

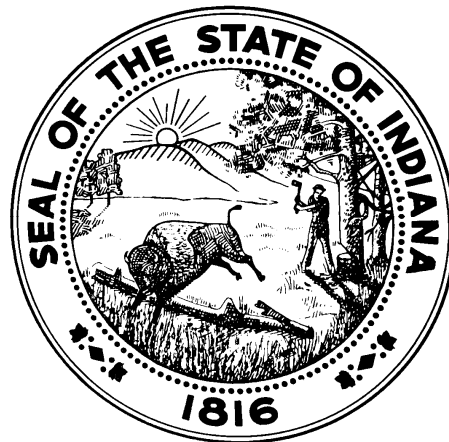
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

CITY OF GARY

LAKE COUNTY, INDIANA



FILED
12/30/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	M. Celita Green	01-01-07 to 12-31-08
Mayor	Rudolph Clay, Sr.	04-08-06 to 12-31-11
President of the Board of Public Works and Safety	Geraldine B. Tousant	01-01-07 to 12-31-08
President of the Common Council	Jerome Prince Ronier Scott	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Board of Sanitary Commissioners	Silas Wilkerson, III Richard Comer	01-01-07 to 02-26-07 02-27-07 to 12-31-08



STATE OF INDIANA
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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 GARY, 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 Gary (City), as of and for the year ended December 31, 2007, 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.

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.

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, 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, 2007, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note IV.J. to the financial statements, the City has been forced to drastically reduce budgets and expenditures due to legislative tax caps. The amount of budget reductions that would be required for the City to fully implement the current tax legislation raises substantial doubt about the City's ability to continue as a going concern. The City's plans in regards to these matters are also discussed in Note IV.J. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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 December 8, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 and the Schedules 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, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts 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 Capital Assets and Schedule of Long-Term Debt have 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 them.

STATE BOARD OF ACCOUNTS

December 8, 2008



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gary (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2007-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2007-1 to be a material weakness.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the City's management, the Common Council, the Board of Public Works and Safety, 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

December 8, 2008

CITY OF GARY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

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	Totals
Primary government:							
Governmental activities:							
General government	\$ 45,205,097	\$ 1,758,509	\$ 341,403	\$ 441,672	\$ (42,663,513)	\$ -	\$ (42,663,513)
Public safety	41,386,477	1,043,318	448,684	20,393	(39,874,082)	-	(39,874,082)
Highways and streets	8,181,514	-	4,570,984	962,666	(2,647,864)	-	(2,647,864)
Sanitation	903,781	-	200,000	-	(703,781)	-	(703,781)
Health and welfare	2,884,223	301,224	1,288,223	-	(1,294,776)	-	(1,294,776)
Economic development	2,712,454	666,373	-	45,926	(2,000,155)	-	(2,000,155)
Culture and recreation	6,114,149	651,885	283,518	-	(5,178,746)	-	(5,178,746)
Urban redevelopment and housing	8,911,387	-	444,891	4,371,700	(4,094,796)	-	(4,094,796)
Principal and interest on indebtedness	12,124,841	-	-	-	(12,124,841)	-	(12,124,841)
Loan repayments to fiduciary funds	715,663	-	-	-	(715,663)	-	(715,663)
Total governmental activities	129,139,586	4,421,309	7,577,703	5,842,357	(111,298,217)	-	(111,298,217)
Business-type activities:							
Sanitary District	36,016,356	14,714,369	-	-	-	(21,301,987)	(21,301,987)
Total primary government	\$ 165,155,942	\$ 19,135,678	\$ 7,577,703	\$ 5,842,357	(111,298,217)	(21,301,987)	(132,600,204)
General receipts:							
Property taxes					21,267,747	1,482,265	22,750,012
Gaming taxes					22,311,503	-	22,311,503
Other local sources					10,236,065	473,182	10,709,247
Net proceeds from borrowings					11,930,445	-	11,930,445
Grants and contributions not restricted to specific programs					275,341	-	275,341
Investment earnings					333,963	448,780	782,743
Other					-	1,498,185	1,498,185
Net tax anticipation warrant proceeds					49,109,219	2,635,000	51,744,219
Interfund loans - internal activities					(1,000,000)	1,000,000	-
Total general receipts and interfund loans - internal activities					114,464,283	7,537,412	122,001,695
Change in net assets					3,166,066	(13,764,575)	(10,598,509)
Restated net assets - beginning (Note III.C.)					14,139,876	27,366,189	41,506,065
Net assets - ending					\$ 17,305,942	\$ 13,601,614	\$ 30,907,556
Assets							
Cash and investments					\$ 4,507,209	\$ 5,458,781	\$ 9,965,990
Restricted assets:							
Cash and investments					12,798,733	8,142,833	20,941,566
Total assets					\$ 17,305,942	\$ 13,601,614	\$ 30,907,556
Net Assets							
Restricted for:							
General government					\$ 210,737	\$ -	\$ 210,737
Public safety					501,644	-	501,644
Highways and streets					916,628	-	916,628
Sanitation					1,605,133	-	1,605,133
Health and welfare					97,397	-	97,397
Economic development					943,271	-	943,271
Culture and recreation					11,244	-	11,244
Urban redevelopment and housing					480,414	-	480,414
Debt service					2,747,958	4,534,208	7,282,166
Capital outlay					5,284,307	-	5,284,307
Other purposes					-	3,608,625	3,608,625
Unrestricted					4,507,209	5,458,781	9,965,990
Total net assets					\$ 17,305,942	\$ 13,601,614	\$ 30,907,556

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

CITY OF GARY
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, 2007

	General	Gaming Revenues	Redevelopment Bond	2007 Multi-Purpose Revenue Bonds	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 19,721,629	\$ -	\$ -	\$ -	\$ 1,546,118	\$ 21,267,747
Licenses and permits	817,340	-	-	-	10,600	827,940
Intergovernmental	2,674,767	22,311,503	-	-	13,963,407	38,949,677
Charges for services	550,211	-	-	-	1,256,883	1,807,094
Fines and forfeits	631,986	-	-	-	127,261	759,247
Interfund loans	9,709,337	3,889,000	-	-	3,823,659	17,421,996
Other	2,413,748	12,033	16,717	122,928	2,438,427	5,003,853
Total receipts	36,519,018	26,212,536	16,717	122,928	23,166,355	86,037,554
Disbursements:						
General government	35,371,287	427,245	334	-	6,353,620	42,152,486
Public safety	39,035,181	658,379	-	-	962,606	40,656,166
Highways and streets	-	1,630,365	-	-	5,202,029	6,832,394
Sanitation	-	-	-	-	802,226	802,226
Health and welfare	1,004,371	-	-	-	1,879,852	2,884,223
Economic development	-	2,625,000	-	-	87,454	2,712,454
Culture and recreation	-	96,807	-	-	5,890,145	5,986,952
Urban redevelopment and housing	187,067	16,091	-	-	7,408,543	7,611,701
Interfund loans	8,783,659	7,434,000	-	-	2,920,000	19,137,659
Debt service:						
Principal	146,389	2,174,579	3,604,938	-	4,583,959	10,509,865
Interest	3,854	200,323	899,253	-	511,546	1,614,976
Capital outlay:						
General government	-	-	-	214,931	676,663	891,594
Public safety	-	-	-	-	730,311	730,311
Highways and streets	-	-	-	1,060,231	288,889	1,349,120
Sanitation	-	-	-	-	101,555	101,555
Culture and recreation	-	-	-	-	127,197	127,197
Urban redevelopment and housing	-	-	-	-	1,299,686	1,299,686
Total disbursements	84,531,808	15,262,789	4,504,525	1,275,162	39,826,281	145,400,565
Excess (deficiency) of receipts over disbursements	(48,012,790)	10,949,747	(4,487,808)	(1,152,234)	(16,659,926)	(59,363,011)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	4,800,000	7,130,445	11,930,445
Tax anticipation warrant proceeds	53,485,586	-	-	-	3,055,686	56,541,272
Tax anticipation warrant repayments	(7,000,000)	-	-	-	(432,053)	(7,432,053)
Transfers in	6,000,000	1,068,000	4,270,433	100,000	7,254,192	18,692,625
Transfers out	(1,134,067)	(12,381,186)	(188,000)	(1,191,533)	(3,797,839)	(18,692,625)
Other receipts	2,118,873	31,261	-	-	87,106	2,237,240
Total other financing sources (uses)	53,470,392	(11,281,925)	4,082,433	3,708,467	13,297,537	63,276,904

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

CITY OF GARY
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, 2007
(Continued)

	General	Gaming Revenues	Redevelopment Bond	2007 Multi-Purpose Revenue Bonds	Other Governmental Funds	Totals
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,457,602	(332,178)	(405,375)	2,556,233	(3,362,389)	3,913,893
Restated cash and investment fund balance - beginning (Note III.C.)	(496,336)	359,294	3,067,757	-	12,037,688	14,968,403
Cash and investment fund balance - ending	<u>\$ 4,961,266</u>	<u>\$ 27,116</u>	<u>\$ 2,662,382</u>	<u>\$ 2,556,233</u>	<u>\$ 8,675,299</u>	18,882,296

Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis 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 Activities and Net Assets - Cash and Investment Basis.

(1,576,354)

Net assets of governmental activities

\$ 17,305,942

Cash and Investment Assets - Ending

Cash and investments	\$ 4,961,266	\$ 27,116	\$ -	\$ -	\$ 1,095,181	\$ 6,083,563
Restricted assets:						
Cash and investments	-	-	2,662,382	2,556,233	7,580,118	12,798,733
Total cash and investment assets - ending	<u>\$ 4,961,266</u>	<u>\$ 27,116</u>	<u>\$ 2,662,382</u>	<u>\$ 2,556,233</u>	<u>\$ 8,675,299</u>	<u>\$ 18,882,296</u>

Cash and Investment Fund Balance - Ending

Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ 210,737	\$ 210,737
Public safety	-	-	-	-	501,644	501,644
Highways and streets	-	-	-	-	916,628	916,628
Sanitation	-	-	-	-	1,605,133	1,605,133
Health and welfare	-	-	-	-	97,397	97,397
Economic development	-	-	-	-	943,271	943,271
Culture and recreation	-	-	-	-	11,244	11,244
Urban redevelopment and housing	-	-	-	-	480,414	480,414
Debt service	-	-	2,662,382	-	85,576	2,747,958
Capital outlay	-	-	-	2,556,233	2,728,074	5,284,307
Unrestricted	<u>4,961,266</u>	<u>27,116</u>	<u>-</u>	<u>-</u>	<u>1,095,181</u>	<u>6,083,563</u>
Total cash and investment fund balance - ending	<u>\$ 4,961,266</u>	<u>\$ 27,116</u>	<u>\$ 2,662,382</u>	<u>\$ 2,556,233</u>	<u>\$ 8,675,299</u>	<u>\$ 18,882,296</u>

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

CITY OF GARY
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, 2007

	Sanitary District	Internal Service Funds
	<u> </u>	<u> </u>
Operating receipts:		
Metered receipts:		
Residential	\$ 4,733,977	\$ -
Commercial	5,384,428	-
Industrial	4,496,558	-
Flat rate receipts	51,576	-
Employer contributions	-	9,254,803
Employee contributions	-	823,455
Interfund loans	1,000,000	-
Other	<u>47,830</u>	<u>589,735</u>
 Total operating receipts	 <u>15,714,369</u>	 <u>10,667,993</u>
 Operating disbursements:		
Operations and maintenance	10,903,587	-
Contractual services	9,562,225	-
Customer accounts	911,003	-
Equipment and capital improvements	7,083,881	-
Administration and general	3,380,614	-
Insurance claims and premiums	<u>-</u>	<u>11,415,820</u>
 Total operating disbursements	 <u>31,841,310</u>	 <u>11,415,820</u>
 Excess (deficiency) of operating receipts over operating disbursements	 <u>(16,126,941)</u>	 <u>(747,827)</u>
 Nonoperating receipts (disbursements):		
Tax anticipation warrant proceeds	2,635,000	-
Property taxes	1,482,265	-
Other local sources	473,182	-
Interest and investment receipts	448,780	-
Miscellaneous receipts	1,498,185	-
Debt service of principal	(3,020,000)	-
Debt service - interest disbursement	(873,817)	-
Miscellaneous disbursements	<u>(281,229)</u>	<u>-</u>
 Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	 <u>(13,764,575)</u>	 <u>(747,827)</u>
 Cash and investment fund balance - beginning	 <u>27,366,189</u>	 <u>(828,527)</u>
 Cash and investment fund balance - ending	 <u>\$ 13,601,614</u>	 <u>\$ (1,576,354)</u>
 <u>Cash and Investment Assets - December 31</u>		
Cash and investments	\$ 5,458,781	\$ (1,576,354)
Restricted assets:		
Cash and investments	<u>8,142,833</u>	<u>-</u>
 Total cash and investment assets - December 31	 <u>\$ 13,601,614</u>	 <u>\$ (1,576,354)</u>
 <u>Cash and Investment Fund Balance - December 31</u>		
Restricted for:		
Debt service	\$ 4,534,208	\$ -
Other purposes	3,608,625	-
Unrestricted	<u>5,458,781</u>	<u>(1,576,354)</u>
 Total cash and investment fund balance - December 31	 <u>\$ 13,601,614</u>	 <u>\$ (1,576,354)</u>

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

CITY OF GARY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employer	\$ 1,427,867	\$ -
Plan members	9,226	-
State	7,916,957	-
Interfund loans	<u>3,469,000</u>	<u>-</u>
Total contributions	<u>12,823,050</u>	<u>-</u>
Investment earnings:		
Interest	<u>12,828</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>100,271,586</u>
Total additions	<u>12,835,878</u>	<u>100,271,586</u>
Deductions:		
Benefits	11,619,227	-
Administrative and general	47,670	-
Interfund loans	2,768,336	-
Agency fund deductions	<u>-</u>	<u>99,955,791</u>
Total deductions	<u>14,435,233</u>	<u>99,955,791</u>
Excess (deficiency) of total additions over total deductions	(1,599,355)	315,795
Other financing sources (uses):		
Tax anticipation warrants received	3,466,909	-
Tax anticipation warrants repaid	(1,228,296)	-
Other receipts	<u>7,947</u>	<u>-</u>
Total other financing sources (uses)	<u>2,246,560</u>	<u>-</u>
Excess (deficiency) of additions and other financing sources over deductions and other financing uses	<u>647,205</u>	<u>315,795</u>
Restated cash and investment fund balance - beginning (Note III.C.)	<u>676,496</u>	<u>6,976,588</u>
Cash and investment fund balance - ending	<u>\$ 1,323,701</u>	<u>\$ 7,292,383</u>

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

CITY OF GARY
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 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, storm water and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government:	City of Gary
Blended Component Units:	Gary Building Corporation
	Gary Redevelopment Authority
	Gary Economic Development Corporation

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

Blended Component Units

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City's governing body or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. The blended component units are presented below:

Component Unit	Description/Inclusion Criteria	Fund Included In
Gary Building Corporation	The City appoints a voting majority of the Gary Building Corporation's board and a financial benefit/burden relationship exists between the City and the Gary Building Corporation. Although it is legally separate from the City, the Gary Building Corporation is reported as if it were a part of the City because it provides services entirely or almost entirely to the City.	Governmental Funds
Gary Redevelopment Authority	The City appoints a voting majority of the Gary Redevelopment Authority's board and a financial benefit/burden relationship exists between the City and the Gary Redevelopment Authority. Although it is legally separate from the City, the Gary Redevelopment Authority is reported as if it were a part of the City because it provides services entirely or almost entirely to the City.	Governmental Funds

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Component Unit	Description/Inclusion Criteria	Fund Included In
Gary Economic Development Corporation	The City appoints a voting majority of the Gary Economic Development Corporation's board and a financial benefit/burden relationship exists between the City and the Gary Economic Development Corporation. Although it is legally separate from the City, the Gary Economic Development Corporation is reported as if it were a part of the City because it provides services entirely or almost entirely to the City.	Governmental Funds

Joint Venture

The City is a participant with the City of Hammond and the City of East Chicago in a joint venture to operate the Gary/Hammond/East Chicago Empowerment Zone (Zone) which was created to provide new jobs empowering low-income persons and families to become economically self-sufficient. The City is obligated by contract to be the lead entity to administer all federal grant funds provided for use in the Empowerment Zone. The Empowerment Zone uses its surplus resources to undertake special projects for the City. The Empowerment Zone's continued existence depends on the Zone's ability to be awarded continued federal funding. The Empowerment Zone's financial activities are included as agency funds of the City of Gary.

The City is a participant with Lake, Porter, and LaPorte Counties and all municipalities in the three counties in a joint venture to operate the Northwestern Indiana Regional Planning Commission (NIRPC) which was created as a multi-purpose area-wide planning agency for such fields as economic development, transportation, environmental protection, and comprehensive planning. NIRPC's enabling legislation (Indiana Code 36-7) provides that participating counties must provide an annual appropriation at a minimum level of thirty cents per capita. Complete financial statements for the NIRPC can be obtained from their administrative offices at 6100 Southport Road, Portage, Indiana, 46368.

The City is a participant with the State of Indiana, Lake and Porter Counties, certain cities in Lake and Porter Counties and federal agencies in a joint venture to operate the Regional Development Authority (RDA), which was created to assist in funding and developing of all transportation services including the Gary/Chicago International Airport expansion and other airport authority projects, commuter transportation districts, rail projects and services, bus projects and services, shoreline development projects and activities, and economic development projects. Complete financial statements for the RDA can be obtained from their administrative offices at 9800 Connecticut Drive, Crown Point, Indiana, 46307.

The City is a participant with Lake and Porter Counties, and certain cities in Lake and Porter Counties in a joint venture to operate the Regional Bus Authority (RBA), which was created to enhance the quality of life in Northwest Indiana by assuring the availability of a customer responsive regional bus transportation system. Complete financial statements for the RBA can be obtained from their administrative offices at 6100 Southport Road, Portage, Indiana, 46368.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints board members of the Gary Housing Authority, Gary Public Transportation Corporation, and Gary/Chicago Regional Airport Authority.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays 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 nonexchange 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, 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 gaming revenues fund is a special revenue fund. It accounts for the financial resources received from the State of Indiana as gaming admissions and wagering taxes.

The redevelopment bond fund is a debt service fund. It accounts for the financial resources to be used to retire the redevelopment general obligation bonds.

The 2007 multipurpose revenue bonds fund is a capital projects fund. It accounts for the financial resources received from bond proceeds secured to finance several major improvement projects within the City.

The City reports the following major proprietary fund:

The sanitary district fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems as well as the operation of the storm water collection system.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the City reports the following fund types:

The internal service funds account for group health insurance, unemployment and workmen's compensation programs 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 the federal government, state government, and other entities.

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, other charges between the City's wastewater and solid waste collection functions, 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 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.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

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 loans 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 loans between governmental and business-type activities, which are reported as Interfund loans – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – 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.

Prior to the first required publication, 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

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

taxes are received are 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. Cash and Investment Balance Deficits

At December 31, 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007
Other governmental funds:	
Protective Services Grant I	\$ 1,035,475
Emergency Shelter	82,769 *
Health and Human Services	39,916 *
COPS in School	167,191 *
Leased Properties - Gary Building Corporation	804,504
Internal service funds:	
Self-Insurance	1,240,658
WCI/UCI Benefits	335,696

*Reimbursement type grant funds; the cash deficits are due to grant disbursements not yet reimbursed by the grantor.

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. 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. The City does not have a deposit policy for custodial credit risk. At December 31, 2007, the City had deposit balances in the amount of \$39,523,640. Of this amount, the following was exposed to custodial credit risk:

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

	2007
Uninsured deposits collateralized with securities held by the pledging financial institution's trust department or agent, but not in the depositor-government's name	\$ 646,272

The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

As of December 31, 2007, the City had the following investments:

Investment Type	Market Value
U.S. treasuries and securities	\$ 737,828
U.S. agencies	1,252,553
Total	\$ 1,990,381

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

The following investments held by the City were exposed to custodial credit risks because they are uninsured and unregistered with securities held by the counterparty, or the counterparty's trust department or agent, either in the government's name or not in the government's name:

<u>Investment Type</u>	<u>Not in the Government's Name</u>
U.S. agencies	<u>\$ 646,272</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years. The City does not have a formal investment policy for interest rate risk for investments.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Less Than 1</u>	<u>1-2</u>	<u>More Than 2</u>
U.S. treasuries and securities	\$ 105,661	\$ 233,800	\$ 398,367
U.S. agencies	<u>766,310</u>	<u>249,082</u>	<u>237,161</u>
Totals	<u>\$ 871,971</u>	<u>\$ 482,882</u>	<u>\$ 635,528</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The City does not have a formal investment policy for credit risk for investments.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Standard and Poor's Rating	City's Investments	
	U.S. Treasuries and Securities	U.S. Agencies
AAA	\$ 737,828	\$ 1,252,553

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, were as follows:

Transfer From	Transfer To	2007
General Fund	2007 Multipurpose Revenue Bonds	\$ 100,000
	Other governmental funds	1,034,067
Gaming Revenues Fund	General Fund	6,000,000
	Redevelopment Bond	4,270,433
	Other governmental funds	2,110,753
Redevelopment Bond	Gaming Revenues Fund	188,000
2007 Multipurpose Revenue Bonds	Gaming Revenues Fund	880,000
	Other governmental funds	311,533
Other governmental funds	Other governmental funds	3,797,839
Total		\$ 18,692,625

The City typically uses transfers for cash flow purposes as provided by various statutory provisions, to fund ongoing operating subsidies, and to transfer the portion of state-shared revenues from the Gaming Revenues Fund to the debt service funds for current-year debt service requirements.

C. Restatements and Reclassifications

For the year ended December 31, 2007, 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.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Opinion Unit	Balance as Reported December 31, 2006	Fund Reclassification	Balance as Restated January 1, 2007
Statement of Activities and Net Assets:			
Governmental activities	\$ 14,209,872	\$ (69,996)	\$ 14,139,876
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances:			
Governmental funds:			
Other governmental funds	15,038,399	(69,996)	14,968,403
Statement of Additions, Deductions, and Changes in Cash and Investment Balances:			
Fiduciary funds:			
Agency funds	6,906,592	69,996	6,976,588

D. Tax Anticipation Warrants

The Gary Common Council passed two ordinances authorizing the issuance of tax anticipation warrants in January and July for property taxes payable in 2007. Because property taxes were not billed or collected by the County in May and November as required by state statute, the original repayment dates of June 30, 2007, and December 31, 2007, respectively, were ultimately extended to June 30, 2008. The City was able to make repayments totaling \$8,890,904 in November and December 2007. The final property tax distribution for taxes payable in 2007 was received in March, 2008. The 2007 warrants were repaid in full on March 21, 2008. Tax anticipation warrant transactions for 2007 and the balance outstanding at December 31, 2007, are detailed in the following schedule:

Fund	2007 Warrants Issued	2007 Warrants Repaid	Warrants Outstanding December 31, 2007
General	\$ 53,485,586	\$ 7,000,000	\$ 46,485,586
Park and Recreation	1,573,458	221,363	1,352,095
Genesis Civic Center	1,482,228	441,245	1,040,983
Firefighters' Pension	1,523,102	171,841	1,351,261
Police Pension	1,943,807	1,056,455	887,352
Totals	<u>\$ 60,008,181</u>	<u>\$ 8,890,904</u>	<u>\$ 51,117,277</u>

E. Temporary Interfund Loans

Temporary interfund loans for the year ended December 31, 2007, were as follows:

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Loan To	Loan From	Loans Outstanding January 1, 2007	2007 Loans	2007 Repayments*	Loans Outstanding December 31, 2007
General Fund	Gaming Revenues	\$ 9,005,718	\$ 5,645,000	\$ 11,405,718	\$ 3,245,000
	Other governmental funds	3,748,516	2,500,000	3,003,659	3,244,857
	Fiduciary funds	1,900,000	-	1,900,000	-
	Proprietary funds	15,497,127	-	1,000,000	14,497,127
Gaming Revenues Fund	Other governmental funds	300,000	-	300,000	-
	Fiduciary funds	100,000	-	100,000	-
Other governmental funds	Gaming Revenues Fund	-	400,000	300,000	100,000
	Other governmental funds	290,000	60,000	60,000	290,000
	All others	37,500	-	-	37,500
	Fiduciary fund	1,084,337	480,000	1,564,337	-
Fiduciary fund	General Fund	1,084,337	480,000	1,564,337	-
	Other governmental funds	200,000	989,000	1,189,000	-
	All others	15,000	-	15,000	-
Totals		<u>\$ 32,178,198</u>	<u>\$ 10,074,000</u>	<u>\$ 20,837,714</u>	<u>\$ 21,414,484</u>

*On June 5, 2007, the Gary Common Council passed Ordinance 8096 authorizing the City to forgive the repayment of \$9,005,718 in temporary loans outstanding made in prior years from the Gaming Revenues Fund to the General Fund.

The City typically uses interfund loans for cash flow purposes to fund ongoing operations in anticipation of current revenues.

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; natural disasters; 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; and natural disasters are covered by commercial insurance from independent third parties. The risk of job related illnesses or injuries to employees and medical benefits to employees, retirees, and dependents (excluding postemployment benefits) are covered by commercial insurance from independent third parties for the Sanitary District only. 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.

Group Health Insurance

The City, excluding the Sanitary District, has chosen to establish a risk financing fund for risks associated with employee health claims. 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 \$175,000 and an aggregate of \$1,250,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all insured funds and are available to pay claims, claim reserves, and administrative costs of the program. A premium is charged to each fund that accounts for employee payroll, based upon the number of covered employees and their respective coverage. These premiums are reported as quasi-external interfund transactions. Provisions are also made for unexpected and unusual claims.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Worker's Compensation and Unemployment Insurance

The City, excluding the Sanitary District, has chosen to establish a risk financing fund for risks associated with employee workmen's compensation and unemployment. The risk financing fund is accounted for in the WCI/UCI Benefits Fund, an internal service fund, where assets are set aside for claim settlements. Amounts are paid into the fund by all insured funds and are available to pay claims, claim reserves, and administrative costs of the program. A premium is charged to each fund that accounts for employee payroll, based upon the percentage of each fund's current year payroll as it relates to total payroll. These premiums are reported as quasi-external interfund transactions. Provisions are also made for unexpected and unusual claims.

Vehicle and Liability Insurance

The City pays for all vehicle and liability claims from the General Fund and the Gaming Revenues Fund.

B. Subsequent Events

State Pension Relief Fund

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

Tax Anticipation Warrants

On December 18, 2007, and May 20, 2008, the Gary Common Council passed ordinances authorizing the issuance of tax anticipation warrants totaling \$29,456,254 and \$27,083,463, respectively, to be repaid by December 31, 2008. Warrants totaling \$29,027,121 and \$26,825,981 were distributed on January 3, 2008, and May 27, 2008, respectively. Tax anticipation warrant transactions for 2008 and the balance outstanding at December 8, 2008 are detailed in the following schedule:

Fund	Warrants Outstanding January 1, 2008	2008 Warrants Issued	2008 Warrants Repaid	Warrants Outstanding December 8, 2008
General	\$ 46,485,586	\$ 50,072,942	\$ 67,356,636	\$ 29,201,892
Park and Recreation	1,352,095	1,573,049	2,007,707	917,437
Genesis Civic Center	1,040,983	886,434	1,484,201	443,216
Firefighters' Pension	1,351,261	1,958,961	2,333,940	976,282
Police Pension	887,352	1,361,716	1,542,743	706,325
Totals	<u>\$ 51,117,277</u>	<u>\$ 55,853,102</u>	<u>\$ 74,725,227</u>	<u>\$ 32,245,152</u>

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Temporary Interfund Loans

The Common Council passed various ordinances authorizing interfund loans. Interfund loan transactions for 2008 and the outstanding balance of interfund loans at December 8, 2008, are detailed in the following schedule:

Loan To	Loan From	Loans Outstanding January 1, 2008	2008 Loans	2008 Repayments	Loans Outstanding December 8, 2008
General Fund	Gaming Revenues Fund	\$ 3,245,000	\$ -	\$ 3,245,000	\$ -
	Other governmental funds	3,244,857	3,220,000	2,500,000	3,964,857
	Proprietary funds	14,497,127	-	2,000,000	12,497,127
Other governmental funds	Gaming Revenues	100,000	-	100,000	-
	Other governmental funds	290,000	-	-	290,000
	All others	37,500	-	-	37,500
All others	Other governmental funds	-	580,000	-	580,000
Totals		<u>\$ 21,414,484</u>	<u>\$ 3,800,000</u>	<u>\$ 7,845,000</u>	<u>\$ 17,369,484</u>

Loans from Sanitary District

In 2005 and 2006, the City borrowed a total of \$15,497,127 from the Gary Sanitary District. The loans were used to meet short-term financial obligations such as payroll and vendor expenses. The need for these loans was attributed to property tax reassessment in prior years which reduced the percentage of property tax collections as well as the delayed distribution of the property taxes. Also, officials underestimated current requirements. The City repaid \$1,000,000 in 2007 and has repaid \$2,000,000 more as of December 8, 2008. The remaining balance of \$12,497,127 will be repaid over a period of several years.

Revenue Bonds

On August 1, 2006, the Gary Common Council passed an ordinance to issue multipurpose revenue bonds in an amount not to exceed \$25,000,000. In 2007, the City drew \$4,800,000 in bond proceeds to finance various capital improvement projects and to purchase equipment. The bonds will be repaid over five years from casino revenue. None of the remaining \$20,200,000 available debt has been issued as of December 8, 2008.

Outsourcing of Solid Waste Collection Services

As of October 20, 2008, the City, through the Sanitary District, has contracted with Allied Waste Services for solid waste collection and disposal services. Customers will pay a fee included on their Sanitary District bill. The Garbage Collection Fee Resolution was adopted October 14, 2008. Invoicing of customers will begin January 1, 2009.

Reassessment and Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2008. Taxes are normally billed in two installments, the first is due in May, and the second in November. Significant delays in the reassessment process have resulted in delays in billing taxes in 2008. Lake County 2007 pay 2008 tax rates were approved on November 14, 2008. Provisional bills for 50% of 2006 pay 2007 taxes were due October 29, 2008. The City

CITY OF GARY
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

received an advance on their 2008 taxes of \$21,612,651 on November 21, 2008. County officials do not anticipate sending the final reconciliation bill for taxes payable in 2008 before December 31, 2008. A similar situation occurred in 2007. This has hampered the City's ability to appropriately budget and expend funds and has forced the City to borrow extensively in anticipation of tax revenues. The result of this borrowing has been additional interest costs to the City of over \$1,000,000 during 2007 and 2008.

Circuit Breaker Tax Credit

In 2008, the Indiana General Assembly passed House Enrolled Act 1001 (HEA 1001) which provides a property tax credit (the Circuit Breaker Tax Credit) when the taxes on any property exceed a certain percentage of the property's assessed value. The credit is phased in over two years. For taxes payable in 2009 and 2010, the applicable percentages are as follows:

	2009	2010
Homestead (owner-occupied) residential property	1.5%	1%
Other residential property	2.5%	2%
Commercial and industrial property	3.5%	3%

The Circuit Breaker Tax Credit will result in a reduction of property tax collections for each political subdivision in which the Circuit Breaker Tax Credit is applied. A political subdivision may not increase its property tax levy or borrow funds to offset the effects of the Circuit Breaker Tax Credit.

C. Conduit Debt Obligation

From time to time, the City has issued Special Facility Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as debt in the supplementary Schedule of Long-Term Debt.

As of December 31, 2007, there were seven series of Special Facility Revenue Bonds outstanding. The aggregate principal amount payable for the seven series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$54,245,000.

D. 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 police officers and firefighters who retire from the City on or after attaining age 52 with at least 20 years of service. Currently, 122 retirees meet these eligibility requirements. The City and retirees provide 80% and 20%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2007, disbursements for these postemployment benefits could not be reasonably estimated.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Rate Structure – Enterprise Fund

Sanitary District

Wastewater:

The current rate structure was approved by the Sanitary District Board on March 11, 2008.

Storm Water:

The current rate structure was approved by the Common Council on February 25, 2002.

F. 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 Sanitary District is not available.

CITY OF GARY
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 GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 1,016,254	\$ 4,818,100	\$ 4,766,400
Interest on net pension obligation	120,414	1,977,400	1,813,000
Adjustment to annual required contribution	<u>(137,221)</u>	<u>(2,457,600)</u>	<u>(2,253,300)</u>
Annual pension cost	999,447	4,337,900	4,326,100
Contributions made	<u>879,706</u>	<u>4,854,515</u>	<u>4,490,308</u>
Increase (decrease) in net pension obligation	119,741	(516,615)	(164,208)
Net pension obligation, beginning of year	<u>1,660,878</u>	<u>32,956,987</u>	<u>30,216,899</u>
Net pension obligation, end of year	<u>\$ 1,780,619</u>	<u>\$ 32,440,372</u>	<u>\$ 30,052,691</u>

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	4.75%	21%	21%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-07	01-01-07	01-01-07
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	30 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

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 932,618	68%	\$ 1,578,726
	06-30-06	832,219	90%	1,660,878
	06-30-07	999,447	88%	1,780,619
1925 Police Officers' Pension Plan	12-31-05	5,190,100	80%	35,089,756
	12-31-06	4,915,100	143%	32,956,987
	12-31-07	4,337,900	112%	32,440,372
1937 Firefighters' Pension Plan	12-31-05	4,612,500	83%	32,619,583
	12-31-06	4,264,500	156%	30,216,899
	12-31-07	4,326,100	104%	30,052,691

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2007, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	265	246
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	1	6

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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, 2007, 2006, and 2005, were \$5,697,927, \$5,416,653, and \$4,789,641, respectively, equal to the required contributions for each year.

G. Municipal Solid Waste Landfill Closure and Post-Closure Costs

State and federal laws and regulations require the City to place a final cover on its municipal landfill when it stops accepting solid waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expenditure in each period based on landfill capacity used as of each balance sheet date. The City has recognized all the estimated costs of closure and post-closure care since the landfill capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2004. The City closed the landfill on May 1, 1997. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City is required by state and federal laws and regulations to make contributions to a trust to finance closure and post-closure care, to obtain a line of credit, obtain a bond in an amount sufficient to finance the estimated closure and post-closure care costs, obtain insurance, or fulfill the financial requirements set forth in 329 IAC 2-12. The City has chosen to make contributions to a trust. At December 31, 2007, investments of \$1,605,133 (\$1,605,133 market value) are held for these purposes. These are reported as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by future tax revenue.

H. Environmental Protection Agency Consent Decree

The United States District Court issued a Consent Decree initiated by the Environmental Protection Agency in 2002, whereby the Gary Sanitary District (District) was required to accumulate funds for the Grand Calumet Sedimentation Fund. A limit will be placed on the costs the District will have to incur for the study and remediation of river sediments. This limit was set at \$2,500,000. In addition, a special administrator will be required to certify, on January 31 of each year, whether or not the District is complying with the terms of the Decree. The Modified Consent Decree Semi-Annual Progress Report, dated February 27, 2006, certified that the District has deposited all required funds into its Grant Calumet River Remediation Fund. The balance of this fund at December 31, 2007, is \$3,375,680. The District is awaiting further instructions from EPA as to how to proceed in the use of those funds.

I. Privatized Operations

On April 10, 1998, the Sanitary District (District) entered into an agreement with White River Environmental Partnership (WREP) for the operation, maintenance, and management of the District's wastewater treatment and collection system, with an effective date of July 1, 1998. As part of the agreement, WREP agreed to pay the District \$10,000,000 as an upfront payment of savings to the District resulting from this ten year contract. In accordance with the agreement, the District pays WREP a base amount per year of \$9,500,000, which is adjusted annually for changes in the Consumer Price Index (CPI). Payments for 2007 under the CPI adjusted base amount totaled \$11,941,292. In 2004, WREP changed its name to United Water SUEZ (United Water). On May 13, 2008, the agreement with United Water was extended until May 31, 2013. The agreement extension requires a base payment of \$10,800,000 per year effective June 1, 2008.

J. Current and Future Financial Considerations

The City of Gary is currently seeking assistance from the Distressed Unit Appeals Board (Board) pursuant to state statute. Indiana Code 6-1.1-20.6 and House Enrolled Act 1001 have, and will, significantly reduce the amount of taxes that the City is able to collect. If the City is required to immediately comply with this tax legislation, they would need to reduce their 2009 budget by over \$30 million and their 2010 budget by an additional \$6 million. These reductions would reduce their tax levy to levels prior to 1996. The City will propose to the Board a four-year phase-in plan for implementation of this legislation while anticipating legislative relief.

CITY OF GARY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City's 2007 budget was a reduction of \$11 million from the 2006 budget. The City reduced their budget for 2008 by an additional \$12.5 million. The City has already implemented several cost-saving measures. In 2008, the City reduced their civilian employees' work week 20% for the final four months of the year and laid off 23 public safety personnel for 30 days. They also appropriated \$4.4 million from casino contributions meant for capital improvements to the General Fund for operating expenses.

To reduce costs for 2009 the City has outsourced their solid waste collection and has instituted a Garbage Collection Fee effective January 1, 2009. The City is currently negotiating new cost-saving agreements with the labor unions representing police officers, firefighters, and other City employees. The City is also considering, among other things, additional outsourcing of services, consolidation and/or elimination of many City departments, instituting new fees and increasing current fees for various services, closing several parks and pools, and leasing out park operations and the Genesis Convention Center.

If assistance is not approved by the Board, full and immediate implementation of Indiana Code 6-1.1-20.6 would have a negative effect on the City. The City would be forced to reduce their workforce by approximately 60% over 2 years. A large percentage of the City's employees are public safety personnel. A reduction of this magnitude would put public safety services in jeopardy. Several essential public safety and health and welfare services would have to be transferred to Lake County. These would include jail, dispatch, court, civil defense, and health services. Other services and departments would have to be drastically reduced or eliminated and new fees for other services would have to be adopted.

CITY OF GARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 23,236,137	\$ 22,460,810	\$ 775,327	103%	\$ 17,876,919	4%
07-01-06	24,719,172	23,334,431	1,384,741	106%	18,182,141	8%
07-01-07	27,420,802	26,092,127	1,328,675	105%	19,076,601	7%

1925 Police Officers' 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)
01-01-02	\$ 5,614,371	\$ 79,847,000	\$ (74,232,629)	7%	\$ 1,662,500	(4,465%)
01-01-03	4,023,585	77,916,200	(73,892,615)	5%	2,091,400	(3,533%)
01-01-04	4,388,057	79,307,600	(74,919,543)	6%	1,605,800	(4,666%)
01-01-05	(69,322)	74,346,900	(74,416,222)	0%	1,493,900	(4,981%)
01-01-06	365,043	71,772,300	(71,407,257)	1%	156,600	(45,599%)
01-01-07	81,232	65,525,800	(65,444,568)	0%	410,000	(15,962%)

1937 Firefighters' 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)
01-01-02	\$ 5,614,371	\$ 75,448,900	\$ (69,834,529)	7%	\$ 1,590,200	(4,392%)
01-01-03	3,273,035	68,127,700	(64,854,665)	5%	1,904,700	(3,405%)
01-01-04	1,662,060	70,580,700	(68,918,640)	2%	1,493,800	(4,614%)
01-01-05	(58,685)	66,035,900	(66,094,585)	0%	1,344,500	(4,916%)
01-01-06	502,264	62,487,000	(61,984,736)	1%	896,300	(6,916%)
01-01-07	595,264	63,185,300	(62,590,036)	1%	656,000	(9,541%)

CITY OF GARY
 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	12-31-02	\$ 8,699,000	12%	39%
	12-31-03	9,424,900	28%	25%
	12-31-04	9,448,900	0%	34%
	12-31-05	5,621,800	13%	61%
	12-31-06	5,391,700	54%	77%
	12-31-07	4,818,100	12%	89%
1937 Firefighters' Pension Plan	12-31-02	8,218,500	12%	53%
	12-31-03	8,463,500	8%	36%
	12-31-04	8,431,300	1%	37%
	12-31-05	5,015,700	12%	76%
	12-31-06	4,707,600	53%	142%
	12-31-07	4,766,400	18%	94%

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Motor Vehicle Highway	Local Road and Street	Alcohol and Drug Treatment	Law Enforcement Continuing Education	Unsafe Building	Park and Recreation	Ambulance Nonreverting
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 640,400	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	3,117,324	1,224,961	-	-	-	71,860	-
Charges for services	-	-	-	25,865	-	3,499	247,606
Fines and forfeits	-	-	-	41,294	-	-	-
Interfund loans	559,802	200,000	-	-	-	300,000	-
Other	1,464	10	-	6,142	28,352	29,297	490
Total receipts	3,678,590	1,424,971	-	73,301	28,352	1,045,056	248,096
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	50,006	-	-	153,430
Highways and streets	4,225,780	976,249	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	2,287,582	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	23,600	-	-	359,287
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	4,225,780	976,249	-	73,606	-	2,287,582	512,717
Excess (deficiency) of receipts over disbursements	(547,190)	448,722	-	(305)	28,352	(1,242,526)	(264,621)
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	-	-	-
Tax anticipation warrant proceeds	-	-	-	-	-	1,573,458	-
Tax anticipation warrant repayments	-	-	-	-	-	(221,363)	-
Transfers in	250,000	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	250,000	-	-	-	-	1,352,095	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(297,190)	448,722	-	(305)	28,352	109,569	(264,621)
Restated cash and investment fund balance - beginning	761,620	3,476	256,674	110,005	114,938	76,870	277,791
Cash and investment fund balance - ending	\$ 464,430	\$ 452,198	\$ 256,674	\$ 109,700	\$ 143,290	\$ 186,439	\$ 13,170
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ 256,674	\$ 109,700	\$ 143,290	\$ 186,439	\$ 13,170
Restricted assets:							
Cash and investments	464,430	452,198	-	-	-	-	-
Total cash and investment assets - ending	\$ 464,430	\$ 452,198	\$ 256,674	\$ 109,700	\$ 143,290	\$ 186,439	\$ 13,170
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	464,430	452,198	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	256,674	109,700	143,290	186,439	13,170
Total cash and investment fund balance - ending	\$ 464,430	\$ 452,198	\$ 256,674	\$ 109,700	\$ 143,290	\$ 186,439	\$ 13,170

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Protective Services Grant I	Protective Services Grant II	Equal Opportunity Commission Human Relations	Tourism Project	Local Law Enforcement Block Grant	Youth Services Bureau	HOME Program
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	18,590	-	45,773	10,800	10,000	149,936	447,105
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	1,056	70,615	-	-	-	200	2,273
Total receipts	19,646	70,615	45,773	10,800	10,000	150,136	449,378
Disbursements:							
General government	-	-	41,405	-	-	-	-
Public safety	59,867	27,034	-	-	11,334	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	172,395	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	2,366,053
Interfund loans	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	56,712	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	59,867	83,746	41,405	-	11,334	172,395	2,366,053
Excess (deficiency) of receipts over disbursements	(40,221)	(13,131)	4,368	10,800	(1,334)	(22,259)	(1,916,675)
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	-	-	-
Tax anticipation warrant proceeds	-	-	-	-	-	-	-
Tax anticipation warrant repayments	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	24,543
Total other financing sources (uses)	-	-	-	-	-	-	24,543
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(40,221)	(13,131)	4,368	10,800	(1,334)	(22,259)	(1,892,132)
Restated cash and investment fund balance - beginning	(995,254)	411,043	10,031	39,001	50,914	282,214	1,970,046
Cash and investment fund balance - ending	<u>\$ (1,035,475)</u>	<u>\$ 397,912</u>	<u>\$ 14,399</u>	<u>\$ 49,801</u>	<u>\$ 49,580</u>	<u>\$ 259,955</u>	<u>\$ 77,914</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ (1,035,475)	\$ -	\$ -	\$ -	\$ -	\$ 259,955	\$ -
Restricted assets:							
Cash and investments	-	397,912	14,399	49,801	49,580	-	77,914
Total cash and investment assets - ending	<u>\$ (1,035,475)</u>	<u>\$ 397,912</u>	<u>\$ 14,399</u>	<u>\$ 49,801</u>	<u>\$ 49,580</u>	<u>\$ 259,955</u>	<u>\$ 77,914</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ 14,399	\$ 49,801	\$ -	\$ -	\$ -
Public safety	-	397,912	-	-	49,580	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	77,914
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	(1,035,475)	-	-	-	-	259,955	-
Total cash and investment fund balance - ending	<u>\$ (1,035,475)</u>	<u>\$ 397,912</u>	<u>\$ 14,399</u>	<u>\$ 49,801</u>	<u>\$ 49,580</u>	<u>\$ 259,955</u>	<u>\$ 77,914</u>

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Emergency Shelter Grant	Brownfield	Healthy Families	Marquette Park	Gleason Golf Course	Emergency Shelter
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	89,420	35,126	-	-	-	519,450
Charges for services	-	-	-	116,645	152,356	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	20,530	424	10,952	8,696
Total receipts	89,420	35,126	20,530	117,069	163,308	528,146
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	89,420	-	7,190	-	-	537,679
Economic development	-	53,543	-	-	-	-
Culture and recreation	-	-	-	162,095	183,412	-
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	10,477	68,270	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	89,420	53,543	7,190	172,572	251,682	537,679
Excess (deficiency) of receipts over disbursements	-	(18,417)	13,340	(55,503)	(88,374)	(9,533)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrant proceeds	-	-	-	-	-	-
Tax anticipation warrant repayments	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(18,417)	13,340	(55,503)	(88,374)	(9,533)
Restated cash and investment fund balance - beginning	888	40,641	17,533	104,128	124,600	(73,236)
Cash and investment fund balance - ending	<u>\$ 888</u>	<u>\$ 22,224</u>	<u>\$ 30,873</u>	<u>\$ 48,625</u>	<u>\$ 36,226</u>	<u>\$ (82,769)</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ 48,625	\$ 36,226	\$ (82,769)
Restricted assets:						
Cash and investments	888	22,224	30,873	-	-	-
Total cash and investment assets - ending	\$ 888	\$ 22,224	\$ 30,873	\$ 48,625	\$ 36,226	\$ (82,769)
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	888	-	30,873	-	-	-
Economic development	-	22,224	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	-	48,625	36,226	(82,769)
Total cash and investment fund balance - ending	\$ 888	\$ 22,224	\$ 30,873	\$ 48,625	\$ 36,226	\$ (82,769)

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Comprehensive Community Program	Homeownership	Landfill Closure	Solid Waste Recycling Project	Environmental Management	PGCI Project Grant
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	200,000	62,903	-
Charges for services	48,664	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	4,519	295,991	-	26,827	-
Total receipts	48,664	4,519	295,991	200,000	89,730	-
Disbursements:						
General government	65,316	-	-	-	83,483	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	322,385	479,841	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	1,903	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	101,555	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	65,316	1,903	322,385	581,396	83,483	-
Excess (deficiency) of receipts over disbursements	(16,652)	2,616	(26,394)	(381,396)	6,247	-
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrant proceeds	-	-	-	-	-	-
Tax anticipation warrant repayments	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(16,652)	2,616	(26,394)	(381,396)	6,247	-
Restated cash and investment fund balance - beginning	17,037	574	1,631,527	613,664	3,435	18,659
Cash and investment fund balance - ending	\$ 385	\$ 3,190	\$ 1,605,133	\$ 232,268	\$ 9,682	\$ 18,659
Cash and Investment Assets - Ending						
Cash and investments	\$ 385	\$ -	\$ -	\$ 232,268	\$ -	\$ -
Restricted assets:						
Cash and investments	-	3,190	1,605,133	-	9,682	18,659
Total cash and investment assets - ending	\$ 385	\$ 3,190	\$ 1,605,133	\$ 232,268	\$ 9,682	\$ 18,659
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,659
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	1,605,133	-	-	-
Health and welfare	-	-	-	-	9,682	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	3,190	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	385	-	-	232,268	-	-
Total cash and investment fund balance - ending	\$ 385	\$ 3,190	\$ 1,605,133	\$ 232,268	\$ 9,682	\$ 18,659

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Health and Human Services	Supplemental Adult Probation Services	Gary Health Department Rental	HIV Substance Abuse Prevention	COPS In School	Park Nonreverting
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	801,889	-	-	60,355	107,600	-
Charges for services	48,587	-	-	-	-	115,543
Fines and forfeits	-	85,967	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	13,671	14	119	-	-	18,474
Total receipts	864,147	85,981	119	60,355	107,600	134,017
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	89,951	-	-	271,790	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	980,915	-	660	49,761	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	103,438
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	980,915	89,951	660	49,761	271,790	103,438
Excess (deficiency) of receipts over disbursements	(116,768)	(3,970)	(541)	10,594	(164,190)	30,579
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrant proceeds	-	-	-	-	-	-
Tax anticipation warrant repayments	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(116,768)	(3,970)	(541)	10,594	(164,190)	30,579
Restated cash and investment fund balance - beginning	76,852	57,565	6,112	(2,071)	(3,001)	10,132
Cash and investment fund balance - ending	\$ (39,916)	\$ 53,595	\$ 5,571	\$ 8,523	\$ (167,191)	\$ 40,711
Cash and Investment Assets - Ending						
Cash and investments	\$ (39,916)	\$ -	\$ 5,571	\$ -	\$ (167,191)	\$ 40,711
Restricted assets:						
Cash and investments	-	53,595	-	8,523	-	-
Total cash and investment assets - ending	\$ (39,916)	\$ 53,595	\$ 5,571	\$ 8,523	\$ (167,191)	\$ 40,711
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	53,595	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	8,523	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	(39,916)	-	5,571	-	(167,191)	40,711
Total cash and investment fund balance - ending	\$ (39,916)	\$ 53,595	\$ 5,571	\$ 8,523	\$ (167,191)	\$ 40,711

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Park Pavilion	National Park Service	Vehicle Auction	Bioterrorism	COPS Technology	Community Development Block Grant
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	58,423	254,071	3,870,835
Charges for services	899	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	86,638	-	-	3,019
Total receipts	899	-	86,638	58,423	254,071	3,873,854
Disbursements:						
General government	-	-	5,574	-	-	-
Public safety	-	-	-	61,194	221,923	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	7,888	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	3,890,872
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	58,972	-	-	-
Public safety	-	-	-	-	254,069	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	70,847
Total disbursements	7,888	-	64,546	61,194	475,992	3,961,719
Excess (deficiency) of receipts over disbursements	(6,989)	-	22,092	(2,771)	(221,921)	(87,865)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrant proceeds	-	-	-	-	-	-
Tax anticipation warrant repayments	-	-	-	-	-	-
Transfers in	-	-	-	-	-	260,444
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	22,840
Total other financing sources (uses)	-	-	-	-	-	283,284
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,989)	-	22,092	(2,771)	(221,921)	195,419
Restated cash and investment fund balance - beginning	8,798	802	192,761	3,046	221,923	(13,141)
Cash and investment fund balance - ending	\$ 1,809	\$ 802	\$ 214,853	\$ 275	\$ 2	\$ 182,278
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,809	\$ -	\$ 214,853	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	802	-	275	2	182,278
Total cash and investment assets - ending	\$ 1,809	\$ 802	\$ 214,853	\$ 275	\$ 2	\$ 182,278
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	275	2	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	802	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	182,278
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	1,809	-	214,853	-	-	-
Total cash and investment fund balance - ending	\$ 1,809	\$ 802	\$ 214,853	\$ 275	\$ 2	\$ 182,278

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Redevelopment Operating	Summer Jobs Training Program	Fair Housing Project	Genesis Civic Center	Media	Clerk Perpetuation
Receipts:						
Taxes	\$ 85,873	\$ -	\$ -	\$ 586,313	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	9,160	-	53,760	67,579	-	-
Charges for services	-	-	-	-	380,213	10,706
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	400,000	-	-
Other	16,068	19,958	1,520	2,699	-	-
Total receipts	111,101	19,958	55,280	1,056,591	380,213	10,706
Disbursements:						
General government	-	263,209	-	-	92,898	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	1,652,231	-	-
Urban redevelopment and housing	347,741	-	90,419	-	-	-
Interfund loans	-	-	-	300,000	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	180,735	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	347,741	263,209	90,419	1,952,231	273,633	-
Excess (deficiency) of receipts over disbursements	(236,640)	(243,251)	(35,139)	(895,640)	106,580	10,706
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrant proceeds	-	-	-	1,482,228	-	-
Tax anticipation warrant repayments	-	-	-	(210,690)	-	-
Transfers in	-	590,947	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	39,723	-	-	-	-	-
Total other financing sources (uses)	39,723	590,947	-	1,271,538	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(196,917)	347,696	(35,139)	375,898	106,580	10,706
Restated cash and investment fund balance - beginning	289,312	(347,580)	240,106	1,732	739,707	111,572
Cash and investment fund balance - ending	\$ 92,395	\$ 116	\$ 204,967	\$ 377,630	\$ 846,287	\$ 122,278
Cash and Investment Assets - Ending						
Cash and investments	\$ 92,395	\$ 116	\$ -	\$ 377,630	\$ 846,287	\$ -
Restricted assets:						
Cash and investments	-	-	204,967	-	-	122,278
Total cash and investment assets - ending	\$ 92,395	\$ 116	\$ 204,967	\$ 377,630	\$ 846,287	\$ 122,278
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,278
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	204,967	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	92,395	116	-	377,630	846,287	-
Total cash and investment fund balance - ending	\$ 92,395	\$ 116	\$ 204,967	\$ 377,630	\$ 846,287	\$ 122,278

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Genesis Center Operating	Leased Properties - Gary Building Corporation	State Air Grant	Hazardous Material	Lead Base Training	Dusable Apartments
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	29,836	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	894,850	140,985	-	-	400	-
Total receipts	894,850	140,985	29,836	-	400	-
Disbursements:						
General government	-	153,425	-	-	-	-
Public safety	-	-	-	13,697	880	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	25,033	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	1,131,025	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	3,220,000	-	-	-	-
Interest	-	229,945	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	43,695	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	1,174,720	3,603,370	25,033	13,697	880	-
Excess (deficiency) of receipts over disbursements	(279,870)	(3,462,385)	4,803	(13,697)	(480)	-
Other financing sources (uses):						
Net proceeds from borrowings	-	1,830,445	-	-	-	-
Tax anticipation warrant proceeds	-	-	-	-	-	-
Tax anticipation warrant repayments	-	-	-	-	-	-
Transfers in	-	184,125	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	2,014,570	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(279,870)	(1,447,815)	4,803	(13,697)	(480)	-
Restated cash and investment fund balance - beginning	306,311	643,311	40,822	20,666	483	5,240
Cash and investment fund balance - ending	\$ 26,441	\$ (804,504)	\$ 45,625	\$ 6,969	\$ 3	\$ 5,240
Cash and Investment Assets - Ending						
Cash and investments	\$ 26,441	\$ (804,504)	\$ -	\$ 6,969	\$ 3	\$ 5,240
Restricted assets:						
Cash and investments	-	-	45,625	-	-	-
Total cash and investment assets - ending	\$ 26,441	\$ (804,504)	\$ 45,625	\$ 6,969	\$ 3	\$ 5,240
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	45,625	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	26,441	(804,504)	-	6,969	3	5,240
Total cash and investment fund balance - ending	\$ 26,441	\$ (804,504)	\$ 45,625	\$ 6,969	\$ 3	\$ 5,240

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Economic Development Bond Commission	Crime Victim Assistance	Clean Up/ Beautification	New Birth Grant	Neighborhood Revitalization	Boy Scouts
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	10,600	-	-	-	-	-
Intergovernmental	-	-	-	-	444,891	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	8,813	-	169,610	-	-	-
Total receipts	19,413	-	169,610	-	444,891	-
Disbursements:						
General government	-	-	182,056	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	4,844	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	444,891	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	-	-	182,056	4,844	444,891	-
Excess (deficiency) of receipts over disbursements	19,413	-	(12,446)	(4,844)	-	-
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrant proceeds	-	-	-	-	-	-
Tax anticipation warrant repayments	-	-	-	-	-	-
Transfers in	-	-	35,643	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	35,643	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	19,413	-	23,197	(4,844)	-	-
Restated cash and investment fund balance - beginning	17,605	5,600	-	6,650	-	500
Cash and investment fund balance - ending	<u>\$ 37,018</u>	<u>\$ 5,600</u>	<u>\$ 23,197</u>	<u>\$ 1,806</u>	<u>\$ -</u>	<u>\$ 500</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 37,018	\$ -	\$ 23,197	\$ -	\$ -	\$ 500
Restricted assets:						
Cash and investments	-	5,600	-	1,806	-	-
Total cash and investment assets - ending	<u>\$ 37,018</u>	<u>\$ 5,600</u>	<u>\$ 23,197</u>	<u>\$ 1,806</u>	<u>\$ -</u>	<u>\$ 500</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ 5,600	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	1,806	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	37,018	-	23,197	-	-	500
Total cash and investment fund balance - ending	<u>\$ 37,018</u>	<u>\$ 5,600</u>	<u>\$ 23,197</u>	<u>\$ 1,806</u>	<u>\$ -</u>	<u>\$ 500</u>

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Remote Encoding Center	EDI Bar Code Center	Mayor Donations	Lakefront Development	Social Services	Special Events
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	235,690	-	9,125	-	11,703	9,895
Total receipts	235,690	-	9,125	-	11,703	9,895
Disbursements:						
General government	-	-	30,455	-	-	105,306
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	11,955	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	127,405	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	127,405	-	30,455	-	11,955	105,306
Excess (deficiency) of receipts over disbursements	108,285	-	(21,330)	-	(252)	(95,411)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrant proceeds	-	-	-	-	-	-
Tax anticipation warrant repayments	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	108,285	-	(21,330)	-	(252)	(95,411)
Restated cash and investment fund balance - beginning	68,271	8,296	52,455	789	1,858	97,217
Cash and investment fund balance - ending	<u>\$ 176,556</u>	<u>\$ 8,296</u>	<u>\$ 31,125</u>	<u>\$ 789</u>	<u>\$ 1,606</u>	<u>\$ 1,806</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 176,556	\$ 8,296	\$ 31,125	\$ 789	\$ 1,606	\$ 1,806
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 176,556</u>	<u>\$ 8,296</u>	<u>\$ 31,125</u>	<u>\$ 789</u>	<u>\$ 1,606</u>	<u>\$ 1,806</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	176,556	8,296	31,125	789	1,606	1,806
Total cash and investment fund balance - ending	<u>\$ 176,556</u>	<u>\$ 8,296</u>	<u>\$ 31,125</u>	<u>\$ 789</u>	<u>\$ 1,606</u>	<u>\$ 1,806</u>

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	City Council Donations	Special Project Donations	Economic Development Trust	Community Development Loan Program	Police Donations	Weed And Seed
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	153,582
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	100	-	46,461	5,990	-	4,155
Total receipts	100	-	46,461	5,990	-	157,737
Disbursements:						
General government	6,700	-	-	-	-	-
Public safety	-	-	-	-	1,500	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	33,911	-	-	-
Culture and recreation	-	-	-	-	-	177,506
Urban redevelopment and housing	-	-	-	139,259	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	6,700	-	33,911	139,259	1,500	177,506
Excess (deficiency) of receipts over disbursements	(6,600)	-	12,550	(133,269)	(1,500)	(19,769)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrant proceeds	-	-	-	-	-	-
Tax anticipation warrant repayments	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,600)	-	12,550	(133,269)	(1,500)	(19,769)
Restated cash and investment fund balance - beginning	35,924	4,420	908,497	145,334	2,855	30,211
Cash and investment fund balance - ending	<u>\$ 29,324</u>	<u>\$ 4,420</u>	<u>\$ 921,047</u>	<u>\$ 12,065</u>	<u>\$ 1,355</u>	<u>\$ 10,442</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 29,324	\$ 4,420	\$ -	\$ -	\$ 1,355	\$ -
Restricted assets:						
Cash and investments	-	-	921,047	12,065	-	10,442
Total cash and investment assets - ending	<u>\$ 29,324</u>	<u>\$ 4,420</u>	<u>\$ 921,047</u>	<u>\$ 12,065</u>	<u>\$ 1,355</u>	<u>\$ 10,442</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	921,047	-	-	-
Culture and recreation	-	-	-	-	-	10,442
Urban redevelopment and housing	-	-	-	12,065	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	29,324	4,420	-	-	1,355	-
Total cash and investment fund balance - ending	<u>\$ 29,324</u>	<u>\$ 4,420</u>	<u>\$ 921,047</u>	<u>\$ 12,065</u>	<u>\$ 1,355</u>	<u>\$ 10,442</u>

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Human Relations	Homeland Security	Metro Center	Baseball Maintenance	Fifth Third Lease	2007 Judgment Funding Bonds
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	106,300	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	2,000	-	3,000	177,500	-	-
Total receipts	2,000	-	109,300	177,500	-	-
Disbursements:						
General government	-	-	109,049	-	-	5,214,744
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	184,968	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	1,348,959	-
Interest	-	-	-	-	118,401	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	-	-	109,049	184,968	1,467,360	5,214,744
Excess (deficiency) of receipts over disbursements	2,000	-	251	(7,468)	(1,467,360)	(5,214,744)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	5,300,000
Tax anticipation warrant proceeds	-	-	-	-	-	-
Tax anticipation warrant repayments	-	-	-	-	-	-
Transfers in	-	-	-	-	1,467,680	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	1,467,680	5,300,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,000	-	251	(7,468)	320	85,256
Restated cash and investment fund balance - beginning	-	280	2,036	15,777	-	-
Cash and investment fund balance - ending	\$ 2,000	\$ 280	\$ 2,287	\$ 8,309	\$ 320	\$ 85,256
Cash and Investment Assets - Ending						
Cash and investments	\$ 2,000	\$ -	\$ 2,287	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	280	-	8,309	320	85,256
Total cash and investment assets - ending	\$ 2,000	\$ 280	\$ 2,287	\$ 8,309	\$ 320	\$ 85,256
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	280	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	320	85,256
Capital outlay	-	-	-	8,309	-	-
Unrestricted	2,000	-	2,287	-	-	-
Total cash and investment fund balance - ending	\$ 2,000	\$ 280	\$ 2,287	\$ 8,309	\$ 320	\$ 85,256

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Cumulative Capital Development	Cumulative Capital Improvement	TIF District	15th And Fulton Project	Burr Street Project	Grant/Buchanan Street Project
Receipts:						
Taxes	\$ 232,034	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	27,031	360,882	-	-	-	228,699
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	60,000	60,000	2,243,857	-	-	-
Other	-	-	-	-	878	13,542
Total receipts	319,065	420,882	2,243,857	-	878	242,241
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	60,000	60,000	-	-	-	-
Debt service:						
Principal	-	-	15,000	-	-	-
Interest	-	-	163,200	-	-	-
Capital outlay:						
General government	219,298	212,173	5,485	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	186,192
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	279,298	272,173	183,685	-	-	186,192
Excess (deficiency) of receipts over disbursements	39,767	148,709	2,060,172	-	878	56,049
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrant proceeds	-	-	-	-	-	-
Tax anticipation warrant repayments	-	-	-	-	-	-
Transfers in	-	-	339,498	-	-	-
Transfers out	-	-	(3,797,839)	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(3,458,341)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	39,767	148,709	(1,398,169)	-	878	56,049
Restated cash and investment fund balance - beginning	95,772	358,709	1,398,169	3,459	150,523	16,458
Cash and investment fund balance - ending	\$ 135,539	\$ 507,418	\$ -	\$ 3,459	\$ 151,401	\$ 72,507
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	135,539	507,418	-	3,459	151,401	72,507
Total cash and investment assets - ending	\$ 135,539	\$ 507,418	\$ -	\$ 3,459	\$ 151,401	\$ 72,507
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	135,539	507,418	-	3,459	151,401	72,507
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	\$ 135,539	\$ 507,418	\$ -	\$ 3,459	\$ 151,401	\$ 72,507

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Park Construction	Mainwater Project	Casino Capital	911 Equipment	Consolidated Area TIF District	Lakefront TIF District
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	706,600	20,393	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	26,962	-	-	-	-	-
Total receipts	26,962	-	706,600	20,393	-	-
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	-	-	-	-	200,000	1,250,000
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	17,897	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	4,755	-	-	-	-	-
Urban redevelopment and housing	-	-	929,514	-	38,730	9,833
Total disbursements	4,755	-	929,514	17,897	238,730	1,259,833
Excess (deficiency) of receipts over disbursements	22,207	-	(222,914)	2,496	(238,730)	(1,259,833)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrant proceeds	-	-	-	-	-	-
Tax anticipation warrant repayments	-	-	-	-	-	-
Transfers in	-	-	328,016	-	360,697	1,527,807
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	328,016	-	360,697	1,527,807
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,207	-	105,102	2,496	121,967	267,974
Restated cash and investment fund balance - beginning	(17,815)	72,577	-	-	-	-
Cash and investment fund balance - ending	\$ 4,392	\$ 72,577	\$ 105,102	\$ 2,496	\$ 121,967	\$ 267,974
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	4,392	72,577	105,102	2,496	121,967	267,974
Total cash and investment assets - ending	\$ 4,392	\$ 72,577	\$ 105,102	\$ 2,496	\$ 121,967	\$ 267,974
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	4,392	72,577	105,102	2,496	121,967	267,974
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	\$ 4,392	\$ 72,577	\$ 105,102	\$ 2,496	\$ 121,967	\$ 267,974

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	6th Avenue and Broadway TIF District	TIF Replacement	Downtown Mall TIF District	Madison Avenue TIF District	Washington Manor TIF District	Consolidated Area Expansion TIF District
Receipts:						
Taxes	\$ -	\$ 1,498	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	6,835	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	8,333	-	-	-	-
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	100,000	200,000	-	350,000	-	400,000
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	169,800	77,424	-	-	-	-
Total disbursements	269,800	277,424	-	350,000	-	400,000
Excess (deficiency) of receipts over disbursements	(269,800)	(269,091)	-	(350,000)	-	(400,000)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrant proceeds	-	-	-	-	-	-
Tax anticipation warrant repayments	-	-	-	-	-	-
Transfers in	368,595	410,661	9,055	470,541	938	568,994
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	368,595	410,661	9,055	470,541	938	568,994
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	98,795	141,570	9,055	120,541	938	168,994
Restated cash and investment fund balance - beginning	-	-	-	-	-	-
Cash and investment fund balance - ending	\$ 98,795	\$ 141,570	\$ 9,055	\$ 120,541	\$ 938	\$ 168,994
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	98,795	141,570	9,055	120,541	938	168,994
Total cash and investment assets - ending	\$ 98,795	\$ 141,570	\$ 9,055	\$ 120,541	\$ 938	\$ 168,994
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	98,795	141,570	9,055	120,541	938	168,994
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	\$ 98,795	\$ 141,570	\$ 9,055	\$ 120,541	\$ 938	\$ 168,994

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Midwest Center TIF District	Lancaster Dusable TIF District	FEMA Grant Fire Department	Joint Public Safety Training	Major Moves Capital Projects	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,546,118
Licenses and permits	-	-	-	-	-	10,600
Intergovernmental	-	-	-	-	697,738	13,963,407
Charges for services	-	-	-	-	-	1,256,883
Fines and forfeits	-	-	-	-	-	127,261
Interfund loans	-	-	-	-	-	3,823,659
Other	-	-	-	6,750	-	2,438,427
Total receipts	-	-	-	6,750	697,738	23,166,355
Disbursements:						
General government	-	-	-	-	-	6,353,620
Public safety	-	-	-	-	-	962,606
Highways and streets	-	-	-	-	-	5,202,029
Sanitation	-	-	-	-	-	802,226
Health and welfare	-	-	-	-	-	1,879,852
Economic development	-	-	-	-	-	87,454
Culture and recreation	-	-	-	-	-	5,890,145
Urban redevelopment and housing	-	-	-	-	-	7,408,543
Interfund loans	-	-	-	-	-	2,920,000
Debt service:						
Principal	-	-	-	-	-	4,583,959
Interest	-	-	-	-	-	511,546
Capital outlay:						
General government	-	-	-	-	-	676,663
Public safety	-	-	534	18,212	-	730,311
Highways and streets	-	-	-	-	102,697	288,889
Sanitation	-	-	-	-	-	101,555
Culture and recreation	-	-	-	-	-	127,197
Urban redevelopment and housing	-	3,538	-	-	-	1,299,686
Total disbursements	-	3,538	534	18,212	102,697	39,826,281
Excess (deficiency) of receipts over disbursements	-	(3,538)	(534)	(11,462)	595,041	(16,659,926)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	7,130,445
Tax anticipation warrant proceeds	-	-	-	-	-	3,055,686
Tax anticipation warrant repayments	-	-	-	-	-	(432,053)
Transfers in	23,438	57,113	-	-	-	7,254,192
Transfers out	-	-	-	-	-	(3,797,839)
Other receipts	-	-	-	-	-	87,106
Total other financing sources (uses)	23,438	57,113	-	-	-	13,297,537
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	23,438	53,575	(534)	(11,462)	595,041	(3,362,389)
Restated cash and investment fund balance - beginning	-	-	55,501	19,481	-	12,037,688
Cash and investment fund balance - ending	\$ 23,438	\$ 53,575	\$ 54,967	\$ 8,019	\$ 595,041	\$ 8,675,299
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,095,181
Restricted assets:						
Cash and investments	23,438	53,575	54,967	8,019	595,041	7,580,118
Total cash and investment assets - ending	\$ 23,438	\$ 53,575	\$ 54,967	\$ 8,019	\$ 595,041	\$ 8,675,299
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,737
Public safety	-	-	-	-	-	501,644
Highways and streets	-	-	-	-	-	916,628
Sanitation	-	-	-	-	-	1,605,133
Health and welfare	-	-	-	-	-	97,397
Economic development	-	-	-	-	-	943,271
Culture and recreation	-	-	-	-	-	11,244
Urban redevelopment and housing	-	-	-	-	-	480,414
Debt service	-	-	-	-	-	85,576
Capital outlay	23,438	53,575	54,967	8,019	595,041	2,728,074
Unrestricted	-	-	-	-	-	1,095,181
Total cash and investment fund balance - ending	\$ 23,438	\$ 53,575	\$ 54,967	\$ 8,019	\$ 595,041	\$ 8,675,299

CITY OF GARY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 INTERNAL SERVICE FUNDS
 As of and for the Year Ended December 31, 2007

	Self- Insurance	WCI/UCI Benefits	Totals
Operating receipts:			
Employer contributions	\$ 8,715,178	\$ 539,625	\$ 9,254,803
Employee contributions	823,455	-	823,455
Other	<u>535,909</u>	<u>53,826</u>	<u>589,735</u>
 Total operating receipts	 <u>10,074,542</u>	 <u>593,451</u>	 <u>10,667,993</u>
Operating disbursements:			
Insurance claims and premiums	<u>10,632,072</u>	<u>783,748</u>	<u>11,415,820</u>
 Excess (deficiency) of receipts over disbursements	 (557,530)	 (190,297)	 (747,827)
Cash and investment fund balance - beginning	<u>(683,128)</u>	<u>(145,399)</u>	<u>(828,527)</u>
Cash and investment fund balance - ending	<u>\$ (1,240,658)</u>	<u>\$ (335,696)</u>	<u>\$ (1,576,354)</u>
 <u>Cash and Investment Assets - December 31</u>			
Cash and investments	<u>\$ (1,240,658)</u>	<u>\$ (335,696)</u>	<u>\$ (1,576,354)</u>
 <u>Cash and Investment Fund Balance - December 31</u>			
Unrestricted	<u>\$ (1,240,658)</u>	<u>\$ (335,696)</u>	<u>\$ (1,576,354)</u>

CITY OF GARY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2007

	Police Pension	Firefighters' Pension	Totals
Additions:			
Contributions:			
Employer	\$ 584,214	\$ 843,653	\$ 1,427,867
Plan members	-	9,226	9,226
State	4,270,302	3,646,655	7,916,957
Interfund loans	1,902,000	1,567,000	3,469,000
Total contributions	6,756,516	6,066,534	12,823,050
Investment receipts:			
Interest	6,414	6,414	12,828
Total additions	6,762,930	6,072,948	12,835,878
Deductions:			
Benefits	5,898,161	5,721,066	11,619,227
Administrative and general	24,105	23,565	47,670
Interfund loans	1,519,168	1,249,168	2,768,336
Total deductions	7,441,434	6,993,799	14,435,233
Excess (deficiency) of total additions over total deductions	(678,504)	(920,851)	(1,599,355)
Other financing sources (uses):			
Tax anticipation warrants received	1,943,807	1,523,102	3,466,909
Tax anticipation warrants paid	(1,056,455)	(171,841)	(1,228,296)
Other receipts	5,549	2,398	7,947
Total other financing sources (uses)	892,901	1,353,659	2,246,560
Excess (deficiency) of additions and other financing sources over deductions and other financing uses	214,397	432,808	647,205
Cash and investment fund balance - beginning	81,232	595,264	676,496
Cash and investment fund balance - ending	\$ 295,629	\$ 1,028,072	\$ 1,323,701

CITY OF GARY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2007

	Payroll	County Health	Empowerment Zone	NIMBOC Empowerment Zone	Empowerment Zone Revolving	Microloan	Empowerment Zone SBA Microloan
Additions:							
Agency fund additions	\$ 1,701,485	\$ 5,613	\$ 4,405,831	\$ 48,687	\$ 3,073,345	\$ 26,982	\$ 23,769
Deductions:							
Agency fund deductions	1,647,444	4,968	4,397,274	102,504	2,896,976	-	37,314
Excess (deficiency) of total additions over total deductions	54,041	645	8,557	(53,817)	176,369	26,982	(13,545)
Restated cash and investment fund balance - beginning	3,906	1,530	131,911	55,687	3,396,419	103,061	45,023
Cash and investment fund balance - ending	<u>\$ 57,947</u>	<u>\$ 2,175</u>	<u>\$ 140,468</u>	<u>\$ 1,870</u>	<u>\$ 3,572,788</u>	<u>\$ 130,043</u>	<u>\$ 31,478</u>

CITY OF GARY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Empowerment Zone SBA Loss Reserve	Indiana Bond Bank	Regional Development Authority	Miscellaneous Refunds	Redevelopment Depository Trust	Withholdings	Supplemental Public Defender
Additions:							
Agency fund additions	\$ 134	\$ 60,008,181	\$ 2,625,000	\$ 881	\$ 104,759	\$ 26,875,207	\$ 194
Deductions:							
Agency fund deductions	-	60,008,181	2,625,000	-	38,434	26,838,088	2,000
Excess (deficiency) of total additions over total deductions	134	-	-	881	66,325	37,119	(1,806)
Restated cash and investment fund balance - beginning	30,287	-	-	8,672	(282)	1,865,593	7,081
Cash and investment fund balance - ending	<u>\$ 30,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,553</u>	<u>\$ 66,043</u>	<u>\$ 1,902,712</u>	<u>\$ 5,275</u>

CITY OF GARY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	IEDC Empowerment Zone	Confiscated Property	Salary Fee Judicial	City Clerk - Civil Division	City Clerk - Criminal Division	Totals
Additions:						
Agency fund additions	\$ 2,996	\$ 51,493	\$ 2,646	\$ 238,031	\$ 1,076,352	\$ 100,271,586
Deductions:						
Agency fund deductions	7,500	40,640	-	232,913	1,076,555	99,955,791
Excess (deficiency) of total additions over total deductions	(4,504)	10,853	2,646	5,118	(203)	315,795
Restated cash and investment fund balance - beginning	21,115	69,996	-	19,281	1,217,308	6,976,588
Cash and investment fund balance - ending	<u>\$ 16,611</u>	<u>\$ 80,849</u>	<u>\$ 2,646</u>	<u>\$ 24,399</u>	<u>\$ 1,217,105</u>	<u>\$ 7,292,383</u>

CITY OF GARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2007

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

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 21,508,571
Construction in progress	6,185,426
Capital assets, being depreciated:	
Infrastructure	134,722,009
Buildings	141,488,962
Improvements other than buildings	11,814,346
Machinery and equipment	<u>44,553,057</u>
 Total governmental activities, capital assets	 \$ <u><u>360,272,371</u></u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Sanitary District:	
Capital assets, not being depreciated:	
Land	\$ 567,558
Construction in progress	2,432,002
Capital assets, being depreciated:	
Buildings and improvements	103,417,931
Transmission lines	191,176,521
Machinery and equipment	<u>54,150,616</u>
 Total business-type activities, capital assets	 \$ <u><u>351,744,628</u></u>

CITY OF GARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
For The Year Ended December 31, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Police Cars and Computer Equipment	\$ 1,415,453	\$ 1,467,360
Fire Trucks, Cars, and Heavy Duty Lawn Equipment	671,839	318,462
Three Ten Ton Trucks, Salt Spreaders, Excavator & Accessories	651,861	206,641
2004 Circuit Breaker Loan	4,121,360	1,899,922
Improving Neighborhoods Through Revitalization Revolving Loan	444,891	-
Bonds payable:		
General obligation bonds:		
2007 Judgment Funding Bonds	5,300,000	124,828
Revenue bonds:		
2004A Redevelopment Authority Lease Rental Revenue Refunding Bonds*	3,038,462	937,117
2004B Redevelopment Authority Lease Rental Revenue Refunding Bonds**	7,124,157	2,196,883
2007 Redevelopment Authority Lease Rental Revenue Refundings Bonds	1,830,445	412,415
2007A Multi Purpose Revenue Bonds	4,600,000	1,175,820
Lancaster Apartments Tax Increment Financing Revenue***	53,575	53,575
Total governmental activities long-term debt	\$ 29,252,043	\$ 8,793,023
Business-type Activities:		
Sanitary District:		
Loans payable:		
1993 SRF Loan	\$ 5,965,227	\$ 1,119,852
2000 SRF Loan	9,085,186	1,328,405
General obligation bonds:		
2003 Sanitary District Improvement Refunding Bonds	7,475,000	1,437,075
Total business-type activities long-term debt	\$ 22,525,413	\$ 3,885,332

* Bond shall bear interest at a rate equal to eighty-three percent (83%) of the floating thirty day (30) Libor rate plus one hundred eight (108) basis points, thus, interest due within one year was not available

** Bond shall bear interest at a rate equal to the floating thirty day (30) Libor rate plus one hundred eight (108) basis points, thus, interest due within one year was not available

*** The City issued \$2,200,000 of Taxable Economic Development Revenue Bonds of 2002, to provide funds for the acquisition, development, and renovation of the apartment complex currently known as the Dusable Arms and located in the Midtown Urban Renewal Area (the Project). The bonds do not constitute a corporate obligation of the City, but constitute a special limited obligation of the government, payable solely from the tax increment financing (TIF) revenues. The City is not obligated to pay the debt service on the bonds from any source other than the TIF revenues. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Accrued interest anywhere from 6.2% to 8% will compound semiannually on each January and July, commencing July 1, 2005. The City received no TIF revenues during 2007. Thus, the City is obligated to pay the debt service of the bonds up to \$53,575 which includes the ending fund balance from the previous year less current year disbursements. Therefore, a Lancaster Apartments Tax Increment Financing Revenue Bond was reported for the principal and interest payments due within one year of \$53,575.

CITY OF GARY
OTHER REPORTS

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

City Clerk
City Drug Court
Genesis Convention Center
Park and Recreation Department

CITY OF GARY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The following lists the funds and overdrawn cash balances at December 31, 2007:

Fund Type/Name	Amount
Other governmental funds:	
Protective Services Grant I (202)	\$ 1,035,474
Emergency Shelter (222)	82,769
Health and Human Services (240)	39,916
COPS in School (249)	167,191
Leased Properties - Gary Bldg Corp. (281)	804,504
Internal service funds:	
Self-Insurance (791)	1,240,658
WCI/UCI Benefits (792)	335,696
Total Overdrawn Funds	\$ 3,706,208

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)

INTERNAL CONTROLS OVER JOURNAL ENTRIES

The City maintains a cash receipts, disbursements and balances general ledger (control). When receipts and disbursements are posted, an entry is made to the general ledger cash account and to the respective revenue or expenditure general ledger account. In addition, detail of receipts and disbursements ledgers are maintained based on the object code and department of the transaction. The detail receipts and disbursements ledgers are to agree to the general ledger total for revenues and expenditures. The City's Annual Report and financial statements are prepared from the detail receipts and disbursements ledgers.

Journal entries were made to correct posting errors, to record approved fund transfers, and to record the write-off of temporary loans. Thirty-four of the fifty-six journal entries posted were made either to cash and fund balance, cash and revenue, or cash and expenditure control accounts. Since the entries were only posted to control accounts, the entries were not included in the City's detail of receipts and detail of disbursements ledgers. However, the amounts were included on the City's Annual Report by reporting an adjustment to the receipts for the funds affected.

In addition, one journal entry was posted to the detail receipt and disbursement ledgers with the offset to fund balance to record the write-off of temporary loans between funds. Under the cash basis of accounting guidelines, an entry for the write-off of temporary loans between funds would not be warranted. Thus, this entry overstated both the general fund detail of receipts and the gaming revenues fund detail of disbursements ledger by \$9,005,718. Since the entry did not affect the cash balance of the fund,

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

and the City's Annual Report was prepared from the overstated detail of receipts and disbursements ledgers, an adjustment to the City's Annual Report was necessary. The general fund reflected a negative adjustment to the receipts; the gaming revenues fund reflected a positive adjustment to the receipts.

Controls are not in place to ensure that all transactions, including correcting entries and fund transfers, are posted to the unit's detail of receipts and disbursements ledgers so that material misstatements of receipts or disbursements do not occur.

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

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

PRIOR PAYMENT OF CLAIMS

Claims/Account Payable Vouchers are paid prior to allowance by the board. The Board of Public Works and Safety approves disbursements on the Wednesday following the Friday on which the checks for payments were distributed. An ordinance allowing the City Controller to pay certain types of claims prior to board allowance was not presented for audit.

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

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

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

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Indiana Code 36-4-8 and Indiana Code 36-5-4 list various conditions which must be met prior to issuing warrants in cities and towns. Indiana Code 36-4-8-14 and Indiana Code 36-5-4-12 allow a city or town council to adopt an ordinance allowing the city or town fiscal officer to pay certain types of claims prior to board allowance.

The types of claims which could be paid before board allowance include: (1) property or services purchased from the U.S. Government, (2) License or permit fees, (3) Insurance premiums, (4) Utility payments or connection charges (5) General grant programs where advance refunding is not prohibited and the contracting party posts sufficient security to cover the amount advanced, (6) Grants of State funds, (7) Maintenance or service agreements, (8) Leases or rental agreements, (9) Bond or coupon payments, (10) Payroll, (11) State, federal or county taxes, (12) expenses that must be paid because of emergency circumstances, and (13) expenses described in an ordinance.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

The legislative body or the board having jurisdiction over the allowance of the claims shall review and allow the claims at the body's or board's next regular or special meeting following the preapproved payment of the expense. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

GAMING REVENUES FUND APPROPRIATIONS

The Gaming Revenue Fund appropriations are adopted periodically by the Common Council for specific projects and needs. However, we observed appropriations carried forward from 2006 which were greater than the amounts encumbered from 2006. Further review determined that unused appropriations from 2006 were also carried forward to 2007 as appropriations for 2007 disbursements.

Unexpended and unobligated appropriations shall lapse at the close of the year . . . In order for funds to be encumbered, there must be an outstanding purchase order or contract that supports each encumbered item. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Appropriations may be carried forward to the following year if any of the following conditions exist:

1. A lawful contract has been entered into with a vendor or contractor on or before December 31 and all or a part of the contract has not been paid.
2. A purchase order has been issued on or before December 31, entered as an encumbrance against an existing appropriation, and isn't paid as of December 31.
3. Proceeds of a bond issue have been duly appropriated and remain unexpended as of December 31.
4. Appropriations which are obligated by a contract or an agreement executed on or before December 31, between a city or town and any federal or state agency, such as a local road and street project, or federal grant requiring local matching funds.

Only the amount required to meet the balance due on a contract or purchase order may be carried forward. The amount remaining in the appropriation account shall revert to the fund from which appropriated. (Cities and Towns Bulletins and Uniform Compliance Guidelines, June 2000)

APPROVED DEPOSITORY

As stated in the prior report, the City holds an account with Wachovia Securities. Wachovia Securities is not a depository approved by the State of Indiana. The cash balance of this account at December 31, 2007, is \$60,874.61.

Indiana Code 5-13-6-1(d) requires cities and towns to deposit all funds not later than the next business day following the receipt of funds in depositories selected by the city or town as provided in an ordinance adopted by the city or town and approved as depositories of state funds.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

CREDIT CARD AND TRAVEL POLICIES

In accordance with Ordinance 7286, the City has issued credit cards for use by elected officials. The ordinance states that "Credit cards may be utilized by the above-referenced officials of the City of Gary for payment of expenses for City business only." Many of the City's credit card holders are making personal purchases on their credit cards. We were able to identify \$2,393.05 as personal charges. The ordinance also states that "supporting documents such as paid bills and receipts must be available." Credit card charges lacked sufficient supporting documentation for \$28,346.10 in purchases. Any of these payments that remain unsupported at the time of our next audit may become the personal obligation of the responsible official.

In addition, these cards earn points or rewards from the purchases made with the credit cards. City officials are not accounting for the accumulation of these points, nor are they aware of if or when they are redeemed.

Credit card charges for travel expenses conflicted with the travel policy adopted by the Common Council. The travel policy states that employees can only be reimbursed for their own expenses; however, credit card claims, as well as travel reimbursement claims, were paid which included expenses for employees other than the card holder. In addition, a review of travel claims revealed that some were paid without proper supporting documentation and at rates inconsistent with the approved rates.

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

Any compensation, premium, bonus, or product earned as a result of the purchase of goods or services by the governmental unit becomes the property of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PURCHASING PREFERENCES

As noted in the prior report, the Board of Public Works and the Sanitary District Board use purchasing preferences to award contracts to Gary-owned businesses. City Ordinance 6972 (and Gary Sanitary District Resolution No. 2113) states in Section 6(e) that: "in evaluating the price of any vendor's or contractor's bid or proposal for goods or services, the bids or proposals shall be evaluated as though the prices proposed or bid by a Gary business were ten percent (10%) lower than actually proposed or bid. The said preference may not exceed ten percent (10%) of the total amount of the lowest, most responsible and most responsive bid by a Gary business. The Gary Board of Public Works shall adjust the lowest, most responsible, most responsive bid by a Gary business and if after said adjustment, a Gary business is the lowest, most responsible and most responsive bid, the Gary Board of Public Works may award said contract to the said Gary business, at the price originally bid." Section 6(f) states that: "other departments, divisions, components and agencies of the City of Gary letting contracts shall follow the procedures outlined in Section 6(e) above."

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(Continued)

Indiana Code 5-22-15-7 states in part:

(a) An offeror may claim one of the following types of preference for which the offeror is eligible:

1. An Indiana business preference under rules adopted under IC 5-22-15-20 or IC 4-13.6-6-2.5.
2. A preference for supplies as provided by sections 16, 18, and 19 of IC 5-22-15.
3. An Indiana small business preference as provided by section 23 of IC 5-22-15.

(b) An offeror may not claim more than one preference as provided by sections 16, 18, and 19 of IC 5-22-15 for a given supply item.

CONTRACTS

Payments totaling \$58,600 were made to the Gary South Shore Railcats for 2007 stadium janitorial and cleaning services. The payments were based upon a contract that had expired in 2006. The contract stated it would terminate on December 31, 2006, unless renewed in writing. The contract also stated that the compensation would not exceed \$57,100 without prior written approval by all parties to the agreement. The compensation paid for 2007 services exceeded the contractual amount.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES AND INTEREST

Penalties and interest were paid in 2007 for taxes and health insurance reimbursement claims due during the previous City Controller's term. Penalties and interest totaling \$549.70 were paid to the Internal Revenue Service and to a federal depository on July 27, 2007, for the tax period ending December 31, 2004. Penalties and interest of \$877.62 were paid to a collection agency of the U.S. Department of the Treasury for a health insurance debt incurred in 2005.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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AUDIT RESULTS AND COMMENTS
(Continued)

PAYROLL DEFICIENCIES

In accordance with state statute, the 2007 compensation of City employees was approved by the Common Council with Ordinances 7976, 7977, 8010, 8039, 8062, 8116, and 8147. However, a comparison of the approved salary to the actual salary paid for several employees within the general services, support services, vehicle maintenance, and HOME program administration departments did not agree. The discrepancies ranged from a \$5,609 over payment to a \$334 under payment.

The Mayor is paid from both the City and the Gary Sanitary District. The Gary Sanitary District portion of the Mayor's salary is approved by the Sanitary District Board of Commissioners as part of the district's budget. For 2007, the Sanitary District Board of Commissioners approved the Mayor's salary at \$54,075; however, the Mayor was only paid \$30,848.39 from the Sanitary District. Considering that the first pay in 2007 was at the 2006 salary rate and the second pay was paid at one-half the 2006 rate and one-half the 2007 rate, the Mayor was determined to be under paid by \$21,837.53.

The City maintains Employee Service Records which report leave time earned, used, and accumulated for employees. For 31% of the employee service records tested, the leave balances were not accurately accumulated. In addition, based on years of service, a police employee earned 5 vacation days greater than allowed.

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

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

INTERNAL CONTROLS OVER EMERGENCY MEDICAL SERVICE AMBULANCE BILLINGS

The City Emergency Medical Service (EMS) Department had a contract with Efficient Billing Systems, Inc. (EBS) to invoice, collect, and maintain records on balances due on ambulance services provided. EBS had access to the EMS computer system to retrieve ambulance run information in order to invoice the patients for services. However, the City did not have adequate procedures in place to monitor that patients were properly billed, that monthly reports were received from EBS, and that the proper amount of collections were received timely. In a sample review of invoices, 29% of patients sampled were over billed, and 13% were under billed for services. Each time an ambulance run is made it is assigned a trip number. The monthly reports provided to the City by EBS showed each run by trip number and the amounts billed for each run. These reports only showed what was billed; not what was collected. In addition, not all monthly reports were received by EMS.

EBS was to submit monthly collections, less their fees, to the City. On average, EBS was four months behind in submitting payments to the City. Based on reports provided by EBS, collections for May 2007 of \$48,285.70 were not received by the City. In addition, as of December 8, 2008, collections for October through December of 2007 had not been received by the City. As a result of these problems, the City EMS Department terminated the contract with EBS and contracted with AccuMed for these services, effective March 7, 2008. Any amounts originally billed by EBS not yet collected are to be pursued by EBS until they have collected all amounts owed.

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(Continued)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

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)

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

COLLECTION OF AMOUNTS DUE AT THE SANITARY DISTRICT

As noted in the prior audit report, the Sanitary District entered into contractual agreements with other governmental units for the repayment of a State Revolving Fund Loan. The District has not collected the agreed upon capital contributions for the repayment of the loan from the Hobart Wastewater Utility. As of December 31, 2007, \$474,235 (including \$38,274 in additional interest for late payment) is due from the Hobart Wastewater Utility.

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

TOWNSHIP BILLING RECORDS AT THE SANITARY DISTRICT

The Sanitary District has established a separate account for posting amounts due from Calumet Township for customers receiving township assistance. Amounts due from the Township are posted from customer billing stubs and vouchers provided by the Township. The accumulated balance due from the Township based upon these billing stubs and vouchers is billed monthly to the Township. When the District receives the Township's payments, they are to be posted to this account. As noted in prior audit reports, the amounts billed to the Township differ from amounts posted to the customer history report for the Township. Controls have not been corrected to ensure the accuracy of this account.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

ACCOUNTS RECEIVABLE PAST DUE AT THE SANITARY DISTRICT

The Sanitary District has a large number of accounts with receivable balances over one year old. Approximately \$3,015,000 of residential accounts receivable and \$382,000 of commercial accounts receivable are over one year past due at December 31, 2007. Accounts are turned over to a collection agency after being past due for six months. No accounts were written off in 2007; however, the Board approved the write-offs of \$474,827 and \$94,835, respectively, in delinquent residential and commercial accounts in 2008.

The District's Resolution 04-46 states: "The writing off of all bad debts must be pre-approved by the Board of Commissioners. The Finance Manager will present a list of bad debts proposed to be written off to the Board of Commissioners for its consideration in April, August and December of each year."

Delinquent wastewater fees and penalties had not all been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

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

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May."

"(l) A board may write off a fee or penalty under subsection (a) that is for less than forty dollars (\$40)."

EMERGENCY PUBLIC WORKS PROJECTS AT THE SANITARY DISTRICT

The following was noted related to various emergency cave in projects at the Sanitary District:

1. A majority of these projects were called "emergency cave ins" but the Board did not formally declare an emergency and did not always document in the minutes the cause for the emergency.
2. For several projects, the minutes documented only the quoter who was awarded the project, not those who were invited to provide quotes, as required by state statute.
3. A 10% bid preference was given to a Gary-based contractor for two projects. For one project, the contractor awarded the project was the third lowest quoter and they stated that they would not be able to begin for approximately eight weeks. The other two lowest quotes did not state any delay in a start date.
4. For one project disbursement reviewed, the board minutes did not document approval of the project. Seventeen ledger disbursements classified as emergency cave in projects could not be traced to the board minutes for authorization.

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(Continued)

5. The District received quotes for a project in January 2007 but the project start date was not until May 24, 2007. Another project had a start date of November 17, 2006, but the vendor did not submit an invoice for payment until May 2007.
6. A project was declared an emergency on September 26, 2006; quotes were analyzed in October 2006. After negotiation with one of the quoters, a revised amount was recommended to the Sanitary District Board on December 20, 2006. The Board did not approve the revised quote until January 23, 2007; notice to proceed was effective February 6, 2007.
7. These projects were supervised and paid for by White River Environmental Partnership (WREP), which then submitted claims for payment for the contractor's costs and WREP project management fees to the Sanitary District. Several claims reviewed lacked detailed and itemized invoices for the work performed.

Indiana Code 36-1-12-9 states: "(a) The board, upon a declaration of emergency, may contract for a public work project without advertising for bids if bids or quotes are invited from at least two (2) persons known to deal in the public work required to be done. (b) The minutes of the board must show the declaration of emergency and the names of the persons invited to bid or provide quotes."

Indiana Code 36-1-12-16 states: "A contract for public work by a political subdivision or agency is void if it is not let in accordance with this chapter."

Indiana Code 36-1-12-4.7(b)(3) states: "The board shall award the contract for the public work to the lowest responsible and responsive quoter."

TEMPORARY TRANSFERS OF FUNDS AT THE SANITARY DISTRICT

Review of the temporary transfers (loans) made in 2007 noted that a number of them were made from various funds prior to Board approval. Some loans occurred up to two months prior to the Board approval.

Temporary transfers (loans) were made from the Sanitary District to the City in 2006. An emergency was declared and the loans were extended by Resolution until June 30, 2007. On July 24, 2007, the Sanitary District Board passed two Resolutions. One Resolution (07-21) accepted repayment of the loan from the City for \$15,497,127. The second Resolution (07-23) reestablished the loan for \$14,497,127. The only financial transaction posted to the records and bank accounts was the repayment of \$1,000,000. The balance of the loan activity, \$14,497,127, only appeared in the Board minutes and Resolutions, but did not physically occur. This loan was extended by Resolution 07-43 until June 30, 2008. On January 8, 2008, the District Board approved Resolution 08-04 accepting a \$2,000,000 repayment toward the balance of the loan.

The Sanitary District also made a temporary transfer (loan) of \$2,500,000 in 2006 from the Operating Fund #670 to the Solid Waste Disposal Fund #672. The loan was extended by Resolution until June 30, 2007, but was not repaid as required. Like the loans in the above paragraph, the District Board passed two Resolutions on July 24, 2007, to accept repayment and then reestablish the loan. Again, no financial transactions actually occurred. This loan was extended by Resolution 07-46 until June 30, 2008, and accepted as repaid by Board Resolution on May 13, 2008.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-1-8-4 concerning temporary transfer, states in part:

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

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

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

NONPRESCRIBED OR APPROVED RECEIPTS AT THE SANITARY DISTRICT

Officials at the Sanitary District use non-prescribed or approved receipt books for various miscellaneous revenue. The receipt books are used for the collection of copy fees, bid plans and specs, storm water application fees, and non-District receipts (Sickle Cell fundraiser).

These nonprescribed or approved receipts had internal control deficiencies as well. Several of these receipts were voided, but not all copies were retained for audit. Receipts were not used in numerical order nor were they in triplicate. Customers were given a photocopy of their check that was date-stamped in lieu of a receipt.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed.

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(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.

Governmental units which conduct fund raising events should have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LEASES AND MANAGEMENT CONTRACT AT THE METRO CENTER

The Gary Metro Center building was built with federal funds and is owned by the City of Gary. The City had a written agreement with Gary Intercity Lines, Incorporated, for property management of the Metro Center; however, Gary Intercity Lines, Incorporated, was disbanded January 11, 2002; the Gary Public Transportation Corporation (GPTC) now manages the Metro Center. A written agreement for the management of the Metro Center has not been executed between GPTC and the City. GPTC maintains the City's Metro Center bank account. GPTC not only deposits collections into the City Metro bank account, but they also approve the claims and write the checks from the bank account. No claims were presented for audit for 2007.

The City of Gary Board of Public Works and Safety approves, sets the rates, and signs the Metro Center leases. Copies of the leases for the tenants were not provided for audit. As stated in prior reports, the leases for tenants had expired but the rent is still being collected at the original lease rates except for two tenants. For those two tenants, rent collected exceeds the last known lease rates. Several leases have expired as long as 12 years ago. In addition, GPTC does not pay rent although it did in previous years. Records are not maintained in a manner to allow verification of rental payment activity because there was no subsidiary ledger presented for each tenant.

GPTC pays the property and fire insurance for the Metro Center. They are to collect pro rata insurance premiums from the tenants and then reimburse their GPTC account for the insurance costs. For several years prior to 2007, the Metro Center has not received all of the tenants' shares and they have not reimbursed GPTC for the insurance costs that they have collected. For 2007 and current, insurance premiums have not been billed or collected from tenants.

Indiana Code 36-4-6-18 states: "The legislative body may pass ordinances, orders, resolutions, and motions for the government of the city, the control of the city's property and finances, and the appropriation of money."

Indiana Code 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

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(Continued)

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

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

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim . . ."

"(d) The fiscal officer of a governmental entity shall issue checks or warrants for claims by the governmental entity that meet all of the requirements of this section. The fiscal officer does not incur personal liability for disbursements:

- (1) processed in accordance with this section; and
- (2) for which funds are appropriated and available."

RECEIPT ACTIVITIES AT THE METRO CENTER

The following deficiencies in issuing and recording receipts were noted at the Metro Center:

1. Receipts were not issued for some rent and other collections. For several deposits, we were unable to identify the sources of revenue.
2. In three of four months reviewed, some receipts were not written in sequential date order and were not issued at the time of collection. For example, a receipt for parking collections dated August 13 fell in the numerical sequence of receipts dated August 9 and August 10.
3. Collection sheets are prepared for daily parking fees.
 - a. For the last three months of 2007, the daily collection sheets and receipts agreed but did not match the amounts deposited. The sheets were prepared based upon the number of boxes with collections at the daily rate; not on actual collections. Immaterial differences ranged from cash short of \$7.53 to cash long of \$74.58; most differences were cash long.
 - b. For five days reviewed, no collection sheets were provided for audit to support the amounts received or deposited.
4. Collection boxes with numbers correlating to parking spots are used for collecting daily parking fees. If a customer does not pay in full, there is no enforcement or penalty for failure to pay.
5. If parking is required for an extended period, the parker must contact and pay the security guard. No receipts are issued at the time of collection. Security remits the collections periodically, but there is no documentation to support the completeness or accuracy of the collections.

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)

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(Continued)

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

POLICE DEPARTMENT REMITTANCES TO THE CITY CONTROLLER

As stated in the prior report, there are significant delays in the remittance of money orders for gun permits from the Police Department to the Controller's office. The Bureau of Identification collects money orders with gun permit applications. The application and money order are held until the background check is complete. All information is submitted to the Chief's office, where the report of collections for gun permits and other Police Department collections is prepared for remittance to the Controller's office. Of the collections tested, 80% had a delay in submission between the Bureau of Identification and the Chief's office; 60% had a delay in remittance between the Chief's office and the Controller's office.

Receipts issued for payments received by mail at the Police Department were not always remitted to the Controller's office in a timely manner. Some receipts were held for up to 29 days from the date of the receipts until they were remitted to the Controller's office. In addition, all payments by mail should be by check or money order; however, some were marked "cash." Those that were marked cash were receipted as checks by the Controller's office; therefore they were not deposited intact.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

POLICE PENSION BENEFITS OVERPAYMENTS

The prior audit reported that two pensioners were overpaid a total of \$2,310.26 during 2006 and part of 2007. Repayments were received by the Pension Secretary in 2007; however, the payments were not receipted or deposited by the City. Inquiry of the pensioners revealed that their checks had not cleared their bank accounts. The City is establishing withholdings from the pensioners' monthly benefits to recoup the overpayments.

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

LEASE RENTALS AT THE REDEVELOPMENT DEPARTMENT

The City of Gary Redevelopment Commission (Commission) is responsible for leasing office space at a building owned by the city. Rental payments were collected on expired leases for three tenants in 2007. The Commission has negotiated a new lease with one of these tenants in 2008; however, they have not successfully negotiated new leases with the remaining two. A similar comment appeared in the prior report.

CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

In addition, the Commission is not charging the fees for late payments outlined in the contracts. Of the total lease payments received, 90% of them are received after the due date.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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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 GARY, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Gary (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, 2007. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in items 2007-2 through 2007-5 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Cash Management, Allowable Costs, Matching, and Financial Reporting that are applicable to its Community Development Block Grants/Entitlement Grants and Public Safety Partnership and Community Policing Grants. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to 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 other major federal programs for the year ended December 31, 2007. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2007-6.

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)

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2007-3 through 2007-5 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2007-3 through 2007-5, to be material weaknesses.

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

This report is intended solely for the information and use of the City's management, the Common Council, the Board of Public Works and Safety, 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

December 8, 2008

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2007

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 Indiana Department of Education Child Nutrition Cluster Summer Food Service Program for Children	10.559		\$ 129,936
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Pass-Through Indiana Department of Natural Resources Coastal Zone Management Estuarine Research Reserves Marquette Park Lagoons Restoration Assessment Project	11.420	NA4OS4190039	25,431
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant CDBG - Entitlement and (HUD Administered) Small Cities Cluster Community Development Block Grants/Entitlement Grants	14.218	B-02-MC-18-0005 B-04-MC-18-0005 B-05-MC-18-0005 B-06-MC-18-0005 B-07-MC-18-0005	6,761 27,907 584,458 2,416,018 923,145
Total for cluster			3,958,289
Direct Grant Emergency Shelter Grants Program	14.231	S-05-MC-18-0005 S-07-MC-18-0005	1,386 88,034
Total for program			89,420
Direct Grant Supportive Housing Program Gary Commission for Women/The Ark	14.235	IN36B502013	138,066
Direct Grant HOME Investment Partnerships Program	14.239	M-01-MC-18203 M-02-MC-18203 M-03-MC-18203 M-04-MC-18203 M-05-MC-18203 M-06-MC-18203 M-07-MC-18203	474,619 392,235 413,596 438,704 200,846 225,888 220,292
Pass-Through Indiana Housing and Community Development Authority Improving Neighborhoods Through Revitalization		IP-005-003	444,891
Total for program			2,811,071
Direct Grant Fair Housing Assistance Program - State and Local	14.401	FF205k065012 FF205k075012	28,674 61,746
Total for program			90,420
Total for federal grantor agency			7,087,266
<u>U.S. DEPARTMENT OF INTERIOR - NATIONAL PARK SERVICE</u>			
Direct Grant Rivers, Trails, and Conservation Assistance Groundwork Gary	15.921	H4520030007	10,084

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

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2007
(Continued)

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 JUSTICE</u>			
Direct Grant			
Federal Equity Sharing	16.XXX		<u>4,984</u>
Direct Grant			
Edward Byrne Memorial Formula Grant Program Protective Service Fund	16.579		<u>41,000</u>
Direct Grant			
Community Capacity Development Office Weed and Seed	16.595	2006-WS-Q6-0136	<u>115,034</u>
Direct Grant			
Public Safety Partnership and Community Policing Grants COPS in School COPS Technology Grant	16.710	2002-SHWX-0398 2005-CKWX-0024 2006-CKWX-0375	<u>268,791</u> <u>105,373</u> <u>197,445</u>
Total for program			<u>571,609</u>
Pass-Through Indiana Department of Criminal Justice Institute Crime Victim Assistance	16.575	06VA070 06VA159	<u>43,991</u> <u>58,303</u>
Total for program			<u>102,294</u>
Total for federal grantor agency			<u>834,921</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction Grant Street Improvement, Phase 2 Gary Marina Access Road	20.205	STP-N501(011);R 27973B DEM IN 17(002)	<u>198,263</u> <u>90,902</u>
Total for cluster			<u>289,165</u>
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety	20.600	PT-07-04-01-33 PT-08-04-01-28	<u>41,000</u> <u>7,590</u>
Total for cluster			<u>48,590</u>
Pass-Through Indiana Department of Transportation Recreational Trails Program Gary Green Link	20.219	STP-9945 IN76 (001)	<u>62,903</u>
Total for federal grantor agency			<u>400,658</u>
<u>U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u>			
Direct Grant Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	5FPSLP0157	<u>40,800</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant Great Lakes Program Marquette Park (IN) Lagoon Habitat Restoration	66.469	#2004-0005-105	<u>24,103</u>

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

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2007
(Continued)

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. ENVIRONMENTAL PROTECTION AGENCY (continued)</u>			
Direct Grant			
Environmental Policy and Innovation Grants	66.611	PI-83232301-1	<u>20,908</u>
Direct Grant			
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716	X8-00E30201-0	<u>1,553</u>
Direct Grant			
Brownfields Assessment and Cleanup Cooperative Agreements Hazardous Substance Assessment	66.818	BF-96522101-2	<u>10,370</u>
Total for federal grantor agency			<u>56,934</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana Department of Health			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	3610-572100-140300 TB 196-3	<u>42,767</u>
Pass-Through Purdue University			
Injury Prevention and Control Research and State and Community Based Programs	93.136	Project Care FY07	<u>10,000</u>
Pass-Through Indiana Department of Health			
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	CLP 775-2 7/1/06 to 6/30/07 CLP 775-2 7/1/07 to 6/30/08	53,006 <u>33,466</u>
Total for program			<u>86,472</u>
Pass-Through Indiana Department of Health			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	U90/CCU517024-07 U90/CCU517024-08 Special Needs Population Survey	42,337 9,299 <u>2,500</u>
Total for program			<u>54,136</u>
Pass-Through Indiana Family and Social Services Administration			
Social Services Block Grant	93.667	45-07-5B-0732-02	<u>36,605</u>
Pass-Through Indiana Family and Social Services Administration			
Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	93.671	45-07-0T-0732-01 45-07-0T-0732-02	39,659 <u>30,750</u>
Total for program			<u>70,409</u>
Pass-Through Indiana Department of Environmental Management			
HIV Prevention Activities - Health Department Based	93.940	AIDS 196-8	<u>10,821</u>

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

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2007
(Continued)

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 HEALTH AND HUMAN SERVICES (continued)</u>			
Pass-Through Indiana Department of Health Block Grants for Prevention and Treatment of Substance Abuse Prenatal Substance Use Prevention	93.959	PSUP 775-1 7/1/06 to 6/30/07 PSUP 775-1 7/1/07 to 6/30/08	40,860 <u>48,406</u>
Total for program			<u>89,266</u>
Pass-Through Indiana Department of Health Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	H25/CCH504340-15-3 196-4	<u>132,942</u>
Pass-Through Indiana Family and Social Services Administration Preventive Health and Health Services Block Grant Sexual Assault Services	93.991	45-07-86-0732	<u>12,082</u>
Pass-Through Indiana Department of Health Maternal and Child Health Services Block Grant to the States 6 B04 MC 06559-01-04	93.994	10/1/06 to 9/30/07 10/1/07 to 9/30/08	125,113 <u>44,318</u>
Total for program			<u>169,431</u>
Total for federal grantor agency			<u>400,476</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Lake Area United Way Emergency Food and Shelter National Board Program	97.024	25-2716-00 26-2716-00	956 <u>1,046</u>
Total for federal grantor agency			<u>2,002</u>
Total federal awards expended			<u>\$ 9,302,963</u>

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

CITY OF GARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Gary (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.

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2007:

Program Title	Federal CFDA Number	2007
Community Development Block Grants/Entitlement Grants	14.218	\$ 647,972
Emergency Shelter Grants Program	14.231	89,420
HOME Investment Partnerships Program	14.239	1,864,583
Community Capacity Development Office	16.595	24,210

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified for the HOME Investment Partnerships Program; Qualified for the Community Development Block Grants/Entitlement Grants and Public Safety Partnership and Community Policing Grants

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
16.710	Public Safety Partnership and Community Policing 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 2007-1, INTERNAL CONTROLS OVER JOURNAL ENTRIES

The City maintains a cash receipts, disbursements and balances general ledger (control). When receipts and disbursements are posted, an entry is made to the general ledger cash account and to the respective revenue or expenditure general ledger account. In addition, detail ledgers of receipts and disbursement are maintained based on the object code and department of the transaction. The detail receipts and disbursements ledgers are to agree to the general ledger total for revenues and expenditures. The City's Annual Report and financial statements are prepared from the detail receipts and disbursements ledgers.

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

Journal entries were made to correct posting errors, to record approved fund transfers, and to record the write off of temporary loans. Thirty-four of the fifty-six journal entries posted were made either to cash and fund balance, cash and revenue, or cash and expenditure control accounts. Since the entries were only posted to control accounts, the entries were not included in the City's detail of receipts and detail of disbursements ledgers. However, the amounts were included on the City's Annual Report by reporting an adjustment to the receipts for the funds affected.

In addition, one journal entry was posted to the detail receipt and disbursement ledgers with the offset to fund balance to record the write-off of temporary loans between funds. Under the cash basis of accounting guidelines, an entry for the write-off of temporary loans between funds would not be warranted. Thus, this entry overstated both the general fund detail of receipts and the gaming revenues fund detail of disbursements ledger by \$9,005,571. Since the entry did not affect the cash balance of the fund, and the City's Annual Report was prepared from the overstated detail of receipts and disbursements ledgers, an adjustment to the City's Annual Report was necessary. The general fund reflected a negative adjustment to the receipts; the gaming revenues fund reflected a positive adjustment to the receipts.

Controls are not in place to ensure that all transactions, including correcting entries and fund transfers, are posted to the unit's detail of receipts and disbursements ledgers so that material misstatements of receipts or disbursements do not occur.

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

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

We recommended that the City Controller establish controls to ensure that all journal entries are posted with a fund, account, object, and department code for the receipt or disbursement side of the entry. This will ensure that all journal entries will be included in the City's detail of receipts and disbursements ledgers and the proper adjustment will be reflected on the City's Annual Report and financial statements.

Section III – Federal Award Findings and Questioned Costs

FINDING 2007-2, CASH MANAGEMENT, COMMUNITY DEVELOPMENT BLOCK GRANTS

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants
CFDA Number: 14.218
Award Number: B-05-MC-18-0005

On August 11, 2006, check number 190297 for \$477,250.03 was written from Fund 261, Community Development Block Grant (CDBG), to the Gary Sanitary District (GSD). The check was a reimbursement to GSD for the Horace Mann HOPE VI Project's curbs and sidewalks. The City received an

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

advance of CDBG funds from the U.S. Department of Housing and Urban Development (HUD) on August 8, 2006, for this payment. Even though the check was written to GSD three days after receipt of the advance from HUD, the City Controller's office held the check for ten months. GSD received and deposited the check on June 28, 2007. Upon inquiry, officials indicated that the former City Controller had placed the check in the safe. The current City Controller, appointed November 27, 2006, stated that she took the check from the safe and turned it over to GSD for deposit immediately when it was brought to her attention that the check was in the safe.

The check was written from a bank account that includes multiple funds, including CDBG. Due to the significant amount of interfund borrowing between City funds, the check may have been held due to a lack of unobligated funds in the bank account at that time.

Cash management provisions require the City to minimize the time between the receipt and disbursement of federal funds. Because the check was not released for ten months after the advance of funds was received, the City did not comply with cash management requirements. In addition, failure to follow proper disbursement procedures by not releasing the check in a timely manner is a control deficiency significant to the CDBG program.

24 CFR 85.20 on standards for financial management systems states in part: "(3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

24 CFR 85.21 on payments states in part: "(c) Advances. Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee."

We recommended that officials design and implement controls that would ensure compliance with the cash management requirement of minimizing the time between the receipt and disbursement of federal funds. The controls should include ensuring that checks are not held, but are released in a timely manner.

FINDING 2007-3, ALLOWABLE COSTS, PUBLIC SAFETY
PARTNERSHIP AND COMMUNITY POLICING GRANTS

Federal Agency: U.S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Award Number: 2002-SH-WX-0398

In accordance with the guidelines of the Public Safety Partnership and Community Policing (COPS) in School grant, the City may use the funds to pay the salary and related benefits up to a maximum of \$125,000 per officer over a three year period, or up to \$41,667 per officer per year. Amounts paid to the officers in excess of the grant maximum must be paid from local funds. The annual maximum for the five City officers' salaries and benefits paid from this grant was \$208,335 (five officers at \$41,667 each). Reimbursements from the U.S. Department of Justice of \$107,600 and \$161,190 were requested in May and December 2007, respectively. The total requested of \$268,790 is \$60,455 in excess of the maximum annual amount allowed. This grant is reported in a separate fund, Fund 249, COPS in School.

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

Related grant files did contain supporting documentation for the payrolls paid from this fund. However, no documentation was available that detailed which specific costs such as salary, insurance, pension benefits, and FICA, were included in the reimbursement requests in 2007. Because the City was reimbursed in excess of the allowable amount for the year, and there was not adequate supporting documentation for the costs reimbursed, \$60,455 is considered questioned costs.

The COPS in Schools Grant Owner's Manual states: "Under the CIS grant, your agency is required to establish and maintain accounting systems and financial records to accurately account for funds awarded and disbursed. These records must include both federal funds and all matching funds. Your accounting system should: (1) present and itemize approved costs of salaries and benefits and show the actual costs of salaries and benefits, (2) demonstrate that funds are spent in compliance with CIS grant conditions, and (3) provide the necessary information for periodic review and audit."

Based on the lack of detailed supporting documentation and reimbursement requests in excess of the amount allowed, the City did not comply with applicable allowable cost principles. In addition, the City has not established adequate internal controls to ensure compliance with these principles. The lack of adequate controls is considered a control design deficiency that is significant to this major program.

We recommended that officials design and implement procedures to ensure that requests for reimbursement are submitted only for allowable amounts. In addition, we recommended that officials prepare and retain adequate supporting documentation detailing which costs are included in each request for reimbursement.

FINDING 2007-4, CONTROLS OVER MATCHING REQUIREMENTS, PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS

Federal Agency: U.S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Award Number: 2002-SH-WX-0398

The Public Safety Partnership and Community Policing (COPS) in School grant will pay the salary and related benefits up to a maximum of \$125,000 per officer over a three year period, or up to \$41,667 per officer per year. Amounts paid to the officers in excess of the grant maximum must be paid from local funds as the local match for the grant. Officials have indicated that the City pays certain fringe benefits from the General Fund to meet this requirement. These benefits include unemployment compensation, clothing allowance, and insurance; however, we observed insurance in addition to pension benefits and FICA being paid from this grant. The total paid from the COPS in School fund, including salary and benefits, for each officer was \$54,358 in 2007. This would indicate that the City did not include all necessary payments of benefits from the General Fund to meet the matching requirements of this grant. The difference in the amount allowed and the actual amount charged to the grant fund per officer was \$12,691, for a total of \$63,455. This difference contributed to the questioned costs of \$60,455 detailed in Finding 2007-3, Allowable Costs. The remaining balance of \$3,000 is also considered questioned costs.

City officials did not prepare a budget for the COPS in School Fund that would have limited disbursements to the allowable amounts; nor did they make a transfer from the General Fund to cover the deficit cash balance created by the excess costs charged to the program. Therefore, the City was not in compliance with matching requirements and has not established adequate controls to ensure compliance with these requirements. The lack of controls over matching requirements is a control deficiency that is significant to this major program.

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

The COPS in School Grant Owner's Manual states: "The COPS in Schools program provides up to \$125,000 for the entry level salary and approved fringe benefits for a newly hired law enforcement officer over a three-year grant period. Any costs associated with the approved salaries and fringe benefits above and beyond the \$125,000 dollar threshold are the sole responsibility of the local agency. The match must be a cash match, made from local, state or other non-COPS funds and may not be paid through reallocating funds already budgeted for law enforcement purposes. COPS in Schools grants are not eligible for waivers of the local match."

28 CFR 66.24 states in part:

"(a) Basic rule: Costs and contributions acceptable. With the qualifications and exceptions listed in paragraph (b) of this section, a matching or cost sharing requirement may be satisfied by either or both of the following:

- (1) Allowable costs incurred by the grantee, subgrantee or a cost-type contractor under the assistance agreement. This includes allowable costs borne by non-Federal grants or by others cash donations from non-Federal third parties.
- (2) The value of third party in-kind contributions applicable to the period to which the cost sharing or matching requirements applies."

We recommended that officials establish controls to ensure that the local matching requirements will be met on an annual basis. Excess fringe benefits could be paid from the General Fund, or a policy to make periodic transfers from the General Fund to meet the matching requirement could be established.

FINDING 2007-5, FINANCIAL REPORTING, PUBLIC SAFETY
PARTNERSHIP AND COMMUNITY POLICING GRANTS

Federal Agency: U.S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Award Numbers: 2002-SH-WX-0398, 2004-CK-WX-0085, 2005-CK-WX-0024, 2006-CK-WX-0375

In accordance with compliance requirements for the Public Safety and Community Policing Grants, Financial Status Reports are to be filed quarterly. These reports document, as of the end of each quarter, the federal cash that was spent within the quarter and year to date.

COPS in School (2002-SH-WX-0398)

The COPS in School Grant activity is maintained in a separate fund and account, Fund 249, which includes the local portion. A review of the quarterly reports on the grant activity showed the following deficiencies:

1. Quarterly Financial Status Reports (Form SF269A) were filed; however, the report for the quarter ended December 31, 2007, due on February 14, 2008, was filed on March 11, 2008, 25 days late.
2. The quarterly report for the period January 1, 2007 to March 31, 2007, indicated \$73,283.46 in total outlays. The City's records indicated only \$72,200.45 in disbursements during the quarter. Therefore, \$1,083.01 was over reported as total outlays during the quarter.

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

3. Each of the 2007 quarterly reports improperly reported the federal and local shares of the total outlays. The federal share was over reported each quarter because officials did not properly compute the federal share allowed for the five COPS in School officers. The table below details the correct federal share, reported federal share, and the difference. The annual maximum for the five City officers' salaries and benefits paid from this grant was \$208,335 (\$41,667 per officer). The allowable federal share per quarter was \$52,083.33 (\$208,335 annual maximum divided by four quarters \$52,083.33).

	Quarterly Reports				Totals
	01-01-07 to 03-31-07	04-01-07 to 06-30-07	07-01-07 to 09-30-07	10-01-07 to 12-31-07	
Allowable Federal Share	\$ 52,083.33	\$ 52,083.33	\$ 52,083.33	\$ 52,083.33	\$ 208,333.32
Amount Reported as Federal Share	<u>72,200.45</u>	<u>56,672.34</u>	<u>72,679.56</u>	<u>66,237.09</u>	<u>267,789.44</u>
Excess Federal Share Reported	<u>\$ 20,117.12</u>	<u>\$ 4,589.01</u>	<u>\$ 20,596.23</u>	<u>\$ 14,153.76</u>	<u>\$ 59,456.12</u>

Community Policing (COPS) Technology Grants (2004-CK-WX-0085, 2005-CK-WX-0024, 2006-CK-WX-0375)

The COPS Technology Grants activities are maintained in one separate fund, Fund 259, for all three active grants. A review of the quarterly reports on the grant activity showed the following deficiencies:

1. The City comingled the activity of all three COPS in Technology grants in one fund and did not separate the activity by grant. This increased the chance of errors on the quarterly financial reports, as all disbursements had to be reviewed by the Deputy City Controller to determine for which grant they were applicable.
2. Quarterly Financial Status Reports (Form SF269A) for each of the three active grants were filed; however, all three fourth quarter reports were filed 25 days late.
3. Disbursements were reported for some invoices that had not been paid. This caused improper reporting of the federal share of outlays for the quarter.
4. Information reported on the quarterly financial reports did not always reflect the activity as reported in the City's financial records. Reporting errors included the following: total outlays, recipient share of outlays, federal share of outlays, total federal funds authorized and unobligated balance of federal funds in ten of the twelve reports filed for 2007. The reported amounts were either overstated or understated.
5. The cumulative federal share of outlays reported on the quarterly financial reports did not agree with the City Controller's financial records for the COPS Technology Grants Fund 259, as shown in the following table, for seven of the twelve reports filed for 2007:

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

Grant Award Number	2007	Cumulative Reported Federal Outlays	Disbursements per City Controller	Excess Federal Expenditures Reported
2004-CKWX-0085	Quarter 3	\$ 261,900.00	\$ 259,000.00	\$ 2,900.00
2005-CKWX-0024	Quarter 1	127,763.20	79,239.55	48,523.65
2005-CKWX-0024	Quarter 2	175,675.35	127,151.70	48,523.65
2005-CKWX-0024	Quarter 3	185,845.76	135,863.00	49,982.76
2005-CKWX-0024	Quarter 4	137,933.61	135,863.00	2,070.61
2006-CKWX-0375	Quarter 1	19,744.60	-	19,744.60
2006-CKWX-0375	Quarter 2	88,850.10	69,105.50	19,744.60

The late reporting and incorrect reporting indicates that the City had not established controls to ensure that reports were prepared timely and accurately. This is a control design deficiency that is significant to the major program. By not filing reports timely or accurately, the U.S. Department of Justice cannot adequately monitor the grant funds, nor can needs be adequately assessed.

CFR 28 Section 66.41 states in part:

"(b) Financial Status Report—(1) Form. Grantees will use Standard Form 269 or 269A, Financial Status Report, to report the status of funds for all nonconstruction grants and for construction grants when required in accordance with Section 66.41(e)(2)(iii). . . .

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

The instructions from the Office of Justice for Financial Status Reporting (SF269A) indicate the following:

Reporting Quarter Reports Due Not Later Than:

January 1 through March 31	May 15
April 1 through June 31	August 14
July 1 through September 30	November 14
October 1 through December 31	February 14

CFR 28 Section 66.20 states in part:

"(a) A State must expand 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

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

- (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."

We recommended that officials establish procedures to ensure compliance with applicable financial reporting provisions that require that reports are prepared accurately and submitted timely.

FINDING 2007-6, SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Federal Agency: U.S. Department of Justice

Federal Program: Public Safety Partnership and Community Policing Grants

CFDA Number: 16.710

Award Numbers: 2002-SH-WX-0398, 2004-CK-WX-0085, 2005-CK-WX-0024, 2006-CK-WX-0375

A Summary Schedule of Prior Audit Findings was prepared by the City Controller as required by OMB Circular A-133. However, this schedule was incorrect regarding the Public Safety Partnership and Community Policing Grants' Findings 2006-5, Controls Over Matching Requirements, and 2006-7, Financial Reporting.

The City officials indicated in the Summary Schedule of Prior Audit Findings for Finding 2006-5 that the City has appropriately provided cash matches for the COPS program through budgeted line items in the General Fund or transfers to the COPS Fund. However, the current Finding 2007-4, Controls Over Matching Requirements Public Safety Partnership and Community Policing Grants, indicates that the City did not comply with the matching requirements in 2007. Adequate matching funds were not paid from nor were any transfers made from the General Fund to the Grant Fund to meet the matching requirement. Also, City officials did not prepare a budget for the COPS in School grant fund (Fund 249) that would limit disbursements to the allowable amounts per the grant.

The City officials indicated in the Summary Schedule of Prior Audit Findings for Finding 2006-7 that the quarterly reports are being accurately submitted in a timely manner as required by the granting agency. However, the current Finding 2007-5, Financial Reporting Public Safety Partnership and Community Policing Grants, indicates that quarterly reports were not correct and were not submitted in a timely manner.

A federal finding is prepared when the Summary Schedule of Prior Audit Findings is incorrectly presented.

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

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

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

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

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

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



City Of Gary

Department of Finance

401 Broadway

Gary, Indiana 46402

(219) 881-1363 / Fax (219) 881-1340

RUDOLPH M. CLAY

Mayor

GERALDINE B. TOUSANT

Deputy Mayor

M. CELITA GREEN

Director of Finance

KAREN WOODS-TINSELY
Interim Deputy Finance Director

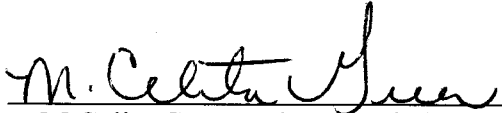
SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2006 -1 Internal Controls Over Disbursement

Auditee Contact Person: M. Celita Green
Title of Contact Person: Director of Finance

As stated in the Corrective Action Plan, the Department of Finance-Accounts payable staff members continues to adhere the procedures for internal controls as to the allocation or remitting payment directly to those vendors upon the approval of the appropriate City Departments and Controller.

Vendor's checks are to be mailed or received by authorized agent of the vendor directly from the Department of Finance.


M.Celita Green, Director of Finance

10/20/08
Date



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Director of Finance

GERALDINE B. TOUSANT

Deputy Mayor

KAREN WOODS-TINSELY

Interim Deputy Finance Director

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2006 -2 DAVIS-BACON, COMMUNITY DEVELOPMENT BLOCK GRANTS AND HOME INVESTMENT PARTNERSHIP PROGRAM

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

Federal Program: Community Development Block Grants and Home Investment Partnerships Program

CFDA Number: 14.218, 14.239

Award Numbers: B-02-MC-18005, B-04-MC-180005, B-05-MC- 18-0006, M-99-MC-180203, M-00-MC-180203, M-01-MC-180203, M-04-MC-180203, M-05-MC-180203, M-06-MC-180203

Auditee Contact Person: M. Celita Green

Title of Contact Person: Director of Finance

As part of the corrective action, the Department of Community Development requires payroll certification and wages determination to be submitted as part of all payroll package required by HUD form 4010, Federal labor Standards Provisions Davis Bacon/Copeland Act requirements.

This implementation is especially followed for documenting Program procedures that are in compliance as set forth 24CFR 85.20; 24CFR 92.501-510; 92.500; 24CFR 570 and other federal regulations which are appropriate.

M. Celita Green (per Director's response)
M. Celita Green, Director of Finance

10/20/06
Date



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M. CELITA GREEN

Director of Finance

RUDOLPH M. CLAY

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Deputy Mayor

KAREN WOODS-TINSELY

Interim Deputy Finance Director

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2006 -3 CASH MANAGEMENT, HOME INVESTMENT PARTNERSHIP PROGRAM

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

Federal Program: Public Safety Partnership and Community Policing Grants

CFDA Number: 14.239

Award Numbers: M-01-MC -18203, M-02-MC-18203, M-03-MC-18203, M-04-MC-18203, M-05-MC-18203

Auditee Contact Person: M.Celita Green

Title of Contact Person: Director of Finance

As part of the corrective action, the Department of Community Development Fiscal Manager has been instructed to inform the City of Gary Director of Finance to return all program funds to the Department of Housing and Urban Development within fifteen (15) days if said transaction encumbering said funds is not completed on scheduled day of said disbursement. Further Letters of Instructions are to be forwarded to the title company prior to closing and disbursement.

The City required operating procedure is to monitor project activity and to attain satisfaction by the Program Inspector and the City of Gary Building Department Inspector on all work performed prior to the release of funds. We have an inspection report and sign off sheet. This is in compliance with 24CFR 92.251 (a) (1) and 24 CFR 92.502. and City of Gary standards. This procedure is in place.


M. Celita Green, Director of Finance

10/20/08
Date



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RUDOLPH M. CLAY

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GERALDINE B. TOUSANT

Deputy Mayor

M. CELITA GREEN

Director of Finance

KAREN WOODS-TINSELY

Interim Deputy Finance Director

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2006 -4 PERIOD OF AVAILIBLTY, HOME INVENTMENT PARTNERSHIP PROGRAM

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

Federal Program: Home Investment Partnership Program

CFDA Number: 14.239

Award Numbers: M-99-MC -18203, M-00-18203, M-01-18203

Auditee Contact Person: M.Celita Green

Title of Contact Person: Director of Finance

The City of Gary depended on Integrated Disbursement Information System (IDIS) with regard to the tracking of all program activities. This system was created by Housing and Urban Development as a tool to provide various financial reports. These reports are used by both HUD staff and local level government.

In conjunction with our corrective plan, the Department is currently using an internal draw down log report that will track by program year and activity all disbursements. The tracking is being maintained as activity transactions are conducted.

M. Celita Green (per Dir. response)
M. Celta Green, Director of Finance

10/20/08
Date



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Director of Finance

GERALDINE B. TOUSANT

Deputy Mayor

KAREN WOODS-TINSELY

Interim Deputy Finance Director

SUMMARY OF PRIOR AUDIT FINDINGS

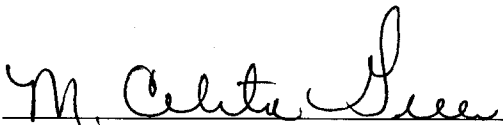
FINDING NO. 2006 -5 CONTROLS OVER MATCHING REQUIREMENTS, PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS

Federal Agency: U. S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Award Numbers: 2002-SH-WX-0398

Auditee Contact Person: M.Celita Green
Title of Contact Person: Director of Finance

The city has appropriately provided cash matches through budgeted line items in the General Fund, or if additional cash needs to be transferred to the respective COPS funds regarding cash availability annually.

At times, the timeliness of cash to the City has been delayed and adjustments were made to assure proper allocation during specific periods. The City utilizes an expenditure report to account for all costs incurred during the program to reflect the percentage of the required matches to be paid. Our monitoring review is performed periodic of this process throughout the year to assure that the cash matches are met.



M. Celita Green, Director of Finance

10/30/08

Date



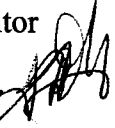
City of Gary
Department of Community Development
839 Broadway, 3rd Fl, Suite 302N · Gary, IN 46402
(219) 881-5075 Phone -- (219) 881-5085 Fax

RUDOLPH CLAY
Mayor
GERALDINE TOUSANT
Deputy Mayor

JACQUELYN DRAGO-HUNTER
Director

September 26, 2008

TO: Nathaniel Williams, Internal Auditor

FROM: Jacquelyn Drago-Hunter, Director 

SUBJECT: IMPLEMENTATION OF CORRECTIVE ACTION FOR THE
DEPARTMENT OF COMMUNITY DEVELOPMENT

C: Mayor Rudolph Clay
Geraldine Tousant, Deputy Mayor
Arlene Colvin, Chief of Staff
Celita Green, Finance Director

Per your request the following narratives and attached documentation serve in response to the implementation of corrective action plan as presented to the State Board of Accounts (SBA) audit for the 2006 CDBG and HOME Investment Programs year.

The following implementation has been taken by the Department of Community Development in an effort to improve program process and procedures. It is our intent to take every measure necessary in keeping with HUD requirements and Program status.

Implementation Finding No. 2006-2 DAVIS BACON, COMMUNITY DEVELOPMENT BLOCK GRANTS AND HOME INVESTMENT PARTNERSHIP PROGRAM

As part of the corrective action the Department of Community Development requires payroll certification and wage determination to be submitted as part of all payroll package required by HUD form 4010, Federal Labor Standards Provisions Davis Bacon/Copeland Act. Also all sub-recipients receive educational information as provided through our department with regard to David-Bacon/Copeland Act requirements.

This implementation is especially followed for documenting Program procedures that are in compliance as set forth 24CFR 85.20; 24CFR 92.501-510; 92.500; 24CFR 570 and other federal regulations which are appropriate.

Implementation Finding No. 2006-3 CASH MANAGEMENT, HOME INVESTMENT PARTNERSHIP PROGRAM

As part of the corrective action the Department of Community Development Fiscal Manager has been instructed to inform the City of Gary Director of Finance to **return all programs funds to the Department of Housing and Urban Development within fifteen (15) days if said transaction encumbering said funds is not completed on scheduled day of said disbursement.** Further Letters of Instructions are to be forwarded to the title company prior to closing and disbursement.

The City required operating procedure is to monitor project activity and to attain satisfaction by the Program Inspector and the City of Gary Building Department Inspector on all work performed prior to the release of funds. We have an inspection report and sign off sheet. This is incompliance with 24CFR 92.251 (a) (1) and 24 CFR 92.502. and City of Gary standards. This procedure is in place.

Implementation Finding No. 2006-4 PERIOD OF AVAILIBILITY, HOME INVESTMENT PARTNERSHIP PROGRAM

The City of Gary depended on Integrated Disbursement Information System (IDIS) with regard to the tracking of all program activities. This system was created by Housing and Urban Development as a tool to provide various financial reports. These reports are used by both HUD staff and local level government.

In conjunction with our corrective plan the Department is currently using an internal draw down log report that will track by program year and activity all disbursements. The tracking is being maintained as activity transactions are conducted.



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M. CELITA GREEN

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Mayor

GERALDINE B. TOUSANT

Deputy Mayor

KAREN WOODS-TINSELY
Interim Deputy Finance Director

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2006 -6 CASH MANAGEMENT, PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS

Federal Agency: U. S. Department of Justice

Federal Program: Public Safety Partnership and Community Policing Grants

CFDA Number: 16.710

Award Numbers: 2004-CK-WX-0085, 2005-CK-WX-0024

Auditee Contact Person: M.Celita Green

Title of Contact Person: Director of Finance

In lieu of the City of Gary receipting draw downs during the period of FY 2007, the expenditures are incurred before reimbursement is requested on quarterly reports.

However, the city's system for requesting draw downs of funds and tracking expenditures associated with the purchasing of equipment is monitored along with accurate fiscal accountability in a timely manner.

M. Celita Green
M. Celita Green, Director of Finance

10/20/08
Date



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GERALDINE B. TOUSANT

Deputy Mayor

M. CELITA GREEN

Director of Finance

KAREN WOODS-TINSELY

Interim Deputy Finance Director

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2006 -7 FINANCIAL REPORTING, PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS

Federal Agency: U. S. Department of Justice

Federal Program: Public Safety Partnership and Community Policing Grants

CFDA Number: 16.710

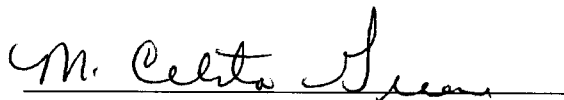
Award Numbers: 2002 -SH-WX 0398, 2004-CK-WX-0085, 2005-CK-WX-0024, 2006 - CK-WX- 0375

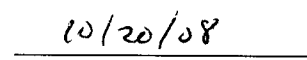
Auditee Contact Person: M.Celita Green

Title of Contact Person: Director of Finance

The City reporting of quarterly reports are being accurately submitted in a timely manner as required by the granting agency. The controls were established as noted in the City of Gary FY2006 annual audit.

The un-spent amount of \$116,550.00 and \$56,623.45 of the Community Policing (COPS) Technology grants was returned to the U.S. Justice Department January 2007.


M. Celita Green, Director of Finance


Date



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Director of Finance

KAREN WOODS-TINSELY

Interim Deputy Finance Director

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2006 -8 CASH MANAGEMENT, HIGHWAY PLANNING AND CONSTRUCTION

Federal Agency: U. S. Department of Transportation

Federal Program: Highway Planning and Construction Grants

CFDA Number: 20.205

Award Numbers: STP- N501 (011)

Pass through Agency: Indiana Department of Transportation

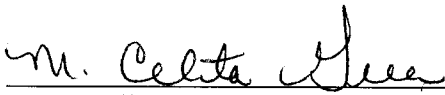
Auditee Contact Person: M.Celita Green

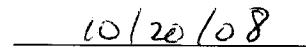
Title of Contact Person: Director of Finance

The Department of Public Works and Safety has instituted a number of actions in order to address the SBA's findings. These actions include the hiring of a Fiscal Manager for the Department of Public Works whose primary responsibility is to process all vendor invoices for payment. In addition, the Department started using spreadsheets in order to keep track of what invoices have been received, paid, and against which purchase order.

However, please note that because reimbursements that were to have been paid to the vendor repeatedly arrived late coupled with the fact these reimbursements were mailed to the wrong address, only served to further delay the process.

These issues have been addressed with the granting agency.


M. Celita Green, Director of Finance


Date



RUDOLPH CLAY
Mayor

DEPARTMENT OF PUBLIC WORKS

GERALDINE B. TOUSANT
Deputy Mayor

Rinzer Williams, III, J.D.
Director

MEMORANDUM

TO: NATHANIEL WILLIAMS, INTERNAL AUDITOR
FROM: RINZER WILLIAMS, III, J.D., DIRECTOR *RW, III*
RE: **2006 STATE BOARD OF ACCOUNTS AUDIT FINDINGS**
DATE: OCTOBER 20, 2008

Please be advised that in response to the 2006 State Board of Accounts Audit Findings, the Department of Public Works and Safety has instituted a number of actions in order to address the SBA's findings. These actions include the hiring of a Fiscal Manager for the Department of Public Works whose primary responsibility is to process all vendor invoices for payment. In addition, the Department started using spreadsheets in order to keep track of what invoices have been received, paid, and against which purchase order.

However, please note that because reimbursements that were to have been paid to the vendor repeatedly arrived late coupled with the fact these reimbursements were mailed to the wrong address, only served to further delay the process.

These issues have been addressed with the granting agency.



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M. CELITA GREEN

Director of Finance

RUDOLPH M. CLAY

Mayor

GERALDINE B. TOUSANT

Deputy Mayor

KAREN WOODS-TINSELY
Interim Deputy Finance Director

CORRECTIVE ACTION PLAN

FINDING NO. 2007 -1 Internal Controls Over Journal Entries

Auditee Contact Person: M. Celita Green
Title of Contact Person: Director of Finance

In pursuant to the recent audit exception regarding journal entry posting, a worksheet will be utilized as a mechanism along with the accounting system's report, to record transactions in all fund accounts with review and approval of authorized personnel during our daily operations. This process will ensure that the proper reconciliation of accountability is maintained to analyze and classify the appropriate accounts, which will facilitate resolving issues in a timely manner with all supportive documentation attached.

M. Celita Green
M. Celita Green, Director of Finance

12/8/08
Date



City Of Gary

Department of Finance

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Deputy Mayor

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Interim Deputy Finance Director

CORRECTIVE ACTION PLAN

FINDING NO. 2007 -2 CASH MANAGEMENT, COMMUNITY DEVELOPMENT BLOCK GRANTS

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

Federal Program: Community Development Block Grants

CFDA Number: 14.218

Award Numbers: B-05-MC-18-0005

Auditee Contact Person: M.Celita Green

Title of Contact Person: Director of Finance

It is our recommendation that the following steps are taken as corrective actions for the above captioned finding – Management, Community Development Block Grants:

1. As a result of Check# 190297, in the amount of \$477,250.23, issued to the Gary Sanitary District (GSD) being held by the City for 10 months, the City Controller is made aware of HUD Regulation 24 CFR 85.20 and 24CFR 85.21. These regulations state that a grantee or sub grantee must adequately safeguard all such property and must assure that it is solely used for the authorized purposes and maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of funds and their disbursement by the grantee or sub grantee.
2. The Finance Department will inform the Department of Community Development's Director and / or fiscal manager or any times when claims that have been submitted for payment will be held or not paid for any reasons. This procedure will allow the Department of Community Development to resolve any issues necessary to get the vendors paid in a timely manner and to reconcile our cash in the bank correctly.
3. The Department of Community Development will establish a procedure to quarterly check the RDS screen(display/update vendor check) to verify all claims for \$50,000.00 or more have cancelled status a month form the issued date. This procedure will allow the department to follow-up on any outstanding checks in a timely period from the date checks are issued.

M. Celita Green

M. Celta Green, Director of Finance

12/8/08

Date



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Deputy Mayor

KAREN WOODS-TINSELY

Interim Deputy Finance Director

CORRECTIVE ACTION PLAN

FINDING NO. 2007 -3 ALLOWABLE COSTS, PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS

Federal Agency: U. S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Award Numbers: 2002-SH-WX-0398

Auditee Contact Person: M.Celita Green
Title of Contact Person: Director of Finance

As part of the corrective action, the City of Gary Police Department has been notified by its Finance Department to review all costs related to the reimbursement requested of the Cops in School grant in FY 2007. Upon examination, the amount recognized being over the annual allocation will be forwarded to the grantor.

The City's procedures to monitor reimbursements will attain satisfaction by coordinating a reconciliation process through aforementioned departments, initiating the involvement of the Interim Deputy Controller providing technical assistance and approval of the preparation for allowable costs prior to the release of funds.

However, the city will accumulate all costs per officer and appropriately determine cash matches have been met through budgeted line items in the General Fund, or if additional cash needs to be transferred to the respective COPS funds. For 2008, the City will transfer any fringe expenditures paid by the COPS grant to the General Fund to reimburse the COPS grant fund.

Moreover, a transmittal, which establishes COPS in School program, records payroll expenditures into the fund, will allow separate accounting for the program with supporting documentation. The Police Department will maintain and develop a worksheet that will monitor accounts for all costs incurred during the program to reflect the percentage that the city is paying.

M. Celita Green, Director of Finance

12/8/08

Date



City Of Gary

Department of Finance

401 Broadway

Gary, Indiana 46402

(219) 881-1363 / Fax (219) 881-1340

M. CELITA GREEN

Director of Finance

RUDOLPH M. CLAY

Mayor

GERALDINE B. TOUSANT

Deputy Mayor

KAREN WOODS-TINSELY

Interim Deputy Finance Director

CORRECTIVE ACTION PLAN

**FINDING NO. 2007- 4 CONTROLS OVER MATCHING REQUIREMENTS,
PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS**

Federal Agency: U. S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Award Numbers: 2002-SH-WX-0398

Auditee Contact Person: M.Celita Green
Title of Contact Person: Director of Finance

A review into the City’s budgetary criteria of the Cops in School grant determined that the matching requirements regarding the General Fund covered a deficit cash balance.

Since the inception of the grant, the accountability of the accumulated costs per officer cash matches was mistakenly budgeted in Fund 249 in the amount of \$365,700, as opposed to being budgeted in part to Fund 101 General. During our on-going financial challenges regarding property tax collections, the City unable to make cash matches in a timely manner to assure our compliance with grant requirements. Once the City has recognized available revenues, we will satisfy the match criteria of the COPS program.

The bi-weekly transmittals establish COPS in School program funds, records payroll expenditures into the fund and identify appropriate line items. This procedure allows separate accounting for the program and cash matches deposits.

The City will maintain a spreadsheet to record all costs incurred during the program to reflect the percentage that the city will reimburse. We will conduct a periodic review of this process throughout the year to determine that the appropriate cash matches are met.

M. Celita Green
M. Celita Green, Director of Finance

12/8/08
Date



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CORRECTIVE ACTION PLAN

FINDING NO. 2007 -5 FINANCIAL REPORTIN, PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS

Federal Agency: U. S. Department of Justice

Federal Program: Public Safety Partnership and Community Policing Grants

CFDA Number: 16.710

Award Numbers: 2002 -SH-WX 0398, 2004-CK-WX-0085, 2005-CK-WX-0024, 2006 - CK-WX-0375

Auditee Contact Person: M.Celita Green

Title of Contact Person: Director of Finance

The City has relied upon the tracking of all grants program activities through designated departments, which responsibilities provides an array of financial reports to comprehend the fiscal position outlay. These financial reports staff as well as at the local level.

COPS in School (2002-SH-WX-0398)

1. The 4th Quarterly Financial Status Reports submission to the granting agency tardiness was due to circumstances beyond our control regarding the electronic filing system. Our ongoing review and monitoring of the above grants will assure that the accountability and scheduling process met for quarterly reporting and submitted in a timely manner as required by the granting agency.

2. The 1st Quarterly report is being reviewed for the possibility to be amended for the \$1,083.01 discrepancy.

3. Upon our review of FY2007 Quarterly Reports difference, the reports were prepared including the local shares initially paid by the City before receipt of reimbursement from the granting agency.

Lacking the appropriate allocation submitted to the granting agency on form 269A, the amount of the changes was not established at the end of FY2007. Henceforth, the Police Department Director of Supportive Services will ensure that the fringe benefits does not exceed the amount over the allowable salary for Fund 249 Cops in School. The excessive amount will be reimbursed to the COPS grant for 2007 by the General Fund 101.

Community Policing (COPS) Technology Grants (2004-CK-WX-0085, 2005-CK-WX-0024, 2006 – CK-WX-0375

1. Currently, the City is manually maintaining the accountability of the three grants classified by the appropriate worksheets identifying the accountability of all transactions. The City of Gary is currently unable to separate the different fiscal grants within the same fund, but we are collaborating with the Financial System programmers to establish a program that will separate each of the grants on it financial system by fiscal year within the same fund.

2. The 4th Quarterly Financial Status Reports submission to the granting agency tardiness was due to circumstances beyond our control regarding the electronic filing system. Our ongoing review and monitoring of the above grants will assure that the accountability and scheduling process met for quarterly reporting and submitted in a timely manner as required by the granting agency.

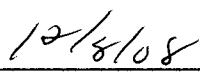
3. In regards to the reporting of disbursements on the Quarterly Status report Form 269a, the accounts payable documentation was use to prepare the report before the actual expenditure incurred. This overstated the outlays being reported for that period. An amended Form 269A will be prepared to reflect the actual expenditures for the period.

4. The review of our matching funds shows that the disbursed salaries was in Fund 101 General before reimbursement to fund 249 Cops in School was requested. The appropriate budget for the Cops in School grant preparation exceeded the yearly allocation of the Salaries along with fringe benefits included and was never separated from the 249 fund which caused the excessive over payment. This occurred since the inception of the grant under the previous administration. All reports will be amended to reflect the appropriate balances.

5. Lacking the appropriate allocation submitted to the granting agency on form 269A, the amount of the changes was not established at the end of FY2007. Henceforth, the Police Department Director of Supportive Services will ensure that all costs do not exceed the amount over the allowable costs for reporting on the quarterly status report for Fund 259 Cops Technology Grant.. All affected reports will be amended to reflect the accurate amounts.

Our ongoing review and monitoring of the above grants will assure that the accountability of quarterly reporting is accurately documented and submitted in a timely manner as required by the granting agency.


M. Celita Green, Director of Finance


Date



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CORRECTIVE ACTION PLAN

FINDING NO. 2007 -6 SUMMARY OF PRIOR AUDIT FINDINGS

Federal Agency: U. S. Department of Justice

Federal Program: Public Safety Partnership and Community Policing Grants

CFDA Number: 16.710

Award Numbers: 2002 -SH-WX 0398, 2004-CK-WX-0085, 2005-CK-WX-0024, 2006-CK-WX-0375

Auditee Contact Person: M.Celita Green

Title of Contact Person: Director of Finance

During the course of the FY 2006 audit in the year 2007, it was brought to the attention of management through examination from State Board of Accounts (SBOA) the timeliness of reporting and appropriate cash matches identified on the audited Quarterly Status Reports.

As a result, we initially collaborated in a short period after SBOA's exit conference in September of FY 2007 to review the specific problems of the grants. The Summary of Prior Audit Findings status report was prepared regarding our on going changes relative to the latter part of last year and during FY2008, which shows timely reporting.

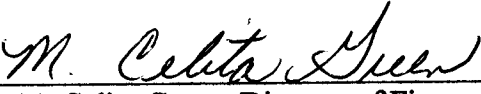
In addition, upon further review of FY2007 Quarterly Reports difference, the reports were prepared including the local shares initially paid by the City of Gary before receipt of reimbursement from the granting agency.

The review of our matching funds shows that the disbursed salaries was in Fund 101 General before reimbursement to fund 249 Cops in School was requested. The appropriate budget for the Cops in School grant preparation exceeded the yearly allocation of the Salaries along with fringe benefits included and was never separated from the 249 fund which caused the excessive over payment. This occurred since the inception of the grant under the previous administration.

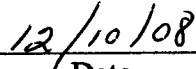
Lacking the appropriate allocation submitted to the granting agency on form 269A, the amount of the changes was not established at the end of FY2007. Henceforth, the Police Department Director of Supportive Services will ensure that the fringe benefits do not exceed the amount over the allowable salary for Fund 249 Cops in School. The excessive amount will be charged to Fund 101 General and will be monitored and approved by the

Chief of Police. Therefore, the City is in the process of requesting permission to amend the cumulative reports in order to determine the amount owed in addition accurately balance the grant.

Our ongoing review and monitoring of the above grants will assure that the accountability of quarterly reporting is submitted in a timely manner as required by the granting agency.



M. Celita Green, Director of Finance



Date

CITY OF GARY
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2008, with Rudolph Clay, Sr., Mayor; M. Celita Green, Controller; Ronier Scott, President of the Common Council; Geraldine B. Tousant, Deputy Mayor/President of the Board of Public Works and Safety; Arlene Colvin, Chief of Staff; Mary Brown, Council member; Hamilton Carmouche, Corporation Counsel; Nathaniel Williams, Internal Auditor; Michele Roby, Senior Accountant; and Virgil Moore, Financial Advisor. The official response has been made a part of this report and may be found on pages 112 and 113.

The contents of this report were also discussed on December 8, 2008, with Richard Comer, President of the Board of Sanitary Commissioners; Luci L. Horton, Director; Vern Webbs, Deputy Director; Hamilton Carmouche, District Attorney; Sherry Durham, Senior Accountant; and Norma Walls, Senior Accountant.



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M. CELITA GREE
Director of Finance

KAREN TINSLEY
Interim Deputy Director of Finance

RUDY CLAY
Mayor

GERALDINE B. TOUSANT
Deputy Mayor

December 9, 2008

State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2764

RE: Independent Auditor's Report for Fiscal Year 2007
Official's Response-City of Gary

Below is the Official's response to certain audit findings for the City of Gary, fiscal year 2007:

Overdrawn Cash Balances- of the seven (7) funds that are overdrawn, three (3) are reimbursable grants. The Protective Services Grant became inactive in 2005 and requires matches not made during the operation of the program. The Leased Properties was funded by rent from the Welfare Department to make the bond payments. Even though the Welfare Dept. ceased to be a tenant in 2005, the bond payments continued to be charged to the account until the bond was refinanced. The City will make cash transfers to these funds, once available, to eliminate the deficit balances.

The deficit balances in the Internal Funds are due to a combination of abnormal amounts of medical claims and inability to transfer additional funds from the General Fund within the year, due to delayed distributions of property tax and property tax shortfalls.

Internal Controls over Journal Entries- pursuant to the recent audit exception regarding journal entry posting, a worksheet will be utilized to record entries and attach document for review, prior to entry into the financial accounting system. This process will ensure that the proper reconciliation of accountability is maintained to analyze and classify the appropriate accounts, which will facilitate resolving issues in a timely manner.

Prior Payment of Claims-The Board of Works has ratified approval of claims lists, after payment, for a number of years. However, the Board of Works is taking the appropriate action to establish a policy, to be approved by the Common Council that is in compliance with IC 5-11-10-1-6.

Gaming Revenues Fund Appropriations- Gaming Revenues are appropriated by the Common Council. The Common Council will be made aware of the conditions in which the Gaming Appropriations may be carried forward to the next year in accordance to the Cities and Towns Bulletins and Uniform Compliance Guidelines. All appropriations that do not meet the specified criteria will revert to the fund at year end.

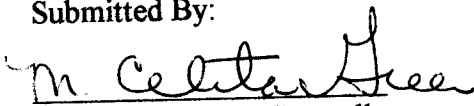
Approved Depository- The funds that are currently held at Wachovia Securities is interest that accumulated after the refinancing of the bond. Those funds will be transferred to Chase bank prior to year end.

Contracts – During 2008, a 2007 contract was ratified and a 2008 contract was approved for the Gary South Shore Rail cats Stadium Janitorial and Cleaning Services.

Payroll Deficiencies- The City will research each of the discrepancies in the listed departments to determine the reason for the errors for each employee and correct the process. However, the Mayor has been reimbursed for the underpayment from 2006 through 2008, by the Gary Sanitary District.

Internal Controls Over Emergency Medical Service Ambulance Billings – The City of Gary Law Department will contact EBS and request immediate remittance of any outstanding funds owed to the City of Gary.

Submitted By:


M. Celita Green, Controller

12/10/08
Date