utility operating expenses	-	-	-	9,973,116	90,982	4,281	1,456,646
Other disbursements	-	-	13,130,497	3,601,508	144,227	-	1,450,047
Total disbursements	<u>189,676</u>	<u>47,385</u>	<u>13,130,497</u>	<u>19,415,885</u>	<u>319,066</u>	<u>4,281</u>	<u>3,984,388</u>
Excess (deficiency) of receipts over disbursements	<u>294</u>	<u>40,324</u>	<u>3,996</u>	<u>7,059,184</u>	<u>74,996</u>	<u>(1,379)</u>	<u>(486,473)</u>
Cash and investments - ending	<u>\$ 294</u>	<u>\$ 92,125</u>	<u>\$ 130,208</u>	<u>\$ 5,651,099</u>	<u>\$ 481,488</u>	<u>\$ 50,001</u>	<u>\$ (589,868)</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	GIS	Storm Water	Great Lakes Legacy	2010 Bond	SRF Loan	Replacement	Debt Service Non Exempt
Cash and investments - beginning	\$ 2,039	\$ 1,756,481	\$ 46,101	\$ 4,978,534	\$ 1,209,894	\$ 1,635,031	\$ 140,824
Receipts:							
Taxes	-	-	-	-	-	-	3,891,039
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	50,256
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	302,101	-	-	-	-	-
Other receipts	-	224	-	7,189	393	400,224	86,500
Total receipts	-	302,325	-	7,189	393	400,224	4,027,795
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	2,511,763
Capital outlay	-	-	-	1,124,709	1,119,320	-	-
Utility operating expenses	-	400,465	-	75,837	90,952	-	837
Other disbursements	-	34,366	-	-	15	-	86,500
Total disbursements	-	434,831	-	1,200,546	1,210,287	-	2,599,100
Excess (deficiency) of receipts over disbursements	-	(132,506)	-	(1,193,357)	(1,209,894)	400,224	1,428,695
Cash and investments - ending	\$ 2,039	\$ 1,623,975	\$ 46,101	\$ 3,785,177	\$ -	\$ 2,035,255	\$ 1,569,519

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Debt Service Exempt	Capital Projects BAN	SRF Loan 7	Recycling	Sanitation	Water Utility
Cash and investments - beginning	\$ 1,967,724	\$ 1,668,211	\$ 29,876,816	\$ (995,422)	\$ (418,302)	\$ 3,271,283
Receipts:						
Taxes	3,460,091	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	44,695	-	-	215,133	-	615,000
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	4,082	26,092	10,513,880
Other receipts	1,159,460	2,072	210,320	839,690	683,930	3,923
Total receipts	<u>4,664,246</u>	<u>2,072</u>	<u>210,320</u>	<u>1,058,905</u>	<u>710,022</u>	<u>11,132,803</u>
Disbursements:						
Personal services	-	-	-	31,434	95,061	3,971,054
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	8,478	-	1,659,902
Debt service - principal and interest	4,412,476	-	-	-	-	-
Capital outlay	-	1,820	21,260,057	-	-	-
Utility operating expenses	47,447	-	68,284	21,099	192,860	5,599,360
Other disbursements	366,700	-	249,194	2,472	3,799	615,000
Total disbursements	<u>4,826,623</u>	<u>1,820</u>	<u>21,577,535</u>	<u>63,483</u>	<u>291,720</u>	<u>11,845,316</u>
Excess (deficiency) of receipts over disbursements	<u>(162,377)</u>	<u>252</u>	<u>(21,367,215)</u>	<u>995,422</u>	<u>418,302</u>	<u>(712,513)</u>
Cash and investments - ending	<u>\$ 1,805,347</u>	<u>\$ 1,668,463</u>	<u>\$ 8,509,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,558,770</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Water Utility-City Clearing Fund	Marina Operations	Marina Construction	Gaming Fund	Lakefront Management	Lost Marsh Golf Course
Cash and investments - beginning	\$ 1,237,450	\$ 598,014	\$ 2,986,031	\$ 710,520	\$ 35,604	\$ 589,358
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	7,000,000	10,819	-
Charges for services	-	2,063,410	-	-	21,314	965,351
Fines and forfeits	-	309,399	-	-	-	-
Utility fees	4,646,954	-	-	-	-	-
Other receipts	-	1,042,518	1,450,000	46,800	20,000	647,354
Total receipts	<u>4,646,954</u>	<u>3,415,327</u>	<u>1,450,000</u>	<u>7,046,800</u>	<u>52,133</u>	<u>1,612,705</u>
Disbursements:						
Personal services	-	1,005,736	-	449,638	55,393	690,976
Supplies	-	940,200	-	-	1,277	495,171
Other services and charges	-	1,149,329	199,339	98,898	7,134	381,713
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	240,326	-	-	-	90,448
Utility operating expenses	-	-	-	-	-	-
Other disbursements	4,500,000	121,485	300,000	6,958,601	-	-
Total disbursements	<u>4,500,000</u>	<u>3,457,076</u>	<u>499,339</u>	<u>7,507,137</u>	<u>63,804</u>	<u>1,658,308</u>
Excess (deficiency) of receipts over disbursements	<u>146,954</u>	<u>(41,749)</u>	<u>950,661</u>	<u>(460,337)</u>	<u>(11,671)</u>	<u>(45,603)</u>
Cash and investments - ending	<u>\$ 1,384,404</u>	<u>\$ 556,265</u>	<u>\$ 3,936,692</u>	<u>\$ 250,183</u>	<u>\$ 23,933</u>	<u>\$ 543,755</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Wolf Lake Operations	RDA Project	2008 Revenue Bond DSR	2008 Revenue Bond Debt Service	Payroll and Withholding	Totals
Cash and investments - beginning	\$ 315,446	\$ 955,750	\$ 1,250,000	\$ 1,222,376	\$ (98)	\$ 90,190,948
Receipts:						
Taxes	-	-	-	-	-	58,908,575
Licenses and permits	-	-	-	-	-	2,140,807
Intergovernmental receipts	-	4,339,120	-	-	-	66,294,088
Charges for services	70,168	-	-	-	-	16,151,385
Fines and forfeits	-	-	-	-	-	7,203,187
Utility fees	-	-	-	-	-	28,812,852
Other receipts	741,470	550	-	2,436,600	438,128	104,026,339
Total receipts	811,638	4,339,670	-	2,436,600	438,128	283,537,233
Disbursements:						
Personal services	268,512	-	-	-	-	63,564,828
Supplies	77,028	-	-	-	-	4,538,823
Other services and charges	276,095	206,728	-	-	-	56,660,823
Debt service - principal and interest	-	-	-	2,439,450	-	20,211,980
Capital outlay	99,501	5,056,075	-	-	-	31,194,069
Utility operating expenses	-	-	-	-	-	18,022,166
Other disbursements	-	-	-	-	438,128	98,252,978
Total disbursements	721,136	5,262,803	-	2,439,450	438,128	292,445,667
Excess (deficiency) of receipts over disbursements	90,502	(923,133)	-	(2,850)	-	(8,908,434)
Cash and investments - ending	\$ 405,948	\$ 32,617	\$ 1,250,000	\$ 1,219,526	\$ (98)	\$ 81,282,514

CITY OF HAMMOND
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2014

Government or Enterprise	Accounts Payable	Accounts Receivable
Sanitary District	\$ 6,591,504	\$ 1,853,855
Water Utility	1,142,216	1,946,071
Governmental activities	6,437,706	5,824,949
Totals	\$ 14,171,426	\$ 9,624,875

CITY OF HAMMOND
SCHEDULE OF LEASES AND DEBT
December 31, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Peoples Bank	Fire Equipment	\$ 192,606	07/30/2014	01/30/2019
Sanitary District: 1st Source	Vactor Truck	74,324	03/15/2011	03/15/2015
First Midwest Bank	TV Truck	91,755	08/10/2014	08/01/2017
Hammond Sanitary District Building Corporation	Administration Building	<u>633,418</u>	04/22/2014	07/15/2033
Total Sanitary District		<u>799,497</u>		
Total of annual lease payments		<u>\$ 992,103</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	General Obligation Judgment Funding Bonds Series 2006	\$ 1,080,000	\$ 383,130
General obligation bonds	General Obligation Judgment Funding Bonds Series 2008A	2,660,000	596,210
General obligation bonds	General Obligation Park Bonds Series 2014	7,300,000	442,262
Revenue bonds	Economic Development Revenue Bonds Series 2012	10,170,000	1,491,725
Revenue bonds	Revenue Loan Series 2012	11,745,000	3,233,076
Revenue bonds	Economic Development Revenue Bonds Series 2013 (Munster Steel)	2,265,000	-
Revenue bonds	Economic Development District Revenue Bonds Series 2014 (Gateway Project)	850,000	863,813
Revenue bonds	Taxable Economic Development Revenue Bonds Series 2006 (Home Depot)	810,000	126,200
Revenue bonds	Taxable Economic Development Revenue Bonds Series 2007 (Cabela's)	23,551,440	1,874,250
Revenue bonds	Economic Development Revenue Bonds Series 2014 (Marina District Project)	3,500,000	119,389
Revenue bonds	Public Improvements 2012 Refunding Bond	4,475,000	2,307,019
Notes and loans payable	HUD 108 Series 2006-A	<u>1,499,000</u>	<u>403,706</u>
Total governmental activities		<u>69,905,440</u>	<u>11,840,780</u>
Sanitary District:			
General obligation bonds	Series 2007 A	710,000	734,075
General obligation bonds	2010 Special Taxing District Bond Series A	8,250,000	734,206
General obligation bonds	Special Taxing District Bond Series 2014	12,150,000	1,809,656
General obligation bonds	Series 2013 BAN	5,000,000	5,000,000
General obligation bonds	Series 2013A	51,770,000	3,557,274
Notes and loans payable	Series 2007B	16,130,000	895,505
Notes and loans payable	Series 2006 A	<u>1,510,000</u>	<u>157,179</u>
Total Sanitary District		<u>95,520,000</u>	<u>12,887,895</u>
Port Authority:			
Revenue bonds	Redevelopment District Revenue Bonds Series 2008 (Golf Course)	<u>5,545,000</u>	<u>2,436,050</u>
Totals		<u>\$ 170,970,440</u>	<u>\$ 27,164,725</u>

CITY OF HAMMOND
SCHEDULE OF CAPITAL ASSETS
December 31, 2014

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

	Ending Balance
Governmental activities:	
Land	\$ 78,625,303
Infrastructure	185,342,566
Buildings	47,957,547
Improvements other than buildings	19,172,318
Machinery, equipment, and vehicles	24,000,791
Construction in progress	54,408,918
 Total governmental activities	 409,507,443
 Sanitary District:	
Land	507,419
Infrastructure	124,626,385
Buildings	26,132,010
Improvements other than buildings	3,171,690
Machinery, equipment, and vehicles	23,409,337
Construction in progress	1,012,076
 Total Sanitary District	 178,858,917
 Water Utility:	
Land	134,466
Infrastructure	46,659,350
Buildings	21,757,190
Improvements other than buildings	368,539
Machinery, equipment, and vehicles	13,455,016
Construction in progress	631,684
Books and other	13,195
 Total Water Utility	 83,019,440
 Port Authority:	
Land	3,782,526
Infrastructure	10,461,172
Buildings	23,365,020
Improvements other than buildings	17,923,815
Machinery, equipment, and vehicles	3,863,167
Construction in progress	1,500,556
 Total Port Authority	 60,896,256
 Total capital assets	 \$ 732,282,056

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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Web Site: www.in.gov/sboa

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hammond's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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, 2014.

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 OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

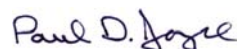
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002 to be a material weakness.

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

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


Paul D. Joyce, CPA
State Examiner

November 3, 2016

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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 approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF HAMMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants					
Neighborhood Stabilization Program	Direct grant	14.218	B08MN180006	\$ -	\$ 305,516
Neighborhood Stabilization Program			B11MN180006	-	525,582
Community Development Block Grant			B12MC180006	16,170	660,449
Community Development Block Grant			B13MC180006	119,859	1,232,018
Community Development Block Grant			B14MC180006	-	46,264
Total - Community Development Block Grants/Entitlement Grants				<u>136,029</u>	<u>2,769,829</u>
Total - CDBG - Entitlement Grants Cluster				<u>136,029</u>	<u>2,769,829</u>
Emergency Solutions Grant Program					
	Direct grant	14.231	S10MC18006	5,064	5,064
			E11MC180006	35,585	35,585
			E12MC180006	6,638	6,638
			E13MC180006	47,867	47,867
			E14MC180006	44,625	44,625
Total - Emergency Solutions Grants Program				<u>139,779</u>	<u>139,779</u>
HOME Investment Partnerships Program					
	Direct grant	14.239	M09MC180204	-	60,752
			M10MC180204	-	341,485
			M11MC180204	-	88,604
			M12MC180204	-	52,662
			M13MC180204	-	174,977
			M14MC180204	-	185,365
Total - HOME Investment Partnerships Program				<u>-</u>	<u>903,845</u>
Fair Housing Assistance Program_State and Local					
	Direct grant	14.401	FF205K115024	-	47,500
			FF205K135024	-	24,811
Total - Fair Housing Assistance Program_State and Local				<u>-</u>	<u>72,311</u>
Total - Department of Housing and Urban Development				<u>275,808</u>	<u>3,885,764</u>
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction					
	Indiana Department of Transportation	20.205	DES 1297017	-	774,805
			DES 0201177	-	518,554
			DES 0710062	-	303,307
Total - Highway Planning and Construction				<u>-</u>	<u>1,596,666</u>
Total - Highway Planning and Construction Cluster				<u>-</u>	<u>1,596,666</u>
Highway Safety Cluster					
State and Community Highway Safety					
Hammond Pedestrian and Bicycle Safety Grant Operation Pullover					
	Indiana Criminal Justice Institute	20.600	DA-14-8715	-	7,411
			PT-11-04-04-23	-	71,936
Total - State and Community Highway Safety				<u>-</u>	<u>79,347</u>
Total - Highway Safety Cluster				<u>-</u>	<u>79,347</u>
Total - Department of Transportation				<u>-</u>	<u>1,676,013</u>
<u>Environmental Protection Agency</u>					
Clean Water State Revolving Fund Cluster					
Capitalization Grants For Clean Water State Revolving Funds					
	Indiana Finance Authority	66.458	WW05164503	-	7,430,288
			WW0516452	-	11,587
Total - Capitalization Grants For Clean Water State Revolving Funds				<u>-</u>	<u>7,441,875</u>
Total - Clean Water State Revolving Fund Cluster				<u>-</u>	<u>7,441,875</u>
Beach Monitoring and Notification Program					
Implementation Grants					
2014 Beach Monitoring Grant					
	Indiana Department of Environmental Management	66.472	CU-04E73102	-	10,819
Total - Environmental Protection Agency				<u>-</u>	<u>7,452,694</u>
<u>Department of Homeland Security</u>					
Staffing for Adequate Fire and Emergency Response (SAFER)					
	Direct grant	97.083	EMW-2013-FH-00107	-	221,148
Total - Department of Homeland Security				<u>-</u>	<u>221,148</u>
Total federal awards expended				<u>\$ 275,808</u>	<u>\$ 13,235,619</u>

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

CITY OF HAMMOND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2014. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	no
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	no
Type of auditor's report issued on compliance for major programs:	Unmodified

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.239	CDBG - Entitlement Grants Cluster HOME Investment Partnerships Program Highway Planning and Construction Cluster Clean Water State Revolving Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$397,069

Auditee qualified as low-risk auditee? **no**

Section II - Financial Statement Findings

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were the following deficiencies in the internal control system of the City related to financial transactions and reporting that constituted material weaknesses:

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

1. *Lack of Segregation of Duties:* The City had not separated incompatible activities related to receipts and disbursements.

City

- a. One person in the Controller's office recorded receipts, prepared deposits, and took the collections to the depository. A control related to preparation of the deposits was not documented.
- b. Employees who entered the payroll information into the financial system also had the ability to adjust the pay rate of employees.
- c. The City contracted with a third-party administrator to process medical claims. The Controller's office recorded the individual vendor payments in the City's ledger and also mailed the checks to the vendors as funds were available in the Self-Insurance fund. Supporting documentation was not submitted with the checks prepared by the third-party administrator; therefore, the City did not review the claims for completeness and accuracy. The City had not implemented any other procedures to verify the claims for completeness and accuracy. Additionally, the employee responsible for creating the claim for payment also authorized them using a stamp with the official's name.
- d. The Payroll Clerk generated the withholdings disbursements, reviewed the quarterly withholding reports, and made any necessary changes in the RDS system.

Port Authority

- e. The employee who created the purchase orders and accounts payable vouchers also authorized them as instructed, using a stamp with the official's name.
- f. Audit evidence was not available to verify that the monthly or year-to-date financial statements, which were prepared by an outside firm, were reviewed for completeness and accuracy.

Sanitary District

- g. The Accounts Receivable Clerk prepared the receipts, recorded the receipts to the accounting systems, and prepared collections for deposit. The Accounts Receivable Clerk could have also adjusted bills in the system after they had been recorded.
- h. The Accounts Payable Clerk prepared the checks and recorded the invoices to the accounting system.
- i. The software system allowed for duplicate check printing and for changes to be made to a check after it had been issued. Checks with duplicate check numbers occurred on a monthly basis.
- j. The Payroll Manager was responsible for the entire payroll process and was able to make payroll rate changes in the computer system.
- k. The Business Manager prepared the bank reconcilements. The monthly reconcilements were not reviewed for completeness and accuracy.

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

l. The Business Manager prepared the cash amounts for inclusion in the City's financial statement. The amounts provided to the City were not reviewed for completeness and accuracy.

Water Utility

m. The Office Manager prepared the cash amounts for inclusion in the City's financial statement. The amounts provided to the City were not reviewed for completeness and accuracy

2. *Monitoring of Controls:* An evaluation of the City's system of internal control had not been conducted. Additionally, the City had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the City to monitor and assess the quality of the system of internal control.

Cash and investments and bank reconcilements - the City implemented a control over cash and investments and bank reconcilements which did not operate effectively. The control did not detect that the bank reconcilements initially provided for audit did not agree to the City's record balances. The control also did not detect that trust account activity was not being reconciled to, or recorded in, the City's records. Management did not obtain the trust statements in order to verify the existence, completeness, or accuracy of the bank reconciliation and many of the trust statements were unaccounted for when initially requested for audit.

3. *Preparing Financial Statement:* Effective internal control over financial reporting involved the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should have been managed. The City had not identified risks to the preparation of a reliable financial statement and as a result had failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. In addition, management of the City had not established a process for final review of the financial statement after compilation.

The City Controller prepared the Annual Financial Report (AFR) and electronically submitted it to the State Board of Accounts. The AFR was the basis for the City's financial statement. The financial statement presented for audit contained the following errors:

1. The financial statement beginning cash and investment balances did not agree with the prior audit ending cash and investment balances for two funds which totaled \$1,602,313.
2. The financial statement receipts were understated by \$13,939,708 when compared to the records. This was caused by the omission of the receipt activity of trust accounts, errors when computing the regulatory basis receipts from the accrual basis revenues for the Water Utility funds, and other errors.
3. The financial statement disbursements were understated by \$15,766,866 when compared to the records. This was caused by the omission of the disbursement activity of trust accounts, errors when computing the regulatory basis disbursements from the accrual basis expenses for the Water Utility and Sanitary District funds, and other errors.
4. The financial statement ending cash and investment balances did not agree to the records by \$224,845. This was caused by the errors and omissions addressed in the above items.

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

Audit adjustments were proposed, accepted by the City, and made to the financial statement. These adjustments resulted in a presentation of the financial statement that is materially correct.

Criteria

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

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

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

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

Cause

Management of the City had not established a proper system of internal control. Additionally, Management had not monitored the internal control system related to the City's financial reporting and transactions.

Effect

The failure to establish these controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls could have prevented, or detected and corrected, material misstatements in a timely manner.

The financial statement contained the errors identified in the *Condition*.

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - REPORTING

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B08MN180006, B11MN180006

Condition

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

The Department designed a control procedure to perform oversight and review to ensure compliance with the reporting requirements of the Neighborhood Stabilization Program (NSP); however, the control was not effective. The quarterly performance reports documented a review and reconciliation with the City's ledger; however, material variances were noted during the reconciliations which were not investigated further or explained.

The Department of Housing and Urban Development (HUD) required online quarterly performance reports through the Community Development Systems, Disaster Recovery Grant Reporting System (DRGR) for the NSP1 and NSP3 programs. A comparison of the disbursements amounts on the quarterly report and the City's ledger revealed that the City's ledger was not used to complete the reports. The total funds expended per the quarterly reports for 2014 was \$1,423,006; however, the total amount expended for NSP in 2014 per the City's ledgers was \$1,081,035; a variance of \$341,971. The Department was unable to provide documentation or an explanation for the variance.

Context

All four quarters tested for 2014 contained discrepancies between the City's ledgers and total funds expended per the NSP quarterly performance reports.

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 85.20(b) states in part:

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

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

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

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

Cause

Management did not monitor the effectiveness of the designed control.

Effect

The failure to establish an effective internal control system enabled material noncompliance with the grant agreement and the compliance requirement. Noncompliance with the grant agreement and the compliance requirement 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 City's management monitor established controls to ensure compliance and comply with the Reporting 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.

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AUDITEE-PREPARED DOCUMENTS

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



Thomas M. McDermott, Jr.
Mayor

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND

PHIL TAILLON
Executive Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2013-004 INTERNAL CONTROLS OVER COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS

Fiscal year in which the finding initially occurred: 2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: US Department of Housing and Development (HUD)

Contact Person Responsible for Corrective Action: Philip Taillon, Executive Director

Contact Phone Number: (219) 853-7310

Status of Audit Finding: **Based on the attached correspondence from the Indianapolis Field Office dated March 15, 2016, this finding has been closed.**

FINDING 2013-005 ALLOWABLE COSTS AND COST PRINCIPLES, EARMARKING

Fiscal year in which the finding initially occurred: 2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: US Department of Housing and Development (HUD)

Contact Person Responsible for Corrective Action: Philip Taillon, Executive Director

Contact Phone Number: (219) 853-7310

Status of Audit Finding: **Based on the attached correspondence from the Indianapolis Field Office dated March 15, 2016, this finding has been closed.**

FINDING 2013-006 EQUIPMENT AND REAL PROPERTY MANAGEMENT

Fiscal year in which the finding initially occurred: 2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: US Department of Housing and Development (HUD)

Contact Person Responsible for Corrective Action: Philip Taillon, Executive Director

Contact Phone Number: (219) 853-7310

Status of Audit Finding: **Based on the attached correspondence from the Indianapolis Field Office dated March 15, 2016, this finding has been closed.**

FINDING 2013-007 REPORTING

Fiscal year in which the finding initially occurred: 2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: US Department of Housing and Development (HUD)

Contact Person Responsible for Corrective Action: Philip Taillon, Executive Director

Contact Phone Number: (219) 853-7310

Status of Audit Finding: **Based on the attached correspondence from the Indianapolis Field Office dated March 15, 2016, this finding has been closed.**

FINDING 2013-008 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Fiscal year in which the finding initially occurred: 2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: US Department of Housing and Development (HUD)

Contact Person Responsible for Corrective Action: Philip Taillon, Executive Director

Contact Phone Number: (219) 853-7310

Status of Audit Finding: **Based on the attached correspondence from the Indianapolis Field Office dated March 15, 2016, this finding was closed on December 23, 2015.**



(Signature)

Executive Director

(Title)

9/26/2016



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Planning & Development

575 N. Pennsylvania Street, Suite 655
Indianapolis, IN 46204-2526
(317) 226-6303, Fax (317) 957-7383

Mr. Phil Taillon, Executive Director
City of Hammond
Department of Planning and Development
649 Conkey Street
Hammond, IN 46234

MAR 15 2016

Dear Mr. Taillon:

SUBJECT: Audit Report: City of Hammond, IN
Period Ending: December 31, 2013
Audit Control #: 13-11
Program Areas: Audit Findings

MAR 21 REC'D

This office is in receipt of the City of Hammond's email received March 2, 2016 to the 2013 audit finding correspondence dated December 23, 2015. The following describes the status of each of these findings.

FINDING 2013-004 - INTERNAL CONTROLS OVER COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B-11-MC-18-0006; B-12-MC-18-0006; B-08-MN-18-0006; & B-11-MN-18-0006

Condition: Management of the City's Department of Planning and Development (Department) and the Redevelopment Commission (Commission) have not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements that have a direct and material effect on the program: Allowable Costs and Cost Principles; Davis-Bacon Act; Equipment and Real Property Management; Matching; Level of Effort; and Earmarking; Period of Availability; Procurement and Suspension and Debarment; Program Income; Reporting; Subrecipient Monitoring; and Special Tests and Provisions.

Criteria: The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements.

Cause: A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Allowable Costs and Cost Principles

Part of the City's Community Development Block Grants (Entitlement Grants CDBG) funding is for payroll expenditures for administration and program costs. The Department and Commission have not designed controls to ensure compliance with Allowable Costs and Cost Principles requirements for CDBG. There are no controls to ensure that payroll expenditures claimed for the CDBG program were supported by the payroll detail, or that timesheets with allocation by program area were available.

Davis-Bacon Act

The Department developed a written manual of policies and procedures to ensure compliance with labor standards, including the Davis-Bacon Act. However, not all of these policies and procedures were followed for CDBG construction projects requiring compliance with the Davis-Bacon Act. Controls were not properly designated to ensure that a review or comparison of the certified weekly payrolls to the applicable prevailing wage rates was properly documented on the payrolls.

Equipment and Real Property Management

Although the Neighborhood Stabilization Program (NSP) Manager tracked the real property purchased and sold from NSP grant funds, reconciliation with the City's official Capital Assets Ledger was not performed during the audit period. In addition, the NSP Manager sent documentation via email to the Controller's Office which detailed the purchase and sale of NSP property; however, no control was in place to ensure that NSP funded asset purchases and sales were properly recorded in the City's Capital Assets Ledger.

Matching, Level of Effort and Earmarking

The ledger receives NSP funds for acquisition and rehabilitation of foreclosed and/or vacant residential homes. As part of the Earmarking compliance requirements, 25 percent of the NSP funding is to be used to house individuals or families whose income does not exceed 50 percent of the area median income – low income households (LIH). The NSP Rehab Loan Officer maintained files on the individuals and families who met the LIH requirements and the NSP Manager indicated if a disbursement was for a LIH property. However, there were no controls to ensure that disbursements were encoded as earmarked for LIH, LMMIH (Low, Moderate, and Middle Income Households), or administration in both the City's Ledger and in the HUD Disaster Recovery Grant Reporting (DRGR) System.

Part of the CDBG funding is earmarked for payroll expenditures for administration and program costs. The Department and Commission have not adopted policies and procedures or designed controls to ensure compliance with the earmarking requirements for CDBG, including controls to ensure that disbursements claimed for CDBG and earmarked for payroll expenditures were properly coded for administration and program costs by IDIS (Integrated Disbursement and Information System) number.

Period of Availability

The Department and Commission have not adopted policies and procedures or designed controls to ensure compliance with the CDBG requirements for Period of Availability. There are no controls to ensure that vendor and payroll expenditures claimed for the CDBG program were incurred after the effective date of the grant agreement or meet the six requirements for pre-awards costs prior to the effective date of the grant agreement.

Procurement

The Department and Commission have not adopted policies and procedures or designed controls to ensure compliance with the CDBG requirements for Procurement. The Department did not have controls in place to ensure that all construction change orders were approved by the Commission and that the total of all change orders that increase the scope of the project did not exceed 20 percent of the amount of the original contract.

Suspension and Debarment

The Department adopted the following policy for determining whether or not a vendor had been suspended or excluded from doing business with the federal government: "Before executing any contracts equal to or exceeding \$25,000, the City will ensure that the contractor is not suspended or debarred from working on federally-funded contracts by searching the Internet-based System for Award Management (www.sam.gov). The City will document that the selected contractor has not been suspended or debarred by printing out the search screen from SAM.gov website and including the printout in the project file."

Procedures to monitor or review compliance with the City's established procedures and the federal requirements regarding Suspension and Debarment were not implemented.

Program Income

The City purchased foreclosed homes with NSP funds. The foreclosed homes were refurbished with NSP funds and then sold. Program Income was generated when the previously foreclosed homes were sold. The City did not have effective controls in place to ensure that program income generated from NSP home sales was correctly recorded or monitored.

Reporting

The Department and Commission have not designed effective controls to ensure compliance with Reporting requirement of the program. Controls were not in place to ensure that all required federal reports are submitted and that NSP reports were accurate.

Subrecipient Monitoring

The Department and Commission have not designed effective controls to ensure compliance with Subrecipient Monitoring requirements of the program. CDBG funds were distributed to various subrecipients and local nonprofit organizations. The Department did not have procedures to monitor subrecipients and to ensure they obtained an A-133 audit and provided any findings to the Department, when applicable.

Special Tests and Provisions: Citizen Participation

The Department and Commission have not adopted policies and procedures or designed controls to ensure compliance with Citizen Participation requirements. The City prepared a citizen participation plan; however, controls were not in place to ensure the plan had the required elements and the plan was implemented.

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

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

“the auditee shall:...(b) Maintain internal controls 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.”

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

Questioned Costs: None.

Recommendation: The Indiana State Board of Accounts (SBOA) recommends that the City establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

Views of Responsible Officials and Planned Corrective Action:

Allowable Costs and Cost Principles

The City disputes this finding. The Finance Manager has records and documentation that shows ample internal controls, documentation of payroll expenditures, and timesheets with allocations by program area.

The City develops a CDBG budget on an annual basis which is approved by the Community Development Manager, the Executive Director of Planning and Community Development, and the City Council as part of the Annual Action Plan that is submitted and ultimately approved by HUD.

The City incurs the cost of payroll and fringe benefits of all Department staff based on approval of the Executive Director.

All Department staff who charge time to CDBG are required to keep a timesheet that tracks time to specific cost objectives. These timesheets are collected and reviewed by the Executive Director and the Departmental Finance Manager.

To reimburse the City for personnel charged to CDBG, the Department develops a spreadsheet that tracks the loaded hourly rate of each staff person based on the person's annual salary and fringe benefits. Using the reviewed timesheets, the total cost for the staff person is allocated to each cost objective. As part of the reimbursement process, the reimbursement request is prepared by the Finance Manager and reviewed and approved by the Executive Director.

Going forward, the City will develop and adopt written procedures that document the existing procedures and controls currently in place. Anticipated completion date is June 1, 2015.

Equipment and Real Property Management

In response to the previous monitoring, the Housing Manager began reviewing the Capital Assets ledger on a periodic basis and sending email requests to the Controller's Office when the Capital Assets ledger needed correction. The NSP Manager notifies the City's Controller's Office via email and copying Planning and Development Manager of each sale or acquisition of a NSP home. A standardized format is utilized stating the property address, the fund from which funds were drawn for its acquisition, the acquisition price, the sales price (both full and net), and the appropriate property ID number. As of April 24, 2014, the Controller's records was properly reconciled with the Department's records.

Going forward, the Community Development Director and Finance Director will include a review of the Capital Assets Ledger as part of the quarterly reporting process in DRGR. All requests to the Controller's Office and a current copy of the Capital Assets ledger will be filed as attachments to the NSP quarterly reports. Anticipated completion date is April 2014; the

new process of verifying the Capital Assets Ledger as part of the QPR preparation was first done in April 2015.

Matching, Level of Effort, and Earmarking

The City disputes this finding. The very structure of the DRGR system forces the City to budget and allocate funds to activities based on their national objective. The system contains a national objective that specifically tracks the budgeted and expended amount for the 25% set-aside for low income beneficiaries. This is the control that ensures disbursements were recorded and earmarked for LIH, LMMIH, and administration. There is no requirement to track this level of programmatic detail in the City's General Ledger. The city referenced attachment #1, as an example that shows how DRGR collects and tracks the set-aside.

As to the claim that there are no controls in place to that payroll expenditures were properly coded for administration and program costs by IDIS number, the City uses DRGR, not IDIS, to reimburse NSP expenditures. Further, the City does not charge program delivery costs for NSP, only administrative costs. Time allocated to NSP administration is collected on weekly timesheets. To reimburse the City for personnel charged to NSP, the Department develops a spreadsheet that tracks the loaded hourly rate of each person based on the person's annual salary and fringe benefits. Using the reviewed timesheets, the total cost for the staff person is allocated to each cost objective. As part of the reimbursement process in DRGR, the reimbursement request is prepared by the Finance Manager and reviewed and approved by the Community Development Director.

Going forward the City will develop and adopt a written procedure that clarifies the existing process and provided for documentation for the existing internal control. Anticipated completion date is June 1, 2014.

Period of Availability

The City disputes this finding. Based on the CDBG regulations, the City is allowed to incur costs prior to the effective date of the grant agreement provided the following;

- The activity for which the costs are being incurred is included in a consolidated plan and action plan;
- Citizens are advised of the extent to which these pre-award costs will affect future grants;
- The costs and activities funded area in compliance with the requirements of CDBG and with the Environmental Review Procedures as stated in 24 CFR Part 58;
- The activity for which payment is being made complies with the statutory and regulatory provisions in effect at the time the time the costs are paid for with CDBG funds;
- CDBG payment will be made during a time no longer than the next two program years following the effective date of the grant agreement or amendment in which the activity is first included; and

- The total amount of pre-award costs to be paid during any program year pursuant to this provision is not more than the greater of 25 percent of the amount of the grant made for that year or \$300,000.

The City incurred administrative costs before the effective date of the grant agreement. Every year, the City describes the use of funds for administration in the Annual Action Plan, prepares an environmental review, and complies with the statutory and regulatory provisions associated with the use of administrative funds, including not obligating more than 20% of funds for administration and planning purposes.

Going forward, the City will develop and adopt a written procedure that clarifies the existing process and calls for documentation of approval from the Executive Director before pre-award costs are incurred in the future. Anticipated completion date is June 1, 2015.

Procurement

The City will develop and adapt policies that guide procurement and contract management, including the review and approval of all change orders. Anticipated completion date is June 1, 2015.

Suspension and Debarment

The City will develop and adopt policies that guide procurement and contract management, including the determination of debarment and suspension. Going forward, the printed documentation from sam.gov will be included as an attachment to the contract. Anticipated completion date is June 1, 2015.

Program Income

At the time of closing of each NSP property, the proceeds from the sale were transferred from the Housing Manager to the Department Finance Manager. The Finance Manager recorded the receipt in the Department ledger and forwarded the check to the Controller for receipt into the General Ledger.

The Housing Manager included the reporting of program income in the quarterly report in DRGR, as required by HUD. As part of the drawdown process, the Finance Manager and Housing Manager would reconcile the amounts of program income recorded in DRGR, The Departmental Ledger, and the City's general ledger.

Going forward, the City will develop and adopt written procedures that detail the recording and monitoring of program income. Anticipated completion date is July 1, 2015.

Reporting

Going forward, the City will develop and adopt procedures that detail the reporting procedures for NSP. Anticipated completion date is June 1, 2015.

Subrecipient Monitoring

The City has updated its CDBG subrecipient agreement to include language that mandates subrecipients to report and comply with the updated audit requirements that went into effect in December 2014. The city included as attachment 2, a copy of the updated agreement. Anticipated completion date is April 2015.

Special Tests and Provisions: Citizen Participation

The City disputes this finding. The statement that one employee is in charge of ensuring compliance with the citizen participation plan is incorrect. The process for preparing the required planning documents, including the citizen participation requirements of the public notice, public comment periods, and public hearings is a collective effort that includes the Executive Director, the Community Development Director, the Social Service Coordinator, and the City's HUD consultant.

The City has adopted and follows a Citizen Participation Plan to prepare its Consolidated Plan, Annual Action Plan, and its annual report, as well as substantial amendments to these documents.

Going forward the City will develop and adopt a grants management schedule that includes all required citizen participation planning tasks. The City will document review and completion of the required tasks by management staff, including the Community Development Director and the Executive Director. Anticipated completion date is June 1, 2015.

HUD Management Decision: The HUD Office of Community Planning and Development (CPD) has determined that we sustain the auditors finding.

HUD Required Corrective Action: A large portion of this finding is a repeat finding from the 2012 Audit, Finding #2012-04. The corrective action will be broken out by specific subsection and will also detail the previous audit resolution if applicable and any additional information/documentation required.

Allowable Costs and Cost Principles

2012 Audit Resolution: Not listed in 2012 Audit.

Current Corrective Action: On August 11, 2015, an administrative draw was processed in the IDIS system for \$17,600.62. The City must submit a summary sheet regarding the draw which should include the employee time, timeframe, # of hours and hourly rate of pay (including fringe if applicable) and all supporting timesheets to document the hours being drawn.

Davis-Bacon Act

2012 Audit Resolution: The City of Hammond submitted policies and procedures to document the procedures were being followed.

Current Corrective Action: Please submit the current policies and procedures over the Davis-Bacon Act including staff positions that would be responsible for ensuring compliance over Davis Bacon projects.

Equipment and Real Property Management

2012 Audit Resolution: The City of Hammond submitted documentation of a ledger that had been received to include all necessary corrections.

Current Corrective Action: The new process of verifying the Capital Assets Ledger was completed for the first time in April 2015 with the preparation of the Quarterly Performance Report. The City must submit a copy of the reconciliation of the Capital Assets Ledger for the period ending September 30, 2015.

Matching, Level of Effort and Earmarking

2012 Audit Resolution: This issue was not addressed in the 2012 audit.

Current Corrective Action: The City of Hammond utilized the DRGR system which documents the 25% set-aside project so no further information will be required. The administrative part of this issue will be handled under the section. Allowable Costs and Cost Principles.

Period of Availability

2012 Audit Resolution: The Indianapolis Office calculated the City of Hammond's current CDBG ratio as 1.27.

Current Corrective Action: The City's ratio as of December 22, 2015 is 1.16 and will meet the next compliance test that will be measured on February 2, 2016. Nothing further is needed in this section.

Procurement

2012 Audit Resolution: This issue was not addressed in the 2012 audit.

Current Corrective Action: The City must submit the policies and procedures that outline the requirements when a construction contract requires an amendment to the contract amount.

Suspension and Debarment

2012 Audit Resolution: The city would be developing a procurement policies guide and contract management.

Current Corrective Action: The city must do the following: (a) Under Activity #1514, the city administers its CDBG Owner Occupied Rehabilitation Program. Please email Ms. Kincaid within 10-days of receipt of this letter, a property listing of the homes rehabilitated under this activity. Ms. Kincaid will select a couple of property addresses of which the following is

required to be submitted: executed construction contract and documentation that all contractors and subcontractors have been verified at www.sam.gov documenting contractors(s) are not listed on HUDs Debarred list. (b) Submit the procurement policies and construction management guide that was developed.

Program Income

2012 Audit Resolution: This issue was not addressed in the 2012 audit as currently listed.

Current Corrective Action: An entire inventory listing of NSP properties, status of each property, date sold and amount of program income. Additionally, documentation that the program income received has been verified against the amount recorded in DRGR.

Reporting

2012 Audit Resolution: This issue was addressed in the 2012 but not in the manner in which it is covered in the 2013 audit.

Current Corrective Action: This issue will be handled under Finding 2013-007. Nothing further is needed in this section.

Subrecipient Monitoring

2012 Audit Resolution: This issue was addressed in the 2012 but not in the manner in which it is covered in the 2013 audit.

Current Corrective Action: The city should submit all subrecipient monitoring that was conducted in calendar year 2015 including all documentation and correspondence sent and received.

Special Tests and Provisions: Citizen Participation

2012 Audit Resolution: This issue was not addressed in the 2012 audit as currently listed.

Current Corrective Action: The city should submit documentation that the current citizens participation plan has been reviewed by upper management and a statement that it meets the requirements as listed in 24 CFR Part 91.105.

City of Hammond Response (February 16, 2016): The following is by area the City of Hammond's response.

Allowable Costs and Cost Principles: The August 11, 2015 drawdown did not include payroll expenses. The city did create a payroll draw on August 13, 2015. The city submitted the following attachments: (1) Attachment A: Payroll Draw Summary Sheet; (2) Attachment B: Timesheets for the three months covered by the payroll draw; and (3) Attachment C: Payroll Record reflecting payroll payments disbursed.

Davis-Bacon Act: The city submitted the following attachments: (1) Attachment D: City of Hammond CDBG Labor Standards Policies and Procedures; and (2) Attachment E: Labor Standards Policies and Procedures Exhibits.

Equipment and Real Property Management: The city submitted Attachment F: Capital Assets Ledger reconciliation for the period ending September 30, 2015.

Matching, Level of Effort and Earmarking: Nothing required to be submitted by the City of Hammond as being handled under the Section, *Allowable Costs and Cost Principles*.

Period of Affordability: Nothing required to be submitted by the City of Hammond.

Procurement: The City of Hammond did not have a specific policy in place covering amendments of construction contracts. Rather, the provisions of each contract itself governed the process of amending the contract. The following outlines the contract language: Project expenses (excluding developer fee) shall be paid based on vouchers for actual expenses incurred or paid. Requests for payment must be submitted by the AWARDEE on forms specified by the CITY, with adequate and proper documentation on eligible costs incurred in compliance with 92.206 and necessary for HUD IDIS disbursement requirements. All such expenses shall be in conformance to the approved project budget. Budget revision and approval shall be required prior to payment of any expenses not conforming to the approved project budget.

For most housing-related contracts, the City holds a contingency amount, usually 10-15 percent of the contract amount. This contingency would allow the city to quickly approve a small change order. Change orders in excess of this amount would require city staff to gain approval via the City Council.

Suspension and Debarment: The City submitted a listing of the property addresses rehabilitated under IDIS activity #1514. Ms. Kincaid selected 1632 Brown and 618 Conkey for the construction contract to be submitted and documentation that the contractor had been verified at www.sam.gov. The city submitted via email on March 8, 2016 the construction contract and www.sam.gov verification on both addresses listed as well as the construction management guide that was developed.

Program Income: The city submitted Attachment H: Schedule of NSP Properties and Associated DRGR program income receipts.

Reporting: Nothing was required to be submitted as HUD is handling this under Finding 3013-007.

Subrecipient Monitoring: The city submitted Attachment I: Documentation and correspondence related to the 2015 calendar year monitoring.

Special Tests: Citizen Participation: The city submitted Attachment J: Statement regarding the current citizen participation plan.

Indianapolis HUD Office Response: The City of Hammond submitted the documentation requested under each subsection listed above. The documentation/information submitted was reviewed and found adequate to resolve this finding. No further action is required.

FINDING 2013-005 – ALLOWABLE COSTS AND COST PRINCIPLES, EARMARKING

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B-11-MC-18-0006; B-12-MC-18-0006

Condition: The City received Community Development Block Grant (CDBG) funds to develop a viable urban community by providing decent housing, a suitable living environment, and expanded economic opportunities principally for persons of low and moderate income.

Criteria: Noncompliance was noted with the following compliance requirements of the CDBG program:

Cause:

Allowable Costs and Cost Principles

The City did not comply with the Allowable Costs and Cost Principles requirements of the CDBG program when reimbursement was requested for payroll costs originally disbursed in October 2011 through June 2012. The Department of Housing and Urban Development (HUD) requires that CDBG requests for reimbursement of payroll costs be supported by time by project or general administrative activities.

On March 28, 2013, the City requested reimbursement of \$399,554.97 in payroll costs originally disbursed in October 2011 through June 2012. This was the only voucher in 2013 requesting reimbursement for payroll costs and included both grants B-11-MC-18-0006 and B-12-MC-18-0006. The total payroll amounts were supported by timesheets; however, the amounts claimed by project were \$88,671.37 in excess of the supported time allocation documents. The official requested the amounts by project based upon the budget amounts available and not yet drawn; versus the actual payroll costs with timesheet allocation documentation. See the following table for details of the payroll costs in the request for reimbursement, the timesheet allocation by project supporting documentation, and the variance.

Grant Number and Project Name	Amount Claimed in Voucher (reimbursement request)	Supported by payroll detail	Variance	Excess Claimed
B-11-MC-18-0006				
CDBG Administration	\$229,326.74	\$209,284.92	\$20,041.82	\$0.00
Economic Development Program Delivery	0.00	\$87,600.67	(87,600.67)	0.00
Homebound	18,756.95	39,869.47	(21,112.52)	0.00
Disability Ramp	16,618.00	13,386.52	3,231.48	3,231.48
Emergency Housing Repair	4,894.89	3,704.49	1,190.40	1,190.48
Subtotal for B-11-MC-18-0006	269,596.58	353,846.07	(84,249.49)	4,421.88
B-12-MC-18-0006				
Emergency Housing Repair	10,795.11	0.00	10,795.11	10,795.11
Façade/Roof Rebate	47,070.00	6,536.05	40,533.95	40,533.95
Project Pride Paint	50,623.63	21,148.93	29,474.70	29,474.70
Day Care	8,974.90	6,258.69	2,716.21	2,761.21
Youth Sports	12,494.75	11,765.23	729.52	729.52
Subtotal for B-12-MC-18-0006	129,958.39	45,708.90	84,249.49	84,249.49
Totals	399,554.97	399,554.97	0.00	88,691.37

The total claimed in excess of the supporting payroll detail is comprised of \$4,421.88 from grant for B-11-MC-18-0006 and \$84,249.49 from grant for B-12-MC-18-0006. Because the reimbursement request was not supported by actual allocation of time documents, the costs are not allowable and the entire \$88,691.37 is considered question costs.

Earmarking

The City did not properly encode or earmark the October 2011 through June 2012 actual payroll costs included in the \$399,554.97 request for reimbursement from March 28, 2013, for both grant for B-11-MC-18-0006 and grant for B-12-MC-18-0006. A total of \$217,426.38 was not properly encoded or earmarked. See the following table for the details by project code or earmark:

Grant Number and Project Name	Amount Claimed in Voucher (reimbursement request)	Supported by payroll detail	Variance	Excess Claimed
B-11-MC-18-0006				
CDBG Administration	\$229,326.74	\$209,284.92	\$20,041.82	\$20,041.82
Economic Development Program Delivery	0.00	\$87,600.67	(87,600.67)	87,600.67
Homebound	18,756.95	39,869.47	(21,112.52)	21,112.52
Disability Ramp	16,618.00	13,386.52	3,231.48	3,231.48
Emergency Housing Repair	4,894.89	3,704.49	1,190.40	1,190.48
Subtotal for B-11-MC-18-0006	269,596.58	353,846.07	(84,249.49)	133,176.89
B-12-MC-18-0006				
Emergency Housing Repair	10,795.11	0.00	10,795.11	10,795.11
Façade/Roof Rebate	47,070.00	6,536.05	40,533.95	40,533.95
Project Pride Paint	50,623.63	21,148.93	29,474.70	29,474.70
Day Care	8,974.90	6,258.69	2,716.21	2,761.21
Youth Sports	12,494.75	11,765.23	729.52	729.52
Subtotal for B-12-MC-18-0006	129,958.39	45,708.90	84,249.49	84,249.49
Totals	399,554.97	399,554.97	0.00	88,691.37

OMB Circular A-87, Attachment A, Part C, Basic Guidelines states in part:

- “1. Factors affecting allowability of costs. To be allowable under Federal awards, cost must meet the following general criteria:
- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
 - b. Be allowable to Federal awards under provisions of this Circular.
 - c. Be authorized or not prohibited under State or local laws or regulations.
 - d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to the types or amounts of cost items.
 - e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
 - f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances had been allocated to the Federal award as an indirect cost.
 - g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.
 - h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
 - i. Be the net of all applicable credits.
 - j. Be adequately documented....

3. Allocable Costs

- a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assigned to such cost objective in accordance with relative benefits received....”

24 CFR Part 570.200(g) states:

“Limitation on planning and administrative costs. No more than 20 percent of the sum of any grant, plus program income, shall be expended for planning and program administrative costs, as defined in 570.205 and 507.206, respectively. Recipients of entitlement grants under subpart D of this part shall conform with this requirement by limiting the amount of CDBG funds obligated for planning plus administration during each program year to an amount no greater than 20 percent of the sum of its entitlement grant made for that program year (if any) plus the program income received by the recipient and its subrecipients (if any) during that program year.”

24 CFR 570.206 states in part:

“Payment of reasonable administrative costs and carrying charges related to the planning and execution of community development activities assisted in whole or in part with funds provided under this part and, where applicable, housing activities (described in paragraph (g) of this section) covered in the recipient's housing assistance plan. This does not include staff and overhead costs directly related to carrying out activities eligible under § 570.201 through § 570.204, since those costs are eligible as part of such activities.

- (a) **General management, oversight and coordination.** Reasonable costs of overall program management, coordination, monitoring, and evaluation. Such costs include, but are not necessarily limited to, necessary expenditures for the following:
 - (1) Salaries, wages, and related costs of the recipient's staff, the staff of local public agencies, or other staff engaged in program administration. In charging costs to this category the recipient may either include the entire salary, wages, and related costs allocable to the program of each person whose *primary* responsibilities with regard to the program involve program administration assignments, or the pro rata share of the salary, wages, and related costs of each person whose job includes *any* program administration assignments. The recipient may use only one of these methods during the program year (or the grant period for grants under subpart F)....”

Effect: The failure to materially comply with the compliance requirements that have a direct and material effect on the program places the City at risk of not receiving additional federal funding.

Questioned Costs: Yes. See section on cause.

Recommendation: The SBOA recommends that the City comply with the grant agreement and the compliance requirements listed above.

Views of Responsible Officials and Planned Corrective Action: The City agrees that the payroll reimbursement in question was not properly reviewed and funds were reimbursed against the wrong IDIS activity numbers. The City will reconcile the payroll in question. Going forward, the City will update written policies and procedures to review and approve payroll draws.

It should be noted that the auditor misinterprets several federal regulations in this finding. Specifically:

- The auditor cites the City's failure to comply with the "earmarking" requirements of the CDBG and cites 24 CFR 570.200(g) describing the limitation on planning and administrative costs. This regulation is based on the amount of funds obligated to planning and administrative costs. Every year, the City adopts a CDBG budget where planning and administrative costs is at or below 20 percent of the annual allocation. At the end of every year, the City has submits to HUD to review the PR26 CDBG Financial Summary Report documenting compliance with this limitation.

Anticipated completion date is June 1, 2015.

HUD Management Decision: The HUD Office of Community Planning and Development (CPD) has determined that we sustain the auditors finding.

HUD Required Corrective Action: The City must submit its written policies and procedures over reviewing and approving payroll draws. In addition, the payroll supporting documentation that was requested in Finding #2013-004, the city should submit documenting regarding the review and approval of the payroll.

City of Hammond Response (February 16, 2016): The city submitted Attachment K: Payroll Policies and Procedures.

Indianapolis HUD Office Response: The City of Hammond submitted the documentation requested. The documentation/information submitted was reviewed and found adequate to resolve this finding. No further action is required.

FINDING 2013-006 – EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B-08-MN-18-0006; B-12-MN-18-0006

Condition: The City receives Neighborhood Stabilization Program (NSP) funds for the acquisition and rehabilitation of foreclosed and/or vacant residential homes.

Criteria: Of the thirteen NSP real properties sold in 2013, the official City Capital Assets Ledger did not report the federal percentage for twelve properties, incorrectly reported the net sale proceeds (disposal) amounts for two properties, and incorrectly reported the disposal date for one property.

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

24 CFR 85.3 states in part:

"Equipment means tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above."

24 CFR 85.31 states in part:

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

(b) Use. Except as otherwise provided by Federal statutes, real property will be used for the originally authorized purposes as long as needed for that purposes, and the grantee or subgrantee shall not dispose of or encumber its title or other interests...."

24 CFR Part 85.32 states in part:

"(d) **Management requirements.** Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. ..."

Effect: The failure to comply with the compliance requirements over equipment and real property management places the City at risk of not receiving additional federal funding.

Questions Costs: None

Recommendation: The SBOA recommends that the City comply with the grant agreement and compliance requirements for the Equipment and Real Property Management.

Views of Responsible Officials and Planned Corrective Action: In response to the previous monitoring, the Housing Manger began reviewing the Capital Assets ledger on a periodic basis and sending email requests to the Controller's office when the Capital Assets ledger needed correction. The NSP Manager notifies the City's Controller's Office via email and copying Planning and Development Management of each sale or acquisition of a NSP home. A standardized format is utilized stating the property address, the fund from which funds were drawn for its acquisition, the acquisition price, the sale price (both full and New), and the appropriate property ID Number. As of April 24, 2014, the Controller's records were properly reconciled with the Department's records.

Going forward, the Community Development Director and Finance Manager will include a review of the Capital Assets Ledger as part of the quarterly reporting processing DRGR. All requests for updates to the Controller's office and a current copy of the Capital Assets ledger will be files as attachments to the NSP quarterly reports. The anticipated completion date is April 24, 2014. The new process of verifying the Capital Assets Ledger as part of the QPR preparation was done in April 2015.

HUD Management Decision: The HUD Office of Community Planning and Development (CPD) has determined that we sustain the auditors finding.

HUD Required Corrective Action: This is a repeat finding from the 2012 audit, Finding #2012-05. The City indicated to resolve Finding #2012-05 that the city would begin quarterly reconciliation. According to the city's response to the 2013 audit, the first reconciliation was completed April 2015. For the period, July 1, 2015-September 30, 2015, please submit the reconciliation that was completed to ensure the listing is current.

City of Hammond Response (February 16, 2016): The city submitted Attachment F: Capital Assets Ledger Reconciliation for the period ending September 30, 2015.

Indianapolis HUD Office Response: The City of Hammond submitted the documentation requested. The documentation/information submitted was reviewed and found adequate to resolve this finding. No further action is required.

FINDING 2013-007 – REPORTING

Federal Agency:	Department of Housing and Urban Development
Federal Program:	Community Development Block Grants/Entitlement Grants
CFDA Number:	14.218
Federal Award Numbers:	B-11-MC-18-0006; B-12-MC-18-0006; b-08-mc-18-0006, & b-11-MN-18-0006

Condition:

Community Development Block Grant – Federal Funding Accountability and Transparency Act Sub-Award Report

The City was the prime awardee for a Community Development Block Grant (CDBG). As a prime awardee, the City is required to report in the Federal Funding Accountability and Transparency Act (FFATA). Sub-award Reporting System (FSRS) on its sub-grants in accordance with 2 CFR Chapter 1, part 170, Reporting Sub-award and Executive Compensation Information. Prime awardees are required to file a FFATA sub-award report by the end of the month following the month in which the prime awardee awards any sub-grant equal to or greater than \$25,000. In 2013, the City awarded three subgrantees of at least \$25,000 but not FFATA reports were files in 2013 or 2014.

Neighborhood Stabilization Program – Quarterly Performance Reports on the Disaster Recovery Grant Reporting System

The Department of Housing and Urban Development (HUD) requires online quarterly performance reports through the Community Development Systems, Disaster Recovery Grant Reporting System (DRGR) for the Neighborhood Stabilization Program (NSP), NSP 1 and NSP 3. A comparison of the disbursement amounts on the quarterly report and the City's ledger revealed that the City's ledger was not used to complete the reports. The total funds expended per the quarterly reports for 2013 totaled \$2,091,804.91; however, the total total reported expended for NSP in 2013 per the City's ledgers totaled \$1,682,405.40; a difference of \$409,399.51. The City was unable to provide documentation to reconcile the City ledgers to the amounts filed in the quarterly reports.

2 CFR, Appendix A to Part 170, states in part:

“a. Reporting of first-tier subawards.

1. *Applicability.* Unless you are exempt as provided in paragraph d. of this award term, you must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5) for a subaward to an entity (see definitions in paragraph e. of this award term).
2. *Where and when to report.*
 - i. You must report each obligating action described in paragraph a.i. of this award term to <http://www.fsrs.gov>.
 - ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)
3. *What to report.* You must report the information about each obligating action that the submission instructions posted at <http://www.fsrs.gov> specify....”

24 CFR 85.20(b) states in part:

“The financial management systems of other grantees and subgrantees must meet the following standards:

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

Criteria: HUD cannot adequately monitor the grant funds, or adequately assess their needs if reports are not filled or incorrectly completed.

Cause: No attempt was made to reconcile the City’s NSP disbursements ledger to the quarterly reports for HUD.

Effect: The failure to submit required reports or the submission of inaccurate financial reports could inhibit the City’s ability to receive further federal financial assistance.

Questions Costs: None

Recommendation: We recommend that the City prepare accurate and complete reports in accordance with HUD’s guidelines.

Views of Responsible Officials and Planned Corrective Action: Going forward, the City will develop and adopt written procedures detailing federal reporting procedures that specifically include FFATA reports. The procedures will also include detailed instructions on completing

NSP reporting requirements, of which reconciliation with the General Ledger will be a part. Anticipated completion date is June 1, 2015.

HUD Management Decision: The HUD Office of Community Planning and Development (CPD) has determined that we sustain the auditors finding.

HUD Required Corrective Action: This is a repeat finding from the 2012 audit, Finding #2012-07.

This finding is different enough on the required reports listed that the Indianapolis Field Office will focus on the information contained within this finding. The City of Hammond should submit the policies and procedures that were developed detailing the federal reporting procedures and documentation. Additionally, the city should submit the reconciliation with the general ledger that was completed as part of the city’s response to this finding.

City of Hammond Response (February 16, 2016): The city submitted the following attachments: (1) Attachment L: Federal Reporting Policies and Procedures and (2) Attachment M: NSP Reconciliation with General Ledger.

Indianapolis HUD Office Response: The City of Hammond submitted the documentation requested. The documentation/information submitted was reviewed and found adequate to resolve this finding. No further action is required.

FINDING 2013-008 – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B-11-MC-18-0006; B-12-MC-18-0006; B-08-MN-18-0006, & B-11-MN-18-0006

Condition: The City prepared a Summary of Prior Audit Findings (Schedule) as required by OMB Circular A-133. We reviewed the Schedule and noted that management had not taken corrective action as indicated concerning the following finding from the prior audit:

Finding 2012-004: Internal Controls Over Compliance Requirements that Have a Direct and Material Effect on the CDBG-Entitlement Grants Cluster

Finding 2012-005: Noncompliance with Equipment and Real Property Management Requirements of the Community Development Block Grants/Entitlement Grants

Finding 2012-007: Reporting of Community Development Block Grants

Cause: City officials indicated in the Schedule that these three findings had been corrected. However, there are current findings for these same three requirements for the 2013 Community Development Block Grants/Entitlement Grants. The City did not comply with these requirements as detailed in the following findings:

Finding 2013-004: Internal Controls Over Community Development Block Grants/Entitlement Grants

Finding 2013-006: Equipment and Real Property Management

Finding 2013-007: Reporting
OMB Circular A-133, Subpart C, Section 315 states in part:

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

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

(2) When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken.

(3) When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule shall provide an explanation.

Effect: The failure to comply with the compliance requirements concerning the Schedule places the City at risk of not receiving additional federal funds.

Questions Costs: None

Recommendation: The SBOA recommended that officials review any correction action listed to ensure an accurate Schedule is prepared.

Views of Responsible Officials and Planned Corrective Action: In 2014, the City worked with the local HUD office to close all monitoring findings on the 2012 schedule of audit findings. HUD's correspondence regarding the audit findings is included at Attachment #03. In the future, the City will work closely with the State Board of Accounts to properly prepare the next schedule of prior audit findings.

HUD Management Decision: The HUD Office of Community Planning and Development (CPD) has determined that we sustain the auditors finding.

HUD Required Corrective Action: This finding deals with the repeat findings that appear the city has not taken/documented required corrective action as the city indicated would be done. However, each of the repeat findings and information required has been detailed within the required action section of Findings 2013-004, 2013-006, and 2013-007.

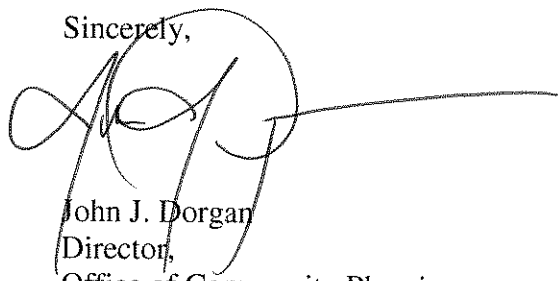
City of Hammond Response (February 16, 2016): Nothing was required to be submitted as HUD is handling this under Findings 2013-004, 2013-006, and 2013-007.

Indianapolis HUD Office Response: This finding was resolved in correspondence dated December 23, 2015.

All findings associated with your 2013 audit have been resolved and nothing further is needed.

If you have any questions regarding this letter, please contact Michelle Kincaid, Senior CPD Representative at 317-957-7292 or via email at michelle.l.kincaid@hud.gov.

Sincerely,



John J. Dorgan
Director,
Office of Community Planning
and Development

cc: Heather Garay, City Controller
City of Hammond

SANITARY DISTRICT of HAMMOND

5143 COLUMBIA AVENUE
HAMMOND, INDIANA 46327-1794
TELEPHONE (219) 853-6413
FAX (219) 853-6321

Board of Sanitary Commissioners

DEAN BUTTON, PE
MICHAEL DYE
MATTHEW J. MUTA
SAM DIMOPOLOS
MICHAEL R. HAWKINS SR.



THOMAS MCDERMOTT, JR.
Mayor

MARTY WIELGOS
District Manager

RACHEL MONTES
Business Manager

JOSEPH P. ALLEGRETTI
Legal Counsel

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2013-009

Fiscal year in which the finding initially occurred: **2013**

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: **Indiana Finance Authority**

Contact Person Responsible for Corrective Action: **Rachel Montes, Business Manager**

Contact Phone Number: **219-853-6413**

Status of Audit Finding:

Davis-Bacon Act: The corrective action plan was prepared in midyear 2015 with an expected completion date of 12/31/15. No corrective action was implemented in the year 2014. The correction action plan was implemented in 2015.

1. The District will ensure that the Davis-Bacon Act requirements are included with all the required contracts for projects financed with state revolving funds.
2. Specifically, the Deputy District Manager will review each claim submitted for payment and will ensure that certified payrolls are being submitted by the contractors prior to submitting claims to be paid.

Procurement, Suspension and Debarment: The corrective action plan was prepared in midyear 2015 with an expected completion date of 12/31/15. No corrective action was implemented in the year 2014. The correction action plan was implemented in 2016.

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

Rachel Montes
(Signature)

Business Manager
(Title)

9/1/14
(Date)

SANITARY DISTRICT of HAMMOND

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THOMAS McDERMOTT, JR.
Mayor

MARTY WIELGOS
District Manager

RACHEL MONTES
Business Manager

JOSEPH P. ALLEGRETTI
Legal Counsel

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2013-010

Fiscal year in which the finding initially occurred: **2013**

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: **Indiana Finance Authority**

Contact Person Responsible for Corrective Action: **Rachel Montes, Business Manager**

Contact Phone Number: **219-853-6413**

Status of Audit Finding:

Davis-Bacon Act: The corrective action plan was prepared in midyear 2015 with an expected completion date of 12/31/15. No corrective action was implemented in the year 2014. The correction action plan was implemented in 2015.

1. The District will ensure that the Davis-Bacon Act requirements are included with all the required contracts for projects financed with state revolving funds.
2. Specifically, the Deputy District Manager will review each claim submitted for payment and will ensure that certified payrolls are being submitted by the contractors prior to submitting claims to be paid.

Rachel Montes
(Signature)

Business Manager
(Title)

9/1/14
(Date)



Heather Garay, J.D.
Controller

CITY OF HAMMOND

November 2, 2016

CORRECTIVE ACTION PLAN

FINDING 2014-001 – FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Heather Garay, City Controller
Contact Phone Number: 219-853-6324

Corrective Action Plan:

1. Lack of Segregation of Duties:

City:

- a. We concur with the finding and have taken steps since the last audit to make corrections. Due to the timing of the 2013 audit, many corrections were not put in place until after the current audit year.

These duties were segregated in July of 2015 to address the finding in the 2013 audit. After July, 2015, receipt clerk recorded the receipts and prepared the deposit. Another employee reviewed the deposit and took the collections to the bank. Going forward, the receipt clerk will record the receipts on the RDS system. Another employee will balance cash and credit card receipts to the system generated report, preparing the deposit. The receipt clerk will verify the deposit amount and take collections to the depository. Each employee will sign the deposit and receipt report verifying accuracy.

Anticipated Completion Date: January 1, 2017

- b. We concur with the finding.

The City's current payroll software does not allow us to enter set amounts for additional pay beyond overtime. Any other additional pay, such as wellness bonuses, acting pay, etc. must be entered on a weekly basis. Payroll Clerks in the Police, Fire and Public Works departments will continue to have the ability to enter these additional according to the department time sheets. All time sheets or employment records for additional pay must be signed by a department supervisor and copies must be submitted to the Controller's office Payroll Administrator for verification against the payroll forecast. The Payroll Administrator will sign the forecast and documentation indicating the amounts agree. The department payroll clerks will not have the ability to change regular salary amounts within the system.

Anticipated Completion Date: January 1, 2017

City of Hammond
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E-mail: garayh@gohammond.com



Heather Garay, J.D.
Controller

CITY OF HAMMOND

- c. We concur with the finding and have taken steps since the last audit to make corrections. Due to the timing of the 2013 audit, many corrections were not put in place until after the current audit year.

The City took steps to address a similar finding from the 2013 audit in July of 2015. The third party administrator provides the City with a check register of checks in the batch, claim details for each check and actual checks. The insurance administrator tests 10% of each batch for accuracy. Each tested check is audited against the check register and claim detail for accurate amounts, payee and check number. Copies of the tested checks are maintained with the batch documentation. All checks are totaled and this amount verified against the total noted on the check register. The insurance administrator will now sign a sheet for each test batch that indicates the checks tested and verified. Going forward, the insurance administrator will create a claim for each batch and will attach a copy of the check register to the claim for Council verification. All employee and other personal information will be redacted from this copy of the register. Once approved by Council, the claim will be reviewed and stamped by the accounts payable clerk like all other claims and returned to the insurance administrator to mail out checks.

Anticipated Completion Date: January 1, 2017

- d. We concur with the finding and have taken steps since the last audit to make corrections. Due to the timing of the 2013 audit, many corrections were not put in place until after the current audit year.

The City took steps to address a similar finding from the 2013 audit in July of 2015. The Payroll Administrator generates the withholding disbursements. The Deputy Controller prepares the quarterly withholding reports from the financial system. Going forward, any changes needed due to discrepancies between the disbursements and the reports will require review and signature by the Controller.

Anticipated Completion Date: January 1, 2017

2. *Monitoring of Controls:*

- a. We concur with the finding.

Management is in the process of developing and documenting an internal control plan for the City. The control plan will include guidelines for regular monitoring, testing and evaluation of controls to ensure continued effectiveness of controls and address new needs.

Management is working to improve the controls related to Cash and Investments and bank reconcilements. Management will obtain all trust statements and book activity in the system on a monthly basis. Trust information will be provided to the Banking Clerk for reconciliation. All banks will be reconciled to system generated record balances. Copies of record balances will be attached to bank reconcilements for monthly review by management.

Anticipated Completion Date: January 1, 2017

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

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Fax: 219.853.6345
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E-mail: garayh@gohammond.com



Heather Garay, J.D.
Controller

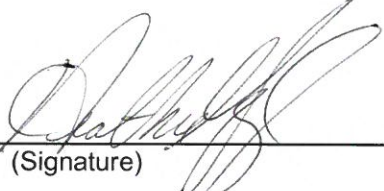
CITY OF HAMMOND

3. Preparing Financial Statements:

- a. We concur in the finding. However, it should be noted that due to the timing of the 2013 audit, prior year audited financials were not available at the original time of reporting.

The City, Water Utility, Sanitary District and Port Authority operate on separate and distinct financial software. Each business manager is responsible for entering financial information on Gateway for their unit. Business managers will be required to provide supporting documentation and explanations of all entries to the Controller for review prior submission. Documentation will include recorded balances for each fund. The Controller will verify that beginning balances for all funds match audited ending balances of prior year. Water Utility will provide the cash summary reported prepared for the Board to the Controller for verification of the clearing account. The completed financial report will be reviewed by another member of management for completeness and accuracy. The City is also exploring new financial software options that allow all units to be on the same system.

Anticipated Completion Date: February 1, 2017



(Signature)

Controller

(Title)

11/2/2014

(Date)

City of Hammond
Controller's Office
5925 Calumet Avenue
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SANITARY DISTRICT of HAMMOND

5143 COLUMBIA AVENUE
HAMMOND, INDIANA 46327-1794
TELEPHONE (219) 853-6413
FAX (219) 853-6321

Board of Sanitary Commissioners

DEAN BUTTON, PE
MICHAEL DYE
MATTHEW J. MUTA
SAM DIMOPOLOS
MICHAEL R. HAWKINS SR.



THOMAS MCDERMOTT, JR.
Mayor

MARTY WIELGOS
District Manager

RACHEL MONTES
Business Manager

JOSEPH P. ALLEGRETTI
Legal Counsel

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: **Rachel Montes**

Contact Phone Number: **219-853-6413 ext. 503**

Views of Responsible Official:

Sanitary District

Item G – Once a bill is entered into the system, no system user can adjust the bill. After approval from the Business Manager, the Accounts Receivable Clerk can enter a credit memo to adjust a bill. Beginning in January 2017, the Business Manager will initial all credit memos to confirm oversight.

Item J – It is a necessity for the payroll clerk to have the ability to change the pay rate of the employees due to the acting pay clause in the union contracts.

Description of Corrective Action Plan:

Item G – In late 2015, the Payroll Clerk began to prepare the collections for deposits. Due to the staffing size and budget constraints, the Sanitary District cannot separate the accounts receivable duties of preparing the receipts and recording the receipts to the accounting system.

Item H – Due to the staffing size and budget constraints, the Sanitary District cannot separate the accounts payable duties of recording the invoices and preparing the checks.

Item I – The current accounting software cannot restrict the ability to change the check number when printing checks. The Sanitary District is looking to switch software providers.

Item J – Due to the staffing size and budget constraints, the Sanitary District cannot separate the payroll clerk's duties.

Item K – As of January 2015, the Board of Commissioners began to approve the bank reconciliation report. As of July 2015, the accounting assistant began to review the bank reconciliation report for completeness and accuracy prior to presenting the report to the Board of Commissioners.

Item I – Due to the staffing size and budget constraints, the Sanitary District does not have an employee that reviews the cash amounts that are included in the City's financial statement.

For all the issues defined above, the District will explore testing or review procedures until additional staff can be budgeted.
Anticipated Completion Date: **January 2017**

Rachel Montis
(Signature)

Business Manager
(Title)

11/3/16
(Date)



Hammond Water Works Department

BUSINESS OFFICE
6505 COLUMBIA AVENUE
HAMMOND, INDIANA 46320-2554
TELEPHONE: (219) 853-6421
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BOARD OF DIRECTORS

Sharon Daniels
Bernard Grisolia
Robert Lendi
Paul Walker
Courtney Saczawa

MAYOR
Thomas M. McDermott, Jr.

CHIEF EXECUTIVE OPERATOR
Edward Krusa

ATTORNEY
Tim Ormes

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Deborah L. Van Meter
Contact Phone Number: 219-853-6424

We concur with the findings.

The Water Utility has made some internal changes to aid in reporting of the City Share income, for their wholesale customers.

The Water Utility has also entered into an agreement with Cender & Company LLC on need be basis. The Water Utility will submit the City's cash amounts for review and accuracy prior to submitting them to the City for reporting purposes.

Anticipated Completion Date: December 31, 2016

(Signature)

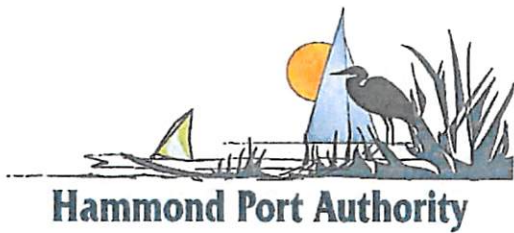
CEO

(Title)

November 7, 2016

(Date)





Hammond Port Authority

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

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CORRECTIVE ACTION PLAN

FINDING 2014 – 001e

Milan Kruszynski, Hammond Port Authority Director

Richard Szany, Finance Director

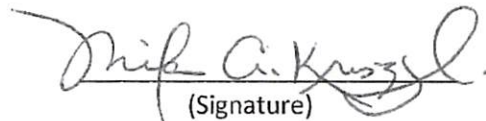
1-219-659-7678

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

After reviewing the purchase orders and account payable vouchers, the Port Authority Director will initial said documents by his signature stamp authorizing payment. In his absence, the Finance Director will review and initial said documents authorizing payment.

Anticipated Completion Date: November 2016


(Signature)

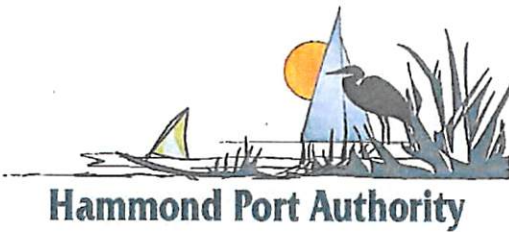
DIRECTOR
(Title)

11-2-2016
(Date)


(Signature)

FINANCE DIRECTOR
(Title)

11-2-2016
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2014 – 001f

Richard Szany, Port Authority Finance Director

1-219-659-7678

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

After month end close, The Finance Director forwards the data to an outside firm to prepare monthly and year-to-date financial statements. The Finance Director will review the financial statements prepared by the outside firm for completeness and accuracy on a monthly basis, initial said statements and file for future audits.

Anticipated Completion Date: June 2016

Richard Szany
(Signature)

FINANCE DIRECTOR
(Title)

11-2-2016
(Date)



Thomas M. McDermott, Jr.
Mayor

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND

PHIL TAILLON
Executive Director

CORRECTIVE ACTION PLAN

FINDING 2014-002 REPORTING

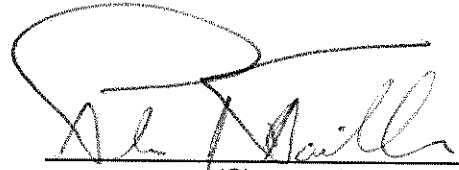
Contact Person Responsible for Corrective Action: **Phil Taillon**
Contact Phone Number: **(219) 853-7310**
Views of Responsible Official: **We concur with the finding.**

Description of Corrective Action Plan:

The City's Department of Planning and Development will perform a reconciliation of its 2014, 2015 and 2016 NSP DRGR quarterly reports with the City's General Ledger and the Department's FileMaker Pro financial system.

For future reports, the Department will follow a revised procedure (see attached) for reporting in DRGR.

Anticipated Completion Date: **1st Quarter 2017**



(Signature)

Executive Director

(Title)

11 / 4 / 2016

(Date)

NSP Quarterly Reporting Procedure

The City currently administers an NSP1 and an NSP3 grant. Until an NSP grant is closed, the City must prepare and submit a Quarterly Report in HUD's DRGR reporting system no later than 30 days after the close of each quarter. This procedure provides detailed information on completing the Quarterly Report for both NSP1 and NSP3.

- At the end of the quarter, the Community Development Director will request the Executive Director of United Neighborhoods Inc. to provide an update to the City regarding the status of each NSP-assisted property. The update must be provided within fifteen days of the end of the quarter.
- The Community Development Director will log in to DRGR and create the QPR for the period in question. For technical direction on using DRGR, please refer to the DRGR webpage on the HUD Exchange. The Community Development Director will use the information provided by UNI to update the narrative portions of the QPR. The Community Development Director will print a copy of the QPR.
- The Finance Manager will:
 - Prepare a schedule of NSP1 and NSP3 program income received during the quarter in question.
 - Prepare a schedule of NSP1 and NSP3 expenses paid by the City during the quarter in question.
 - Request the Finance Department to prepare the Summary of Fixed Assets by Funding Source from the General Ledger. The timeframe of the report should be run from the beginning of the NSP Program (2008) to the end of the current quarter.
 - Request City Controller or designated staff person to prepare expenditure detail report for NSP from General Ledger.
- The Community Development Director, Finance Manager, and Executive Director of UNI will review and reconcile the information on the DRGR QPR with schedules provided by the Finance Manager and the general ledger. Any corrections necessary will be summarized and noted in the QPR. Reconciliation will be provided to City Controller and Executive Director for review.
- The Community Development Director, Finance Manager, and Executive Director of UNI will review the Summary of Fixed Assets to ensure the general ledger accurately reflects NSP acquisitions and dispositions, including the acquisition cost, disposition cost and date, and federal percentage. Any necessary revisions will be forwarded to the City Comptroller's attention for correction.
- The Community Development Director will review the NSP QPR with the Executive Director of the Department. The review will include consideration of progress, obstacles, and potential

amendments.

- Within thirty days of the close of the quarter, the Community Development Director will submit the QPR via the DRGR system. Upon submittal, the Community Development Director will
 - save a copy of the QPR as a pdf.
 - Provide a copy of the pdf to the City webmaster for posting to the City web site.
 - File a copy of the QPR, schedule of program income and expenses, and the Summary of Fixed Assets Report in the NSP records.

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/>.