

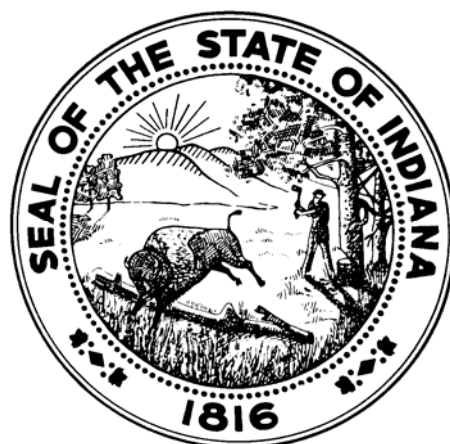
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2005

CITY OF HOBART

LAKE COUNTY, INDIANA



FILED
10/18/2006

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah A. Longer	01-01-04 to 12-31-07
Mayor	Linda M. Buzinec	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Linda M. Buzinec	01-01-04 to 12-31-07
President of the Common Council	Rebecca Juzwicki	01-01-05 to 12-31-06
City Judge	William J. Longer	01-01-04 to 12-31-07
Superintendent of Wastewater Utility	John Clemmons	01-01-05 to 12-31-06
Wastewater Utility Office Manager	Kay Chiabai	01-01-05 to 12-31-06



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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hobart (City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraphs, 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit indicated the existence of deficiencies in recordkeeping for the City and its enterprise fund which resulted in the inability of the City to generate an accurate annual report. These deficiencies included failure to post, or to accurately post, all receipts and disbursements to the prescribed accounting system, and failure to reconcile monthly the net bank balances to the Wastewater Utility fund ledger balances.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of adjustments, if any, that might have been determined to be necessary had we been able to examine evidence regarding corrections to the posting of receipts and disbursements, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In our opinion, except for the effects of adjustments, if any, that might have been determined to be necessary had we been able to examine evidence regarding corrections to the posting of revenues and expenses, the financial statements of the enterprise fund present fairly, in all material respects, the financial position of the major proprietary fund as of December 31, 2005, and the respective changes in financial position, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States.

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

In accordance with Government Auditing Standards, we have also issued a report dated August 16, 2006, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the table of contents, and Schedule of Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

August 16, 2006



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

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

We have audited the financial statements of the City of Hobart (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated August 16, 2006. The opinion to the financial statements was qualified due to deficiencies in recordkeeping which resulted in the inability of the City and Wastewater Utility to generate an accurate annual report. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

However, we noted certain immaterial instances of noncompliance that we have discussed with the management of the City on August 16, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the

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

internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we consider item 2005-1 to be a material weakness.

However, we noted other matters involving the internal control over financial reporting that we have discussed with the management of the City on August 16, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

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

STATE BOARD OF ACCOUNTS

August 16, 2006

CITY OF HOBART
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2005

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 7,388,090	\$ 3,224,237	\$ 40	\$ 219,615	\$ (3,944,198)	\$ -	\$ (3,944,198)
Public safety	7,401,264	92,446	188,256	-	(7,120,562)	-	(7,120,562)
Highways and streets	3,665,506	2,300	808,350	903,039	(1,951,817)	-	(1,951,817)
Sanitation	1,531,908	23,839	81,550	-	(1,426,519)	-	(1,426,519)
Culture and recreation	1,560,059	67,222	24,540	394,830	(1,073,467)	-	(1,073,467)
Urban redevelopment and housing	15,935	-	-	-	(15,935)	-	(15,935)
Principal and interest on long-term debt	16,373,446	-	-	-	(16,373,446)	-	(16,373,446)
Total governmental activities	37,936,208	3,410,044	1,102,736	1,517,484	(31,905,944)	-	(31,905,944)
Business-type activities:							
Wastewater	6,412,644	5,309,474	-	1,684,200	-	581,030	581,030
Total business-type activities	6,412,644	5,309,474	-	1,684,200	-	581,030	581,030
Total primary government	\$ 44,348,852	\$ 8,719,518	\$ 1,102,736	\$ 3,201,684	(31,905,944)	581,030	(31,324,914)
General receipts:							
Property taxes					19,977,734	-	19,977,734
Excise tax					865,972	-	865,972
FIT tax					112,253	-	112,253
ABC excise tax					18,100	-	18,100
ABC gallonage					53,277	-	53,277
Cigarette tax					161,935	-	161,935
Gaming taxes					328,500	-	328,500
Hotel motel tax					5,400	-	5,400
Refunds and reimbursements					171,630	-	171,630
Other local sources					190,791	-	190,791
Bonds and loan proceeds					16,772,845	-	16,772,845
Unrestricted investment earnings					147,406	84,093	231,499
Total general receipts					38,805,843	84,093	38,889,936
Change in net assets					6,899,899	665,123	7,565,022
Net assets - beginning					(722,489)	3,922,968	3,200,479
Reclassified Fund, Note III. C.					45,382	-	45,382
Net assets - restated					(677,107)	3,922,968	3,245,861
Net assets - ending					\$ 6,222,792	\$ 4,588,091	\$ 10,810,883
<u>Assets</u>							
Cash and investments					\$ (3,962,075)	\$ 2,406,385	\$ (1,555,690)
Restricted assets:							
Cash and cash investments					10,184,867	2,181,706	12,366,573
Total assets					\$ 6,222,792	\$ 4,588,091	\$ 10,810,883
<u>Net Assets</u>							
Restricted for:							
Debt service					\$ 352,108	\$ 1,411,444	\$ 1,763,552
Capital projects					9,332,992	-	9,332,992
Other purposes					499,767	770,262	1,270,029
Unrestricted					(3,962,075)	2,406,385	(1,555,690)
Total net assets					\$ 6,222,792	\$ 4,588,091	\$ 10,810,883

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

CITY OF HOBART
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	Redevelopment Commission	Riverboat Gaming	2002 General Obligation Bond Proceeds	2005 Park Bond Proceeds	Other Governmental Funds	Totals
Receipts:							
Taxes	\$ 17,889,610	\$ 240,373	\$ -	\$ -	\$ -	\$ 1,847,751	\$ 19,977,734
Licenses and permits	765,407	-	-	-	-	3,875	769,282
Intergovernmental	1,053,403	-	328,500	-	-	2,521,765	3,903,668
Charges for services	648,264	-	-	-	-	118,204	766,468
Fines and forfeits	83,526	-	-	-	-	8,756	92,282
Other	404,381	1,724	-	-	-	444,661	850,766
Total receipts	20,844,591	242,097	328,500	-	-	4,945,012	26,360,200
Disbursements:							
General government	5,486,012	-	-	15,400	-	2,170	5,503,582
Public safety	7,165,133	-	-	-	-	230,874	7,396,007
Highways and streets	179,490	-	496,726	-	-	2,747,404	3,423,620
Sanitation	1,439,665	-	-	-	-	3,797	1,443,462
Culture and recreation	-	-	-	-	68,309	529,532	597,841
Urban redevelopment and housing	1,089	4,635	-	-	-	10,211	15,935
Debt service:							
Principal	-	-	-	-	-	1,388,510	1,388,510
Interest	-	-	-	-	-	145,915	145,915
Capital outlay	-	-	-	-	-	1,583,651	1,583,651
Total disbursements	14,271,389	4,635	496,726	15,400	68,309	6,642,064	21,498,523
Excess (deficiency) of receipts over disbursements	6,573,202	237,462	(168,226)	(15,400)	(68,309)	(1,697,052)	4,861,677
Other financing sources (uses)							
Temporary loan repaid from agency fund	-	-	500,000	-	-	-	500,000
Tax anticipation warrant proceeds	8,699,112	-	-	-	-	2,439,115	11,138,227
Tax anticipation warrants repaid	(14,839,021)	-	-	-	-	-	(14,839,021)
Bond proceeds	-	-	-	-	5,134,618	-	5,134,618
Transfers in	-	-	-	-	-	38,388	38,388
Transfers out	(37,337)	-	-	-	-	(1,051)	(38,388)
Total other financing sources (uses)	(6,177,246)	-	500,000	-	5,134,618	2,476,452	1,933,824
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	395,956	237,462	331,774	(15,400)	5,066,309	779,400	6,795,501
Cash basis fund balance - beginning	(4,416,970)	478,472	662,785	2,858,796	-	(1,676,915)	(2,093,832)
Cash basis fund balance - ending	\$ (4,021,014)	\$ 715,934	\$ 994,559	\$ 2,843,396	\$ 5,066,309	\$ (897,515)	\$ 4,701,669
Amounts reported for governmental activities in the Statement of Net Assets are different because:							
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.							1,521,123
Net assets of governmental activities							\$ 6,222,792
Cash Basis Assets - December 31							
Cash and investments	\$ (4,021,014)	\$ 715,934	\$ 994,559	\$ -	\$ -	\$ (3,172,677)	\$ (5,483,198)
Restricted assets:							
Cash and investments	-	-	-	2,843,396	5,066,309	2,275,162	10,184,867
Total cash basis assets - December 31	\$ (4,021,014)	\$ 715,934	\$ 994,559	\$ 2,843,396	\$ 5,066,309	\$ (897,515)	\$ 4,701,669
Cash Basis Fund Balance - December 31							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 352,108	\$ 352,108
Capital outlay	-	-	-	2,843,396	5,066,309	1,423,287	9,332,992
Other purposes	-	-	-	-	-	499,767	499,767
Unrestricted	(4,021,014)	715,934	994,559	-	-	(3,172,677)	(5,483,198)
Total cash basis fund balance - December 31	\$ (4,021,014)	\$ 715,934	\$ 994,559	\$ 2,843,396	\$ 5,066,309	\$ (897,515)	\$ 4,701,669

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

CITY OF HOBART
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2005

	Wastewater Utility	Internal Service Fund
Operating receipts:		
Receipts from customers and users	\$ 5,010,131	\$ -
Charges for services - internal	-	1,702,579
Tap on Fees	235,815	-
Other	<u>63,528</u>	<u>483</u>
Total operating receipts	<u>5,309,474</u>	<u>1,703,062</u>
Operating disbursements:		
Salaries and wages	765,313	-
Employee pensions and benefits	312,479	-
Purchased wastewater treatment	820,925	-
Material and supplies	67,236	-
Contractual services	1,898,154	-
Miscellaneous	24,964	-
Insurance claims and premiums	<u>-</u>	<u>1,598,664</u>
Total operating disbursements	<u>3,889,071</u>	<u>1,598,664</u>
Excess of receipts over disbursements	<u>1,420,403</u>	<u>104,398</u>
Nonoperating receipts (disbursements):		
Interest and investment receipts	84,093	-
Capital outlay	(2,317,307)	-
Debt service of principal on GSD capital cost	(122,808)	-
Interest on revenue bonds	(10,538)	-
Interest on GSD capital cost	<u>(72,920)</u>	<u>-</u>
Total nonoperating receipts (disbursements)	<u>(2,439,480)</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(1,019,077)	104,398
Capital contributions	<u>1,684,200</u>	<u>-</u>
Excess of receipts and contributions over disbursements	665,123	104,398
Cash basis fund balance - beginning	<u>3,922,968</u>	<u>1,416,725</u>
Cash basis fund balance - ending	<u>\$ 4,588,091</u>	<u>\$ 1,521,123</u>
<u>Cash Basis Assets - December 31</u>		
Cash and investments	\$ 2,406,385	\$ 1,521,123
Restricted assets:		
Cash and investments	<u>2,181,706</u>	<u>-</u>
Total cash basis assets - December 31	<u>\$ 4,588,091</u>	<u>\$ 1,521,123</u>
<u>Cash Basis Fund Balance - December 31</u>		
Restricted for:		
Debt service	\$ 1,411,444	\$ -
Other purposes	770,262	-
Unrestricted	<u>2,406,385</u>	<u>1,521,123</u>
Total cash basis fund balance - December 31	<u>\$ 4,588,091</u>	<u>\$ 1,521,123</u>

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

CITY OF HOBART
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2005

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Additions:		
Employer contributions	\$ 1,600,796	\$ -
Agency fund additions	<u>-</u>	<u>5,615,183</u>
Total additions	<u>1,600,796</u>	<u>5,615,183</u>
Deductions:		
Benefits	1,341,156	-
Administrative and general	280	-
Agency fund deductions	<u>-</u>	<u>6,909,863</u>
Total deductions	<u>1,341,436</u>	<u>6,909,863</u>
Excess (deficiency) of total additions over total deductions	259,360	(1,294,680)
Cash and investments - beginning	<u>534,985</u>	<u>3,092,762</u>
Cash and investments - ending	<u>\$ 794,345</u>	<u>\$ 1,798,082</u>

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

CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS

I. 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 Town Council form of government and provides 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, wastewater, and urban redevelopment.

The City's financial reporting entity is composed of the Primary Government.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The redevelopment commission fund accounts for the redevelopment of the TIF I district.

The riverboat gaming fund accounts for the financial resources received from Lake County as gaming admissions taxes and may be used for any infrastructure for the City.

The 2002 general obligation bond proceeds fund accounts for the purchase of fire and police vehicles and computer equipment.

The 2005 park bond proceeds fund accounts for six separate park projects.

CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major proprietary fund:

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

Additionally, the City reports the following fund types:

The internal service fund accounts for health insurance risks provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police officers and 1937 firefighters pension funds, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for cable and utility escrows, pensions, court fees, and payroll.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the wastewater function and various other functions of government. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All

CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds).

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

On or before August 31, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are

CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2005, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2005
General	\$ 1,293,855
1995 General Obligation Bonds	251
Police Pension	544,158
Local Road and Street	1,130,332
Motor Vehicle Highway	216,297
Park District General Obligation Bonds	609,281
Cumulative Capital Improvement	196,392
 Total	 \$ 3,990,566

These disbursements were funded by cash balances available in the funds.

C. Cash and Investment Balance Deficits

At December 31, 2005, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and State statute:

Fund	Fund Number	2005
General Fund	10	\$ 4,021,014
Special revenue funds:		
Park and Recreation	200	202,742
Motor Vehicle Highway	210	226,618
Local Road and Street	220	624,521
COPS to School	512	80,013
Fred Rose Park Grant	528	33,333
Debt service funds:		
Park District General Obligation Bonds	110	410,812
2002 General Obligation Bonds	130	1,176,080

CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	Fund Number	2005
Capital projects funds:		
50/50 Sidewalk	470	\$ 96,969
LWCF Grant Pavese Park	526	598,792
Scout Building	703	530
Agency funds:		
Perf	302	206,247
1977 Police Pension	310	258,438
1977 Fire Pension	311	230,885

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimation of current requirements and due to interfund due to and due from balances. These deficits will be resolved when the interfund due to and due from balances are reconciled and when repaid from future receipts. Some of the cash and investment balance deficits arise because the funds are reimbursement type grant funds. By definition, the money is spent first and then the request for reimbursement is made. The following funds are in this category: Cops to Schools, Fred Rose Park Grant, and LWCF Grant Pavese Park.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, were as follows:

Transfer From	Transfer To	2005
General Fund	Other Governmental	\$ 37,337
Other Governmental	Other Governmental	<u>1,051</u>
Total		<u>\$ 38,388</u>

The City typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Reclassifications

For the year ended December 31, 2005, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by opinion unit.

Opinion Unit	Balance as Reported December 31, 2004	Fund Reclassification	Balance as Restated January 1, 2005
Governmental funds	\$ (2,139,214)	\$ 45,382	\$ (2,093,832)
Agency funds	3,138,144	(45,382)	3,092,762

IV. Other Information

A. Risk Management

The City is 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 (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Self-Insurance Fund

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents (excluding postemployment benefits). The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$50,000 per year per specific illness and \$85,000 for aggregate illness. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. Subsequent Events

Property tax rates and levies were not established by the Indiana Department of Local Government Finance as of February 15, 2006, as required by statute, due to the continued delay caused by the reassessment of Lake County. As of August 16, 2006, the 2005 pay 2006 property tax bills have not been mailed out.

CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City on or after attaining age plus years of service equal to 80 years. Currently, 10 retirees meet these eligibility requirements. The City provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

D. Rate Structure – Enterprise Funds

Wastewater Utility

The current rate structure was approved by the City Council on August 7, 2002.

E. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to 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 member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which 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 and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which 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 and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 184,763	\$ 863,800	\$ 654,700
Interest on net pension obligation	(6,926)	193,800	118,900
Adjustment to annual required contribution	7,893	(323,300)	(198,400)
Annual pension cost	185,730	734,300	575,200
Contributions made	195,823	327,772	333,433
Increase (decrease) in net pension obligation	(10,093)	406,528	241,767
Net pension obligation, beginning of year	(95,534)	2,871,299	1,761,599
Net pension obligation, end of year	\$ (105,627)	\$ 3,277,827	\$ 2,003,366
Contribution rates:			
City	5.5%	2,143%	831%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-04	01-01-04
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected Actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

Actuarial Assumptions

Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

* 2.75% converted members; 4% nonconverted members

CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 172,973	98%	\$ (67,123)
	06-30-04	154,123	118%	(95,534)
	06-30-05	185,730	127%	(105,627)
1925 Police Officers' Pension Plan	12-31-01	780,700	73%	2,424,685
	12-31-02	788,300	43%	2,871,299
	12-31-03	734,300	45%	3,277,827
1937 Firefighters' Pension Plan	12-31-01	535,800	79%	1,432,071
	12-31-02	537,800	39%	1,761,599
	12-31-03	575,200	58%	2,003,366

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2005, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	24	15
Terminated employees entitled to But not yet receiving benefits	0	0
Current active employees	0	1

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were \$909,147, \$1,085,997, and \$887,697, respectively, equal to the required contributions for each year.

CITY OF HOBART
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 2,597,437	\$ 2,817,644	\$ (220,207)	92%	\$ 3,044,887	(7%)
07-01-04	2,675,456	3,087,446	(411,990)	87%	3,385,377	(12%)
07-01-05	2,830,504	3,533,847	(703,343)	80%	3,286,978	(21%)

1925 Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 68,184	\$ 8,016,600	\$ (7,948,416)	1%	\$ 141,500	(5,617%)
01-01-00	17,973	8,376,900	(8,358,927)	0%	148,100	(5,644%)
01-01-01	64,211	8,280,000	(8,215,789)	1%	114,300	(7,188%)
01-01-02	262,055	8,215,500	(7,953,445)	3%	117,500	(6,769%)
01-01-03	214,268	8,203,900	(7,989,632)	3%	156,600	(5,102%)
01-01-04	89,714	7,799,200	(7,709,486)	1%	40,300	(19,130%)

1937 Fire Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 81,707	\$ 5,445,800	\$ (5,364,093)	2%	\$ 69,200	(7,752%)
01-01-00	13,159	5,667,700	(5,654,541)	0%	72,500	(7,799%)
01-01-01	35,771	5,622,200	(5,586,429)	1%	74,500	(7,499%)
01-01-02	181,690	5,522,600	(5,340,910)	3%	76,600	(6,972%)
01-01-03	113,891	5,504,500	(5,390,609)	2%	76,600	(7,037%)
01-01-04	7,608	5,855,000	(5,847,392)	0%	78,800	(7,421%)

CITY OF HOBART
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-98	\$ 790,500	N/A	N/A
	12-31-99	792,300	N/A	N/A
	12-31-00	851,800	N/A	N/A
	12-31-01	861,500	N/A	N/A
	12-31-02	886,700	N/A	N/A
	12-31-03	863,800	0%	34%
1937 Firefighters' Pension Plan	12-31-98	525,700	N/A	N/A
	12-31-99	530,600	N/A	N/A
	12-31-00	539,100	N/A	N/A
	12-31-01	584,100	N/A	N/A
	12-31-02	595,900	N/A	N/A
	12-31-03	654,700	1%	28%

N/A = Not available

CITY OF HOBART
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS - NONMAJOR FUNDS BY FUND TYPE
 For The Year Ended December 31, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Funds
Receipts:				
Taxes	\$ 414,844	\$ 1,163,517	\$ 269,390	\$ 1,847,751
Licenses and permits	3,875	-	-	3,875
Intergovernmental	1,892,804	48,222	580,739	2,521,765
Charges for services	118,204	-	-	118,204
Fines and forfeits	8,756	-	-	8,756
Other	<u>87,700</u>	<u>191</u>	<u>356,770</u>	<u>444,661</u>
Total receipts	<u>2,526,183</u>	<u>1,211,930</u>	<u>1,206,899</u>	<u>4,945,012</u>
Disbursements:				
General government	2,170	-	-	2,170
Public safety	230,874	-	-	230,874
Highways and streets	2,747,404	-	-	2,747,404
Sanitation	3,797	-	-	3,797
Culture and recreation	529,532	-	-	529,532
Urban redevelopment and housing	10,211	-	-	10,211
Debt service:				
Principal	-	1,388,510	-	1,388,510
Interest	-	145,915	-	145,915
Capital outlay	<u>-</u>	<u>-</u>	<u>1,583,651</u>	<u>1,583,651</u>
Total disbursements	<u>3,523,988</u>	<u>1,534,425</u>	<u>1,583,651</u>	<u>6,642,064</u>
Deficiency of receipts over disbursements	<u>(997,805)</u>	<u>(322,495)</u>	<u>(376,752)</u>	<u>(1,697,052)</u>
Other financing sources (uses)				
Tax anticipation warrant proceeds	-	2,439,115	-	2,439,115
Transfers in	38,388	-	-	38,388
Transfers out	<u>(1,051)</u>	<u>-</u>	<u>-</u>	<u>(1,051)</u>
Total other financing sources (uses)	<u>37,337</u>	<u>2,439,115</u>	<u>-</u>	<u>2,476,452</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(960,468)	2,116,620	(376,752)	779,400
Cash basis fund balance - beginning	<u>570,741</u>	<u>(3,351,404)</u>	<u>1,103,748</u>	<u>(1,676,915)</u>
Cash basis fund balance - ending	<u>\$ (389,727)</u>	<u>\$ (1,234,784)</u>	<u>\$ 726,996</u>	<u>\$ (897,515)</u>
<u>Cash Basis Assets - December 31</u>				
Cash and investments	\$ (889,494)	\$ (1,586,892)	\$ (696,291)	\$ (3,172,677)
Restricted assets:				
Cash and investments	<u>499,767</u>	<u>352,108</u>	<u>1,423,287</u>	<u>2,275,162</u>
Total cash basis assets - December 31	<u>\$ (389,727)</u>	<u>\$ (1,234,784)</u>	<u>\$ 726,996</u>	<u>\$ (897,515)</u>
<u>Cash Basis Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ -	\$ 352,108	\$ -	\$ 352,108
Capital projects	-	-	1,423,287	1,423,287
Other purposes	499,767	-	-	499,767
Unrestricted	<u>(889,494)</u>	<u>(1,586,892)</u>	<u>(696,291)</u>	<u>(3,172,677)</u>
Total cash basis fund balance - December 31	<u>\$ (389,727)</u>	<u>\$ (1,234,784)</u>	<u>\$ 726,996</u>	<u>\$ (897,515)</u>

CITY OF HOBART
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005

	Park and Recreation	Park Nonreverting Operating	Tax Abatement	Hobart Lakefront Festival	Hobart Entryway	Motor Vehicle Highway	Local Road and Street
Receipts:							
Taxes	\$ 414,844	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	5,553	-	-	-	-	809,841	902,731
Charges for services	20,190	32,344	-	12,283	-	2,807	-
Fines and forfeits	-	-	-	-	-	-	-
Other	10,891	410	3,275	-	40	1,527	-
Total receipts	451,478	32,754	3,275	12,283	40	814,175	902,731
Disbursements:							
General government	-	-	36	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	1,148,072	1,599,332
Sanitation	-	-	-	-	-	-	-
Culture and recreation	418,585	36,777	-	12,619	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	418,585	36,777	36	12,619	-	1,148,072	1,599,332
Excess (deficiency) of receipts over disbursements	32,893	(4,023)	3,239	(336)	40	(333,897)	(696,601)
Other financing sources (uses)							
Transfers in	-	10,323	-	-	-	-	27,282
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	10,323	-	-	-	-	27,282
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	32,893	6,300	3,239	(336)	40	(333,897)	(669,319)
Cash basis fund balance - beginning	(235,635)	17,444	30,946	7,611	6,816	107,279	44,798
Cash basis fund balance - ending	<u>\$ (202,742)</u>	<u>\$ 23,744</u>	<u>\$ 34,185</u>	<u>\$ 7,275</u>	<u>\$ 6,856</u>	<u>\$ (226,618)</u>	<u>\$ (624,521)</u>
Cash Basis Assets - December 31							
Cash and investments	\$ (202,742)	\$ 23,744	\$ 34,185	\$ 7,275	\$ 6,856	\$ (226,618)	\$ (624,521)
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash basis assets - December 31	<u>\$ (202,742)</u>	<u>\$ 23,744</u>	<u>\$ 34,185</u>	<u>\$ 7,275</u>	<u>\$ 6,856</u>	<u>\$ (226,618)</u>	<u>\$ (624,521)</u>
Cash Basis Fund Balance - December 31							
Restricted for:							
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(202,742)	23,744	34,185	7,275	6,856	(226,618)	(624,521)
Total cash basis fund balance - December 31	<u>\$ (202,742)</u>	<u>\$ 23,744</u>	<u>\$ 34,185</u>	<u>\$ 7,275</u>	<u>\$ 6,856</u>	<u>\$ (226,618)</u>	<u>\$ (624,521)</u>

CITY OF HOBART
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Law Enforcement Continuing Education	Hobart Police Seizures	Crime Prevention	Court Records Perpetuation	Adult Probation	Public Defender	Innkeepers Tax
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	3,875	-	-	-	-	-	-
Intergovernmental	-	-	3,200	-	-	-	5,400
Charges for services	19,185	-	-	-	25,710	4,405	-
Fines and forfeits	4,592	-	-	4,164	-	-	-
Other	3,068	24,877	3,015	-	-	369	-
Total receipts	30,720	24,877	6,215	4,164	25,710	4,774	5,400
Disbursements:							
General government	-	-	-	1,214	-	-	-
Public safety	6,702	5,108	3,228	-	12,300	1,869	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	6,702	5,108	3,228	1,214	12,300	1,869	-
Excess (deficiency) of receipts over disbursements	24,018	19,769	2,987	2,950	13,410	2,905	5,400
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	24,018	19,769	2,987	2,950	13,410	2,905	5,400
Cash basis fund balance - beginning	18,495	48,663	5,879	9,043	50,222	2,243	45,382
Cash basis fund balance - ending	<u>\$ 42,513</u>	<u>\$ 68,432</u>	<u>\$ 8,866</u>	<u>\$ 11,993</u>	<u>\$ 63,632</u>	<u>\$ 5,148</u>	<u>\$ 50,782</u>
<u>Cash Basis Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	42,513	68,432	8,866	11,993	63,632	5,148	50,782
Total cash basis assets - December 31	<u>\$ 42,513</u>	<u>\$ 68,432</u>	<u>\$ 8,866</u>	<u>\$ 11,993</u>	<u>\$ 63,632</u>	<u>\$ 5,148</u>	<u>\$ 50,782</u>
<u>Cash Basis Fund Balance - December 31</u>							
Restricted for:							
Other purposes	\$ 42,513	\$ 68,432	\$ 8,866	\$ 11,993	\$ 63,632	\$ 5,148	\$ 50,782
Unrestricted	-	-	-	-	-	-	-
Total cash basis fund balance - December 31	<u>\$ 42,513</u>	<u>\$ 68,432</u>	<u>\$ 8,866</u>	<u>\$ 11,993</u>	<u>\$ 63,632</u>	<u>\$ 5,148</u>	<u>\$ 50,782</u>

CITY OF HOBART
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	H.E.A.T EMS Education Fund	Cemetery	Watershed Management	DUI Overtime Grant	Operation Night Light	COPS to School	Operation Pullover
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	24,415	5,237	23,347	10,567
Charges for services	1,280	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	136
Total receipts	1,280	-	-	24,415	5,237	23,347	10,703
Disbursements:							
General government	-	920	-	-	-	-	-
Public safety	2,620	-	-	23,614	5,501	79,917	15,305
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	3,797	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	2,620	920	3,797	23,614	5,501	79,917	15,305
Excess (deficiency) of receipts over disbursements	(1,340)	(920)	(3,797)	801	(264)	(56,570)	(4,602)
Other financing sources (uses)							
Transfers in	783	-	-	-	-	-	-
Transfers out	-	-	-	(1,051)	-	-	-
Total other financing sources (uses)	783	-	-	(1,051)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(557)	(920)	(3,797)	(250)	(264)	(56,570)	(4,602)
Cash basis fund balance - beginning	1,645	97,248	3,797	5,221	673	(23,443)	23,819
Cash basis fund balance - ending	<u>\$ 1,088</u>	<u>\$ 96,328</u>	<u>\$ -</u>	<u>\$ 4,971</u>	<u>\$ 409</u>	<u>\$ (80,013)</u>	<u>\$ 19,217</u>
<u>Cash Basis Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (80,013)	\$ -
Restricted assets:							
Cash and investments	1,088	96,328	-	4,971	409	-	19,217
Total cash basis assets - December 31	<u>\$ 1,088</u>	<u>\$ 96,328</u>	<u>\$ -</u>	<u>\$ 4,971</u>	<u>\$ 409</u>	<u>\$ (80,013)</u>	<u>\$ 19,217</u>
<u>Cash Basis Fund Balance - December 31</u>							
Restricted for:							
Other purposes	\$ 1,088	\$ 96,328	\$ -	\$ 4,971	\$ 409	\$ -	\$ 19,217
Unrestricted	-	-	-	-	-	(80,013)	-
Total cash basis fund balance - December 31	<u>\$ 1,088</u>	<u>\$ 96,328</u>	<u>\$ -</u>	<u>\$ 4,971</u>	<u>\$ 409</u>	<u>\$ (80,013)</u>	<u>\$ 19,217</u>

CITY OF HOBART
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Big City County Grant	Drug Task Force	Leaf Grant	Park Legacy Grant	Fred Rose Park Grant	Fire Department FEMA Grant	Donation Park and Recreation
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	62,844	-	-	-	39,669	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	2,824	-	-	-	-	-	7,470
Total receipts	2,824	62,844	-	-	-	39,669	7,470
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	39,266	11,764	-	-	667	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	1,274	33,333	-	18,263
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	-	39,266	11,764	1,274	33,333	667	18,263
Excess (deficiency) of receipts over disbursements	2,824	23,578	(11,764)	(1,274)	(33,333)	39,002	(10,793)
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,824	23,578	(11,764)	(1,274)	(33,333)	39,002	(10,793)
Cash basis fund balance - beginning	(2,824)	102,810	11,764	1,276	-	(39,002)	31,531
Cash basis fund balance - ending	\$ -	\$ 126,388	\$ -	\$ 2	\$ (33,333)	\$ -	\$ 20,738
<u>Cash Basis Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ 2	\$ (33,333)	\$ -	\$ 20,738
Restricted assets:							
Cash and investments	-	126,388	-	-	-	-	-
Total cash basis assets - December 31	\$ -	\$ 126,388	\$ -	\$ 2	\$ (33,333)	\$ -	\$ 20,738
<u>Cash Basis Fund Balance - December 31</u>							
Restricted for:							
Other purposes	\$ -	\$ 126,388	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	2	(33,333)	-	20,738
Total cash basis fund balance - December 31	\$ -	\$ 126,388	\$ -	\$ 2	\$ (33,333)	\$ -	\$ 20,738

CITY OF HOBART
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Barrington Ridge Park Donations	Pleak Gift	Arbor Lane Park Donations	Police Donations	Fire Department Donations	Penny Depot	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 414,844
Licenses and permits	-	-	-	-	-	-	3,875
Intergovernmental	-	-	-	-	-	-	1,892,804
Charges for services	-	-	-	-	-	-	118,204
Fines and forfeits	-	-	-	-	-	-	8,756
Other	16,660	-	-	10,263	2,875	-	87,700
Total receipts	16,660	-	-	10,263	2,875	-	2,526,183
Disbursements:							
General government	-	-	-	-	-	-	2,170
Public safety	-	-	-	19,904	3,109	-	230,874
Highways and streets	-	-	-	-	-	-	2,747,404
Sanitation	-	-	-	-	-	-	3,797
Culture and recreation	8,681	-	-	-	-	-	529,532
Urban redevelopment and housing	-	-	-	-	-	10,211	10,211
Total disbursements	8,681	-	-	19,904	3,109	10,211	3,523,988
Excess (deficiency) of receipts over disbursements	7,979	-	-	(9,641)	(234)	(10,211)	(997,805)
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	38,388
Transfers out	-	-	-	-	-	-	(1,051)
Total other financing sources (uses)	-	-	-	-	-	-	37,337
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,979	-	-	(9,641)	(234)	(10,211)	(960,468)
Cash basis fund balance - beginning	105,199	35,077	2,150	15,696	10,223	28,695	570,741
Cash basis fund balance - ending	<u>\$ 113,178</u>	<u>\$ 35,077</u>	<u>\$ 2,150</u>	<u>\$ 6,055</u>	<u>\$ 9,989</u>	<u>\$ 18,484</u>	<u>\$ (389,727)</u>
<u>Cash Basis Assets - December 31</u>							
Cash and investments	\$ 113,178	\$ 35,077	\$ 2,150	\$ 6,055	\$ 9,989	\$ 18,484	\$ (889,494)
Restricted assets:							
Cash and investments	-	-	-	-	-	-	499,767
Total cash basis assets - December 31	<u>\$ 113,178</u>	<u>\$ 35,077</u>	<u>\$ 2,150</u>	<u>\$ 6,055</u>	<u>\$ 9,989</u>	<u>\$ 18,484</u>	<u>\$ (389,727)</u>
<u>Cash Basis Fund Balance - December 31</u>							
Restricted for:							
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 499,767
Unrestricted	113,178	35,077	2,150	6,055	9,989	18,484	(889,494)
Total cash basis fund balance - December 31	<u>\$ 113,178</u>	<u>\$ 35,077</u>	<u>\$ 2,150</u>	<u>\$ 6,055</u>	<u>\$ 9,989</u>	<u>\$ 18,484</u>	<u>\$ (389,727)</u>

CITY OF HOBART
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
 For The Year Ended December 31, 2005

	Park District General Obligation Bonds	1995 General Obligation Bonds	2002 General Obligation Bonds	Totals
Receipts:				
Taxes	\$ 733,256	\$ 168,298	\$ 261,963	\$ 1,163,517
Intergovernmental	32,910	13,914	1,398	48,222
Other	191	-	-	191
Total receipts	<u>766,357</u>	<u>182,212</u>	<u>263,361</u>	<u>1,211,930</u>
Disbursements:				
Debt service:				
Principal	993,060	125,000	270,450	1,388,510
Interest	79,689	20,070	46,156	145,915
Total disbursements	<u>1,072,749</u>	<u>145,070</u>	<u>316,606</u>	<u>1,534,425</u>
Excess (deficiency) of receipts over disbursements	<u>(306,392)</u>	<u>37,142</u>	<u>(53,245)</u>	<u>(322,495)</u>
Other financing sources				
Tax anticipation warrant proceeds	-	-	2,439,115	2,439,115
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(306,392)	37,142	2,385,870	2,116,620
Cash basis fund balance - beginning	<u>(104,420)</u>	<u>314,966</u>	<u>(3,561,950)</u>	<u>(3,351,404)</u>
Cash basis fund balance - ending	<u>\$ (410,812)</u>	<u>\$ 352,108</u>	<u>\$ (1,176,080)</u>	<u>\$ (1,234,784)</u>
<u>Cash Basis Assets - December 31</u>				
Cash and investments	\$ (410,812)	\$ -	\$ (1,176,080)	\$ (1,586,892)
Restricted assets:				
Cash and investments	-	352,108	-	352,108
Total cash basis assets - December 31	<u>\$ (410,812)</u>	<u>\$ 352,108</u>	<u>\$ (1,176,080)</u>	<u>\$ (1,234,784)</u>
<u>Cash Basis Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ -	\$ 352,108	\$ -	\$ 352,108
Unrestricted	(410,812)	-	(1,176,080)	(1,586,892)
Total cash basis fund balance - December 31	<u>\$ (410,812)</u>	<u>\$ 352,108</u>	<u>\$ (1,176,080)</u>	<u>\$ (1,234,784)</u>

CITY OF HOBART
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
 For The Year Ended December 31, 2005

	City Enhancement and Improvement	Cumulative Capital Development	Cumulative Capital Improvement	Park and Recreation Nonreverting Land	Park District General Obligation Bond Proceeds	Park Improvement	Future Sewer Lines
Receipts:							
Taxes	\$ -	\$ 269,390	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	15,210	170,699	-	-	90,302	-
Other	165,286	-	131,255	-	-	22,921	-
Total receipts	<u>165,286</u>	<u>284,600</u>	<u>301,954</u>	<u>-</u>	<u>-</u>	<u>113,223</u>	<u>-</u>
Disbursements:							
Capital outlay	5,483	260,843	242,950	2,514	29,252	55,439	-
Excess (deficiency) of receipts over disbursements	<u>159,803</u>	<u>23,757</u>	<u>59,004</u>	<u>(2,514)</u>	<u>(29,252)</u>	<u>57,784</u>	<u>-</u>
Cash basis fund balance - beginning	<u>18,098</u>	<u>399,308</u>	<u>58,498</u>	<u>15,123</u>	<u>101,557</u>	<u>311,526</u>	<u>21,700</u>
Cash basis fund balance - ending	<u>\$ 177,901</u>	<u>\$ 423,065</u>	<u>\$ 117,502</u>	<u>\$ 12,609</u>	<u>\$ 72,305</u>	<u>\$ 369,310</u>	<u>\$ 21,700</u>
<u>Cash Basis Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	177,901	423,065	117,502	12,609	72,305	369,310	21,700
Total cash basis assets - December 31	<u>\$ 177,901</u>	<u>\$ 423,065</u>	<u>\$ 117,502</u>	<u>\$ 12,609</u>	<u>\$ 72,305</u>	<u>\$ 369,310</u>	<u>\$ 21,700</u>
<u>Cash Basis Fund Balance - December 31</u>							
Restricted for:							
Capital projects	\$ 177,901	\$ 423,065	\$ 117,502	\$ 12,609	\$ 72,305	\$ 369,310	\$ 21,700
Unrestricted	-	-	-	-	-	-	-
Total cash basis fund balance - December 31	<u>\$ 177,901</u>	<u>\$ 423,065</u>	<u>\$ 117,502</u>	<u>\$ 12,609</u>	<u>\$ 72,305</u>	<u>\$ 369,310</u>	<u>\$ 21,700</u>

CITY OF HOBART
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
 For The Year Ended December 31,
 (Continued)

	Waterline Projects	Green Acre Sewer Line	50/50 Sidewalk	Southlake Access Road	LWCF Grant Pavese Park	Scout Building	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 269,390
Intergovernmental	-	-	-	-	304,528	-	580,739
Other	-	5,800	31,122	-	100	286	356,770
Total receipts	<u>-</u>	<u>5,800</u>	<u>31,122</u>	<u>-</u>	<u>304,628</u>	<u>286</u>	<u>1,206,899</u>
Disbursements:							
Capital outlay	-	14,016	97,645	-	875,013	496	1,583,651
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(8,216)</u>	<u>(66,523)</u>	<u>-</u>	<u>(570,385)</u>	<u>(210)</u>	<u>(376,752)</u>
Cash basis fund balance - beginning	49,894	60,949	(30,446)	126,268	(28,407)	(320)	1,103,748
Cash basis fund balance - ending	<u>\$ 49,894</u>	<u>\$ 52,733</u>	<u>\$ (96,969)</u>	<u>\$ 126,268</u>	<u>\$ (598,792)</u>	<u>\$ (530)</u>	<u>\$ 726,996</u>
<u>Cash Basis Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ (96,969)	\$ -	\$ (598,792)	\$ (530)	\$ (696,291)
Restricted assets:							
Cash and investments	49,894	52,733	-	126,268	-	-	1,423,287
Total cash basis assets - December 31	<u>\$ 49,894</u>	<u>\$ 52,733</u>	<u>\$ (96,969)</u>	<u>\$ 126,268</u>	<u>\$ (598,792)</u>	<u>\$ (530)</u>	<u>\$ 726,996</u>
<u>Cash Basis Fund Balance - December 31</u>							
Restricted for:							
Capital projects	\$ 49,894	\$ 52,733	\$ -	\$ 126,268	\$ -	\$ -	\$ 1,423,287
Unrestricted	-	-	(96,969)	-	(598,792)	(530)	(696,291)
Total cash basis fund balance - December 31	<u>\$ 49,894</u>	<u>\$ 52,733</u>	<u>\$ (96,969)</u>	<u>\$ 126,268</u>	<u>\$ (598,792)</u>	<u>\$ (530)</u>	<u>\$ 726,996</u>

CITY OF HOBART
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2005

	1925 Police Pension	1937 Firefighters' Pension	Total
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Employer contributions	\$ 1,061,128	\$ 539,668	\$ 1,600,796
Deductions:			
Benefits	1,018,662	322,494	1,341,156
Administrative and general	<u>280</u>	<u>-</u>	<u>280</u>
Total deductions	<u>1,018,942</u>	<u>322,494</u>	<u>1,341,436</u>
Excess of total additions over total deductions	42,186	217,174	259,360
Cash and cash equivalents - beginning	<u>334,259</u>	<u>200,726</u>	<u>534,985</u>
Cash and cash equivalents - ending	<u>\$ 376,445</u>	<u>\$ 417,900</u>	<u>\$ 794,345</u>

CITY OF HOBART
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2005

	Cable Escrow	PERF	1977 Police Pension	1977 Fire Pension	Drug Free Community	County Share Court Costs
Additions:						
Agency fund additions	\$ 2,902	\$ -	\$ -	\$ -	\$ 23,600	\$ 224,352
Deductions:						
Agency fund deductions	2,902	102,913	142,036	125,835	26,540	229,582
Excess (deficiency) of total additions over total deductions	-	(102,913)	(142,036)	(125,835)	(2,940)	(5,230)
Cash and cash equivalents - beginning	100,000	(103,334)	(116,402)	(105,050)	5,150	18,576
Cash and cash equivalents - ending	<u>\$ 100,000</u>	<u>\$ (206,247)</u>	<u>\$ (258,438)</u>	<u>\$ (230,885)</u>	<u>\$ 2,210</u>	<u>\$ 13,346</u>

CITY OF HOBART
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Utility Escrow	Corporate NIPSCO EFT	Payroll	City Court	Total
Additions:					
Agency fund additions	\$ 918,794	\$ 3,309,657	\$ 411,622	\$ 724,256	\$ 5,615,183
Deductions:					
Agency fund deductions	913,065	3,309,556	1,351,980	705,454	6,909,863
Excess (deficiency) of total additions over total deductions	5,729	101	(940,358)	18,802	(1,294,680)
Cash and cash equivalents - beginning	28,043	3,477	3,035,737	226,565	3,092,762
Cash and cash equivalents - ending	<u>\$ 33,772</u>	<u>\$ 3,578</u>	<u>\$ 2,095,379</u>	<u>\$ 245,367</u>	<u>\$ 1,798,082</u>

CITY OF HOBART
SUPPLEMENTARY INFORMATION
SCHEDULE OF DEBT

For The Year Ended December 31, 2005

CAPITAL LEASES

The City has entered into the following capital leases:

Description of Asset	Ending Balance	Due Within One Year
NIPSCO Building	\$ 49,944.00	\$ 17,218.00
Garbage Truck	69,940.00	34,242.00
Sweeper	62,446.00	30,573.00
Recycling Truck	52,915.00	25,937.00
Police Vehicles	91,189.00	91,189.00
	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:		
Claims and judgments	\$ 1,853,691.00	\$ 127,339.00
Notes and loans payable	4,349,556	4,349,556
Bonds payable:		
General obligation bonds:		
2002 Special Program Bond	870,000	280,000
2005 Park District Refunding Bond	1,915,000	240,000
2005 Park District Bond	5,200,000	-
1995 City Improvement Bond	300,000	75,000
	<u>14,488,247.00</u>	<u>5,071,895.00</u>
Total governmental activities long-term debt	<u>\$ 14,488,247.00</u>	<u>\$ 5,071,895.00</u>

CITY OF HOBART
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the funds. All receipts and disbursements are posted in the General Fund or the Wastewater Utility Operating Fund some of which are actually receipts and disbursements of other funds. The officials do not resolve the due to and due from balances each month and as a result posting errors are not detected in a timely manner by the officials. The actual monthly receipts and disbursements for a fund are not accurately shown since the due to and due from is still outstanding. Adjustments are made as negative receipts which also causes further misstatement.

The activity in the separate bank account for the insurance administration was not recorded in the City's records of the Self-Insurance Internal Service Fund. In 2005, this bank activity included \$1,684,533 in receipts and \$1,598,396 in disbursements.

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

FINANCIAL REPORT OPINION MODIFICATIONS

The City has several bank accounts for the activity of the different funds reported in the city records. For example, the general fund activity is in Centier Bank and payroll activity is in Bank One. There was no attempt to reconcile the separate bank accounts with the corresponding funds. The balances of all of the City funds were combined and the total reconciled to the bank balance. Therefore, the true cash balance of a specific fund could not be determined.

The City uses a computer software program that requires all transactions to be posted into the general fund first. The software then posts the transactions to the proper fund. Some transactions remained in the general fund that should have been posted to other funds.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

NEGATIVE CASH BALANCES

The following (with fund numbers disclosed, parenthetically) funds had negative cash balances at December 31, 2005:

General Fund (010)	\$ 4,021,014
Park and Recreation (200)	202,742
Motor Vehicle Highway (210)	226,618
Local Road and Street (220)	624,521
COPS to School (512)	80,013
Fred Rose Park Grant (528)	33,333
Park District General Obligations Bonds (110)	410,812
2002 General Obligation Bonds (130)	1,176,080

CITY OF HOBART
AUDIT RESULTS AND COMMENTS
(Continued)

50/50 Sidewalk (470)	96,969
LWCF Grant Pavese Park (526)	598,792
Scout Building (703)	530
PERF (302)	206,247
1977 Police Pension (310)	258,438
1977 Fire Pension (311)	230,885

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

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Excess Amount Expended
General	\$ 1,293,855
1995 General Obligation Bonds	251
Police Pension	544,158
Local Road and Street	1,130,332
Motor Vehicle Highway	216,297
Park District General Obligation Bonds	609,281
Cumulative Capital Improvement	196,392

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

FUND SOURCES AND USES

Funds were disbursed from the Park District General Obligation Bonds Fund for repayment of the wastewater revenue bond in the amount of \$370,000. Repayment for the bond should have been paid from the Wastewater Bond and Interest Fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY CHECKS USED OUT OF ORDER

A review of outstanding checks indicated that checks are not always issued in numerical order. This could impede the reconciliation process.

CITY OF HOBART
AUDIT RESULTS AND COMMENTS
(Continued)

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 managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

As reported in prior audits, there are some assets for which no dollar value has been determined. The assets' ages exceeded the time period for which information was available to determine costs. Such assets include City Hall, Fire Stations One and Two, Community Center, several Utility lift stations, as well as various pieces of equipment and vehicles. For these assets, estimated historical costs should be calculated.

As noted in the prior audit report, a detail of construction work in progress or a complete listing of infrastructure assets was unavailable for audit.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

STREET DEPARTMENT RECEIPTS

The Street Department uses a form as a receipt to customers for special pick-ups and for cement disposal. When a customer requests one of these services, Street Department employees go to the residence and determine the fee charged based on the type of item and the size of the load. The customer then signs the form agreeing to the fees, but does not receive a copy of the form. The customer either pays the Street Department employees during the pick up, pays at the Clerk-Treasurer's office, or has the fee placed on the sewer billing. The State Board of Accounts approved this form as a receipt on December 16, 2002; however, the following conditions stipulated by the State Board of Accounts have not been implemented:

1. Receipts are not prenumbered.
2. Receipts are not in duplicate.

In addition to these charges, the Street Department also collects money for dumping permits. Receipts are not written for monies collected at the Street Department. Finally, the fees charged by the Street Department for the various services have not been approved by the Board of Public Works and Safety.

A similar audit result and comment appeared in prior audit reports.

Good internal controls have not been put into place to safeguard collections for these services.

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

CITY OF HOBART
AUDIT RESULTS AND COMMENTS
(Continued)

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

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

EMERGENCY MEDICAL SERVICE RECORDS

As in prior audit reports, the following deficiencies exist regarding the accounting for the emergency ambulance services:

1. Ambulance run sheets, which are the source documents for the billing of the ambulance services, are not prenumbered. Run numbers are manually recorded on the run sheets.
2. The accounts prior to 2001 are not incorporated into the current software. The aged accounts receivable printout as of December 31, 2005, only contains accounts from 2001 and later. It is unknown how much is delinquent from prior to 2001.

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)

TRUST FUND RECONCILEMENT

The City Court's end-of-year Register of Trust Funds (General Form 102) does not reconcile to the Court Cash Book at December 31, 2005.

The total of all unpaid items as shown by the trust fund register must agree with the balance in trust as shown by the court cash book. (Accounting and Uniform compliance Guidelines Manual for City and Town Courts, Chapter 1)

CITY COURT PROBATION LEDGER

The Adult Probation officials began using the City/Town Court Detailed Ledger of Local User Fees, City Form 213A, on October 18, 2004. However, not all activity of the Adult Probation Office was recorded in this ledger.

Each city and town court is required to use official records and forms that are designated by the legislature or prescribed or approved by the State Board of Accounts or the State Court Administration office of the Supreme Court. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

CITY OF HOBART
AUDIT RESULTS AND COMMENTS
(Continued)

UNCLAIMED MONEY OVER FIVE YEARS OLD

The City Court's outstanding check listing as of December 31, 2005, included checks outstanding in excess of five years. The City Court's Trust Register included restitution and cash bonds which were received as far back as 1982.

All fees and funds five or more years old, including old outstanding checks, should be scheduled on forms provided by the Attorney General and paid over to him as required by IC 32-34-1-20(c)(5). They should not be allowed to accumulate beyond the five year anniversary date of issue. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

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

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

Compliance

We have audited the compliance of the City of Hobart (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in item 2005-2 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirement regarding federal grant funds to be allocated their own accounting fund or account for monitoring of the Community Development Block Grants/Economic Development Initiative and Surveys, Studies, Investigations and Special Purpose grants. Compliance with this requirement is necessary, in our opinion, for the City to comply with those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2005-2 to be a material weakness.

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

STATE BOARD OF ACCOUNTS

August 16, 2006

CITY OF HOBART
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Great Lakes Commission Soil and Water Conservation Lake George Sediment Control Project	10.902	12-05-06	\$ <u>33,333</u>
Total for federal grantor agency			<u>33,333</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct grant Community Development Block Grants/Brownfields Economic Development Initiative City of Hobart - Green Acres Subdivision	14.246	B-98-SP-IN-0126	<u>446,800</u>
Total for federal grantor agency			<u>446,800</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Juvenile Accountability Incentive Block Grants	16.523	IN-05-02-T-03,P-29	<u>4,719</u>
Total for federal grantor agency			<u>4,719</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety DUI Overtime Operation Pullover	20.600	154-AL04-03-03-11 OP-05-02,T-03,P-108	24,665 <u>15,305</u>
Total for federal grantor agency			<u>39,970</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct grant Surveys, Studies, Investigations and Special Purpose Grants City of Hobart - Green Acres Subdivision	66.606	XP-96567801	<u>650,500</u>
Total for federal grantor agency			<u>650,500</u>
Total federal awards expended			<u>\$ 1,175,322</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF HOBART
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Hobart (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? yes

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.246	Community Development Block Grants/Brownfields Economic Development Initiative
66.606	Surveys, Studies, Investigations and Special Purpose Grants

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2005-1, CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the funds. All receipts and disbursements are posted in the General Fund or the Wastewater Utility Operating Fund, some of which are actually receipts and disbursements of other funds. The officials do not resolve these due to and due from balances each month and, as a result, posting errors are not detected in a timely manner. The actual monthly receipts and disbursements for a fund are not accurately shown, since the due to and due from is still outstanding. Adjustments are made as negative receipts which also causes further misstatement.

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

The record balance at the end of every month shall be reconciled with the bank balance. [IC 5-13-6-1] Thus, any errors may be discovered and adjusted monthly. This procedure will localize any errors within the month and will prevent the necessity of a long and tedious search to trace errors covering transactions over a long period of time and will serve to expedite audits by the State Board of Accounts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standards setting bodies and also with various accounting guides, manuals and other publications. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We recommended that officials correct the errors noted above and implement controls which will address the areas of concern.

Section III – Federal Award Findings and Questioned Costs

FINDING 2005-2, GRANT FUND CONTROLS

Federal Agencies: United States Department of Housing and Urban Development; United States Environmental Protection Agency
Federal Programs: Community Development Block Grants/Brownfields Economic Development Initiative; Surveys, Studies, Investigations and Special Purpose Grants
CFDA Numbers: 14.246; 66.606
Award Numbers: B-98-SP-IN-0126; XP-96567801

Relative to award number B-98-SP-IN-0126, from U.S. Department of Housing and Urban Development, officials expended \$446,800 on the Green Acres Subdivision sewer line. Relative to award number XP-96567801, from U.S. Environmental Protection Agency, officials expended \$650,500 on the Green Acres Subdivision sewer line. The federal grant expenditures for the Green Acres Subdivision sewer line project were commingled with the Wastewater Utility's operating fund. In addition, a state grant used for this project was also commingled with the Wastewater Utility's - Other fund. Separate funds or accounts were not established for each federal program award. Lack of accounting controls for these grants hinders the accountability of expenditures allocable to each specific grant and the reporting of expenditures.

From the Code of Federal Regulations, 24CFR85.20 and 40CFR31.20 both state in part:

"(a) A State must expend and account for grant funds in accordance with State Laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

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

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

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

Failure to follow the specific grant guidelines may jeopardize the City's ability to obtain future federal awards.

We recommended that the City of Hobart officials establish a fund for each project or distinguish the different projects within a fund established by the City.

CITY OF HOBART
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Deborah A. Longer
Clerk-Treasurer



"The Friendly City"

The City of Hobart

414 Main Street • Hobart, Indiana 46342

Telephone:
(219) 942-1940

Fax:
(219) 942-0505

August 16, 2006

Corrective Action Plan

re: State Board of Accounts Schedule of Findings and Questioned Costs

Section II – Finance Statement Findings

FINDING 2005-1, CONDITION OF RECORDS

As noted in the 2003 and 2004 Official Response to the City of Hobart Audit Reports, the problems with the set-up and implementation of the accounting software purchased by the previous Clerk-Treasurer in 2002, continued to cause problems even as the process of sorting out the issues and getting the City's financial record keeping back on track was progressing. Working with a private accounting firm (H.J. Umbaugh and Associates) toward this end, the City determined in late 2005 to replace the accounting software with a system that has proven itself throughout the State of Indiana to be more attuned with the compliance requirements and the necessary controls needed to generate and maintain accurate financial records of the municipality. The new system was purchased in early 2006 and was put into service in July. The entire conversion is expected to be completed by the last quarter of the current year.

Section III – Federal Award Findings and Questioned Costs

FINDING 2005-2, GRANT FUND CONTROLS

The City of Hobart understands the need for separate funds or project accounts involving grant funds for accountability purposes and will institute the establishment of project delineation within funds in the future. As noted above, the implementation of the new accounting software purchased in 2006 will facilitate this procedure for future projects.

Respectfully submitted:

Deborah A. Longer
Clerk-Treasurer

CITY OF HOBART
EXIT CONFERENCE

The contents of this report were discussed on August 16, 2006, with Linda M. Buzinec, Mayor; and Deborah A. Longer, Clerk-Treasurer. The official responses have been made a part of this report and may be found on pages 56 through 58.

Deborah A. Longer
Clerk-Treasurer

"The Friendly City"

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The City of Hobart

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August 18, 2006

State Board of Accounts
302 West Washington St., Room E 418
Indianapolis, IN 46204-2738

RE: Official Response to City of Hobart 2005 Audit

As explained in the 2003 and 2004 Official Response to the Audit dated November 8, 2004 and November 18, 2005 respectively, the set-up of the new accounting software system for the City of Hobart put in place in 2003, was not completed by the previous Clerk-Treasurer and once realized, the current Clerk-Treasurer brought in H.J. Umbaugh and Associates to aid in the review of the records and to help with the painstaking process of sorting out the problems and getting the financial records of the City back on track. Umbaugh continues to work with the Clerk-Treasurer's office and in cooperation with the State Board of Accounts, and this slow and meticulous process remains ongoing. A great deal of progress was made in 2004 and 2005 but in late 2005, a determination was made that the accounting software was inadequate for the needs of the municipality and a new, more compatible accounting software system was purchased. Installation and conversion of the records is taking place in mid-2006 with every effort being made to complete the conversion which will address many of the concerns and problems realized by the City of Hobart and expressed in the audit.

Condition of Records: As noted above, the City continues the process to address each of the comments mentioned to generate and maintain accurate financial records. The conversion to the new accounting software is anticipated to facilitate this and provide a more reflective activity of the funds.

Financial Report Opinion Modifications: Bank Accounts for the similar funds had been maintained in two different banks as a result of a banking services changeover in late 2002/early 2003. Due to the accounting software problems and outstanding checks, the previous banking service accounts were not closed out until early 2006. The conversion to the new accounting software is expected to facilitate access to true cash balances of specific funds on an as-needed basis and more timely reconciliation of accounts.

Negative Cash Balances: As the reconciliation and due to/due from entries are caught up and the new accounting software system is put into place, this comment will be remedied and will allow the Clerk-Treasurer to more closely monitor the funds cash balances. Many of these overdrawn balances were the result of due to/due from entries not being posted in 2004 and in 2005 and were corrected in 2006.

Appropriations: As due to/due from entries are caught up and the new accounting software system is put into place, this comment will be addressed by allowing the Clerk-Treasurer to more closely monitor the appropriations/expenditure relationship. Many of the funds listed in this category were due to

reimbursable fund situations that were not set up properly in the software system. This is being addressed within the new software. In addition, due to the reassessment issues over the past four years in Lake County, cash flows for municipalities have been difficult. The issuance of property tax bills (the main source of revenue for the City) has been running up to a year behind schedule and promises for distributions once the taxes have been received by the County are not always timely met. For this reason, the City has had to continually borrow and roll-over the loans, adding to the interest expenses while still maintaining all city services for residents.

Fund Sources and Uses: The ongoing Fund analysis of activity within the software system brought this comment to our attention prior to the audit being conducted. A correction of this error in disbursement was done in 2006.

City Checks Used Out of Order: Internal controls have been implemented to reasonably safeguard controls over the processing of financial operations.

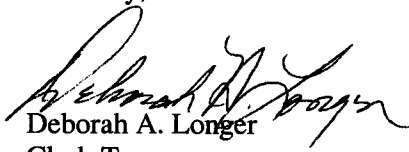
Capital Asset Records: The Clerk-Treasurer's staff along with the various City Departments have been working toward updating and maintaining the capital asset listings in accordance with the City's policy adopted in November 2004. The City of Hobart has also purchased software which allows mapping and inventory of storm and sanitary sewers and other infrastructure owned by the City and hired a full time staff person in 2005 to facilitate the mapping of these assets which will then be included in the Capital Assets Ledger. Estimated historical costs are being calculated to be included in the ledger.

Street Department Receipts: The staffs of the Clerk-Treasurer's office and the Street Department are working toward resolutions of the comments addressed in the audit.

Emergency Ambulance Services Accounting: When processing the current and past due ambulance service runs, every effort is made to access the records from the previous software system still available to the current Clerk-Treasurer's staff to determine if there are outstanding accounts regarding a specific patient. It is unknown what the plan was in 2001 to incorporate the previous data into the new software or to bill for the outstanding amounts due and owing and was only maintained in a separate but running system for limited look-up capabilities. Discussions with the auditors will prompt the City to review the delinquencies and take action to clear them from the records.

Conclusion: Due to the 2005 audit taking place beginning in July 2006, many of the issues discussed during the audit process had been implemented or were being addressed in 2006 but were not reflected in the year 2005. As noted in the previous audit response, the Clerk-Treasurer's office continues to use every effort to address the concerns in a timely and appropriate manner.

Sincerely,


Deborah A. Longer
Clerk-Treasurer
City of Hobart, Indiana

HOBART CITY COURT

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August 15, 2006

State Board of Accounts
302 W. Washington St, Room E418
Indianapolis, IN 46204

Response to 2005 Audit Results and Comments

Funds over 5 years old

Our response to this item in the 2004 audit is:

Subsequent to receipt of prior year audit results, a review of files with stale checks or unclaimed funds was conducted in 2005. Where appropriate, additional notice was given to persons or entities entitled to funds held by the court, funds were forwarded to the Attorney General, or dates when funds should be considered abandoned property were established by court order. Additional funds identified as abandoned property will be forwarded to the Attorney General in January 2006.

As a result, not all of the corrective action taken was reflected in the 2005 audit.

Trust Fund Register Reconciliation

Our response to this item in the 2004 audit is:

Reconciliation of the trust register with the Cash Book is being addressed in 2005. Personnel changes subsequent to receipt of prior year audit results have delayed this process.

Substantial progress was made in 2005, and reconciliation will be complete in 2006.

Probation Ledger

Our response to this item in the 2004 audit is:

The Probation Officer serving Hobart City Court is a part time employee. Responsibility for financial record keeping will be transferred to full time employees in the office of the Court Clerk to address this issue.

An application is pending for approval of Courtview court management software for use in Hobart City Court. Upon approval, computer based record keeping for probation finances will be possible and transfer of this responsibility to Clerk's office staff will be completed, with all required financial records and reports generated by the software.

Respectfully,



William J. Longer
Judge, Hobart City Court