

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF HOBART

LAKE COUNTY, INDIANA

January 1, 2010 to December 31, 2010



**FILED**  
01/05/2012



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah A. Longer	01-01-08 to 12-31-11
Mayor	Brian K. Snedecor	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Brian K. Snedecor	01-01-08 to 12-31-11
President of the Common Council	Brian Rosenbaum David Vinzant	01-01-10 to 12-31-11 01-01-11 to 12-31-11
City Judge	William J. Longer	01-01-08 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statement of the City of Hobart (City), for the period of January 1, 2010 to December 31, 2010. The City's management is responsible for the financial statement. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

The City's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine 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 City Council, 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

October 24, 2011

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## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF HOBART  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 2,523,461	\$ 26,891,058	\$ 28,120,458	\$ 1,294,061
Health Insurance Bank Account	-	1,000	-	1,000
City Court Bank Account	246,166	1,125,544	1,109,369	262,341
Motor Vehicle Highway	(203,787)	1,548,114	1,421,371	(77,044)
Local Road And Street	(1,343,603)	294,589	16,298	(1,065,312)
Law Enforcement Continuing Ed	44,395	37,224	40,532	41,087
Riverboat	219,894	369,969	176,158	413,705
Parks And Recreation	117,527	438,978	476,892	79,613
Fire Donation	5,845	2,780	7,832	793
Park Donation	2,969	9,159	8,954	3,174
Cemetery Trust	53,414	-	390	53,024
Dare	2,244	3,060	3,438	1,866
Major Moves Construction	10,651	-	10,651	-
Police Donation	21,783	11,972	27,842	5,913
County Share Court Costs	15,322	319,180	334,502	-
Court Records Perpetuation	24,935	5,419	1,136	29,218
Innkeeper's Tax	27,743	4,726	19,167	13,302
50/50 Sidewalk Program	-	19,602	19,602	-
Police Seizure	20,246	48,571	42,191	26,626
Drug Task Force (Hidta)	149,579	18,189	157,176	10,592
Drug Free Communities	10,160	19,010	29,160	10
911 Dispatch Center	1,095	-	29,695	(28,600)
County Juvenile Night Light	1,286	-	-	1,286
Park Improvement	310,163	1,200	192,306	119,057
Park & Rec Non-Reverting	3,645	-	-	3,645
Arbor Lane Park Donation	2,150	-	-	2,150
Enhancement & Improvement	55,377	107,008	24,539	137,846
Pennsy Depot Donation	13,625	-	450	13,175
Lakefront Festival	10,897	17,445	18,101	10,241
Barrington Ridge Park Donation	102,421	-	-	102,421
Pleak Fund	35,079	-	-	35,079
Water Lines	57,324	9,055	-	66,379
Dui Overtime Grant	1,120	34,031	28,842	6,309
Court Public Defender	5,243	3,043	5,000	3,286
Adult Probation	109,819	31,455	12,464	128,810
Park District Program	22,186	31,944	51,551	2,579
Hobart Entryway Triangle	6,689	-	-	6,689
Fire Dept Ems Education	1,390	177	192	1,375
Cops To School	(78,230)	19,991	-	(58,239)
Operation Pull Over	23,857	13,418	16,270	21,005
Tax Abatement	32,326	915	6,206	27,035
Scout Cabin	720	-	-	720
Redevelopment	1,228,007	433,991	381,733	1,280,265
Special Events	7,808	34,346	32,538	9,616
Public Works Donation	112	200	-	312
Assistance To Firefighters Grant	-	28,286	28,285	1

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

CITY OF HOBART  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010  
(Continued)

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
2008 Drug Free Communities	855	-	855	-
2008 Recycling Grants	35,053	9,856	36,100	8,809
Employee Health Benefits	42,825	231,974	174,390	100,409
Redevelopment 61St Avenue	462,533	962,286	83,613	1,341,206
Public Safety	261,201	188,284	325,761	123,724
Reimburse Professional Fees	-	8,450	-	8,450
Stimulus Arra	-	57,294	57,294	-
1995 Go Bond Debt Service	66,199	52,636	118,835	-
Park Bond Debt Service	240,931	177,077	418,008	-
2002 Go Bond Debt Service	28,906	-	28,906	-
Park Bond 6 Project	(50,349)	852,585	764,178	38,058
2006 Go Bond Paving Debt Service	1,301	438,098	350,375	89,024
2007 61St Avenue Debt Service	(18,847)	224,423	243,903	(38,327)
Hms Police Court Bond Ds	-	750	236,932	(236,182)
61St Ave Series B Debt Service	-	-	35,856	(35,856)
Cumulative Capital Improvement	(325,558)	74,262	-	(251,296)
Cumulative Capital Development	171,905	241,807	224,548	189,164
Park Bond Proceeds 6 Projects	2,445,923	20,443	1,024,451	1,441,915
2007 61St Ave Bond Proceeds	1,147,340	99,802	1,183,284	63,858
61St Avenue Reserve Fund	450,000	480,000	-	930,000
61St Ave B" Bond Proceeds"	906,904	82,743	445,125	544,522
Police Court Complex Bond Proceeds	5,380,180	1,985,000	4,960,815	2,404,365
Redev Rz Tif Bond Proceeds	-	4,272,950	108,983	4,163,967
Police Pension	724,951	486,581	504,433	707,099
Fire Pension	504,248	340,771	466,289	378,730
Fire Pension 1977	34,188	142,501	140,862	35,827
Police Pension 1977	37,623	160,078	157,814	39,887
Payroll	4,466	69	-	4,535
Water Escrow	23,266	317,272	312,126	28,412
Nipsco Escrow	415	1,334,881	1,334,675	621
Cable Escrow	100,000	-	-	100,000
Civilian Perf	32,454	128,457	124,900	36,011
Investments	-	27,363	-	27,363
Payroll Withholdings	11,840	11,141,660	11,144,548	8,952
Hobart Adult Probation	4,831	5,872	10,703	-
Hsd Stormwater	76,021	1,107,400	1,030,789	152,632
Wastewater Operating	363,262	5,595,749	5,772,686	186,325
Wastewater Improvement	8,086,020	786,126	7,015,390	1,856,756
Wastewater Revenue	425,968	6,280,033	6,654,067	51,934
	<u>\$ 25,579,908</u>	<u>\$ 70,250,182</u>	<u>\$ 78,342,785</u>	<u>\$ 17,487,305</u>

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

CITY OF HOBART  
NOTES TO FINANCIAL INFORMATION

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statement presents the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include, but are not limited to, the following sources:

Taxes, which can include one or more of the following: property taxes, innkeepers tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Special assessments which include amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

Licenses and permits which include amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF HOBART  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Net proceeds from borrowings which includes receipts from general obligation bonds, notes, and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which include funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

Utility receipts which are comprised mostly of charges for current services.

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pension funds from state and local sources.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

CITY OF HOBART  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

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

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which include funds authorized by statute, ordinance, resolution, or court order to be transferred to another fund.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to

CITY OF HOBART  
NOTES TO FINANCIAL INFORMATION  
(Continued)

establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

CITY OF HOBART  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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. 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 Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

C. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

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

CITY OF HOBART  
NOTES TO FINANCIAL INFORMATION  
(Continued)

On Behalf Payments

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

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

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public 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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

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

The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

Note 7. Hobart Sanitary District/Hobart Stormwater District

Effective December 6, 2010, an Agreed Order was approved by IDEM requiring development of a compliance plan that includes actions the City will take to eliminate discharges from its collection system, actions the City will take to ensure that the collection system is at all times efficiently operated and maintained in good working order; and an implementation and completion schedule, including specific milestone dates for developing and implementing the items required above. The Hobart Sanitary District/Hobart Stormwater District submitted the compliance plan in the spring of 2011.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the City. It is presented as intended by the City.

CITY OF HOBART  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	Health Insurance Bank Account	City Court Bank Account	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Riverboat
Cash and investments - beginning	\$ 2,523,461	\$ -	\$ 246,166	\$ (203,787)	\$ (1,343,603)	\$ 44,395	\$ 219,894
Receipts:							
Taxes	11,066,011	-	-	768,924	-	-	-
Licenses and permits	171,993	-	-	-	-	-	-
Intergovernmental	853,398	-	-	769,493	294,589	-	369,969
Charges for services	2,009,208	-	-	2,982	-	37,224	-
Fines and forfeits	103,372	-	1,102,711	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	12,687,076	1,000	22,833	6,715	-	-	-
Total receipts	<u>26,891,058</u>	<u>1,000</u>	<u>1,125,544</u>	<u>1,548,114</u>	<u>294,589</u>	<u>37,224</u>	<u>369,969</u>
Disbursements:							
Personal services	12,220,383	-	-	998,238	-	-	-
Supplies	670,880	-	-	319,167	-	9,951	-
Other services and charges	3,024,115	-	-	100,289	-	30,097	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	594,673	-	-	3,677	16,298	484	176,158
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	11,610,407	-	1,109,369	-	-	-	-
Total disbursements	<u>28,120,458</u>	<u>-</u>	<u>1,109,369</u>	<u>1,421,371</u>	<u>16,298</u>	<u>40,532</u>	<u>176,158</u>
Excess (deficiency) of receipts over disbursements	<u>(1,229,400)</u>	<u>1,000</u>	<u>16,175</u>	<u>126,743</u>	<u>278,291</u>	<u>(3,308)</u>	<u>193,811</u>
Cash and investments - ending	<u>\$ 1,294,061</u>	<u>\$ 1,000</u>	<u>\$ 262,341</u>	<u>\$ (77,044)</u>	<u>\$ (1,065,312)</u>	<u>\$ 41,087</u>	<u>\$ 413,705</u>

CITY OF HOBART  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Parks And Recreation	Fire Donation	Park Donation	Cemetery Trust	Dare	Major Moves Construction	Police Donation
Cash and investments - beginning	\$ 117,527	\$ 5,845	\$ 2,969	\$ 53,414	\$ 2,244	\$ 10,651	\$ 21,783
Receipts:							
Taxes	367,906	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	13,101	-	-	-	2,000	-	-
Charges for services	56,601	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,370	2,780	9,159	-	1,060	-	11,972
Total receipts	<u>438,978</u>	<u>2,780</u>	<u>9,159</u>	<u>-</u>	<u>3,060</u>	<u>-</u>	<u>11,972</u>
Disbursements:							
Personal services	346,471	-	-	-	-	-	-
Supplies	41,212	-	-	-	-	-	-
Other services and charges	67,700	7,832	1,260	-	2,000	-	27,842
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	18,984	-	7,694	390	-	10,651	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,525	-	-	-	1,438	-	-
Total disbursements	<u>476,892</u>	<u>7,832</u>	<u>8,954</u>	<u>390</u>	<u>3,438</u>	<u>10,651</u>	<u>27,842</u>
Excess (deficiency) of receipts over disbursements	<u>(37,914)</u>	<u>(5,052)</u>	<u>205</u>	<u>(390)</u>	<u>(378)</u>	<u>(10,651)</u>	<u>(15,870)</u>
Cash and investments - ending	<u>\$ 79,613</u>	<u>\$ 793</u>	<u>\$ 3,174</u>	<u>\$ 53,024</u>	<u>\$ 1,866</u>	<u>\$ -</u>	<u>\$ 5,913</u>

CITY OF HOBART  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	County Share Court Costs	Court Records Perpetuation	Innkeeper's Tax	50/50 Sidewalk Program	Police Seizure	Drug Task Force (Hidta)	Drug Free Communities
Cash and investments - beginning	\$ 15,322	\$ 24,935	\$ 27,743	\$ -	\$ 20,246	\$ 149,579	\$ 10,160
Receipts:							
Taxes	-	-	4,726	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	17,089	-
Charges for services	-	5,419	-	-	-	-	-
Fines and forfeits	319,180	-	-	-	-	-	19,010
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	19,602	48,571	1,100	-
Total receipts	<u>319,180</u>	<u>5,419</u>	<u>4,726</u>	<u>19,602</u>	<u>48,571</u>	<u>18,189</u>	<u>19,010</u>
Disbursements:							
Personal services	-	-	-	-	-	16,689	-
Supplies	-	-	-	-	-	487	-
Other services and charges	-	1,136	9,167	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	19,602	42,191	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	334,502	-	10,000	-	-	140,000	29,160
Total disbursements	<u>334,502</u>	<u>1,136</u>	<u>19,167</u>	<u>19,602</u>	<u>42,191</u>	<u>157,176</u>	<u>29,160</u>
Excess (deficiency) of receipts over disbursements	<u>(15,322)</u>	<u>4,283</u>	<u>(14,441)</u>	<u>-</u>	<u>6,380</u>	<u>(138,987)</u>	<u>(10,150)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 29,218</u>	<u>\$ 13,302</u>	<u>\$ -</u>	<u>\$ 26,626</u>	<u>\$ 10,592</u>	<u>\$ 10</u>

CITY OF HOBART  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	911 Dispatch Center	County Juvenile Night Light	Park Improvement	Park & Rec Non-Reverting	Arbor Lane Park Donation	Enhancement & Improvement	Pennsy Depot Donation
Cash and investments - beginning	\$ 1,095	\$ 1,286	\$ 310,163	\$ 3,645	\$ 2,150	\$ 55,377	\$ 13,625
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	1,200	-	-	107,008	-
Total receipts	-	-	1,200	-	-	107,008	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	450
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	29,695	-	192,306	-	-	24,539	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	29,695	-	192,306	-	-	24,539	450
Excess (deficiency) of receipts over disbursements	(29,695)	-	(191,106)	-	-	82,469	(450)
Cash and investments - ending	<u>\$ (28,600)</u>	<u>\$ 1,286</u>	<u>\$ 119,057</u>	<u>\$ 3,645</u>	<u>\$ 2,150</u>	<u>\$ 137,846</u>	<u>\$ 13,175</u>

CITY OF HOBART  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Lakefront Festival	Barrington Ridge Park Donation	Pleak Fund	Water Lines	Dui Overtime Grant	Court Public Defender	Adult Probation
Cash and investments - beginning	\$ 10,897	\$ 102,421	\$ 35,079	\$ 57,324	\$ 1,120	\$ 5,243	\$ 109,819
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	34,031	-	-
Charges for services	7,965	-	-	-	-	-	31,455
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	9,480	-	-	9,055	-	3,043	-
Total receipts	17,445	-	-	9,055	34,031	3,043	31,455
Disbursements:							
Personal services	2,340	-	-	-	28,842	-	12,153
Supplies	-	-	-	-	-	-	85
Other services and charges	10,781	-	-	-	-	5,000	226
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	4,980	-	-	-	-	-	-
Total disbursements	18,101	-	-	-	28,842	5,000	12,464
Excess (deficiency) of receipts over disbursements	(656)	-	-	9,055	5,189	(1,957)	18,991
Cash and investments - ending	\$ 10,241	\$ 102,421	\$ 35,079	\$ 66,379	\$ 6,309	\$ 3,286	\$ 128,810

CITY OF HOBART  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Park District Program	Hobart Entryway Triangle	Fire Dept Ems Education	Cops To School	Operation Pull Over	Tax Abatement	Scout Cabin
Cash and investments - beginning	\$ 22,186	\$ 6,689	\$ 1,390	\$ (78,230)	\$ 23,857	\$ 32,326	\$ 720
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	110	-	13,418	-	-
Charges for services	30,644	-	-	-	-	855	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,300	-	67	19,991	-	60	-
Total receipts	31,944	-	177	19,991	13,418	915	-
Disbursements:							
Personal services	-	-	-	-	16,270	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	51,551	-	192	-	-	6,206	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	51,551	-	192	-	16,270	6,206	-
Excess (deficiency) of receipts over disbursements	(19,607)	-	(15)	19,991	(2,852)	(5,291)	-
Cash and investments - ending	\$ 2,579	\$ 6,689	\$ 1,375	\$ (58,239)	\$ 21,005	\$ 27,035	\$ 720

CITY OF HOBART  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Redevelopment	Special Events	Public Works Donation	Assistance To Firefighters Grant	2008 Drug Free Communities	2008 Recycling Grants	Employee Health Benefits
Cash and investments - beginning	\$ 1,228,007	\$ 7,808	\$ 112	\$ -	\$ 855	\$ 35,053	\$ 42,825
Receipts:							
Taxes	343,390	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	20,385	-	9,856	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	90,601	34,346	200	7,901	-	-	231,974
Total receipts	<u>433,991</u>	<u>34,346</u>	<u>200</u>	<u>28,286</u>	<u>-</u>	<u>9,856</u>	<u>231,974</u>
Disbursements:							
Personal services	4,898	-	-	-	-	-	170,176
Supplies	444	-	-	-	-	-	-
Other services and charges	62,384	32,338	-	24,384	855	36,100	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	314,007	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	200	-	3,901	-	-	4,214
Total disbursements	<u>381,733</u>	<u>32,538</u>	<u>-</u>	<u>28,285</u>	<u>855</u>	<u>36,100</u>	<u>174,390</u>
Excess (deficiency) of receipts over disbursements	<u>52,258</u>	<u>1,808</u>	<u>200</u>	<u>1</u>	<u>(855)</u>	<u>(26,244)</u>	<u>57,584</u>
Cash and investments - ending	<u>\$ 1,280,265</u>	<u>\$ 9,616</u>	<u>\$ 312</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 8,809</u>	<u>\$ 100,409</u>

CITY OF HOBART  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Redevelopment 61St Avenue	Public Safety	Reimburse Professional Fees	Stimulus Arra	1995 Go Bond Debt Service	Park Bond Debt Service	2002 Go Bond Debt Service
Cash and investments - beginning	\$ 462,533	\$ 261,201	\$ -	\$ -	\$ 66,199	\$ 240,931	\$ 28,906
Receipts:							
Taxes	957,038	-	-	-	50,618	177,077	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	48,284	-	-	2,018	-	-
Charges for services	-	-	-	57,294	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	5,248	140,000	8,450	-	-	-	-
Total receipts	<u>962,286</u>	<u>188,284</u>	<u>8,450</u>	<u>57,294</u>	<u>52,636</u>	<u>177,077</u>	<u>-</u>
Disbursements:							
Personal services	4,897	-	-	-	-	-	-
Supplies	444	-	-	-	-	-	-
Other services and charges	75,803	-	-	-	600	-	-
Debt service - principal and interest	-	-	-	-	51,375	-	-
Capital outlay	2,469	325,761	-	57,294	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	66,860	418,008	28,906
Total disbursements	<u>83,613</u>	<u>325,761</u>	<u>-</u>	<u>57,294</u>	<u>118,835</u>	<u>418,008</u>	<u>28,906</u>
Excess (deficiency) of receipts over disbursements	<u>878,673</u>	<u>(137,477)</u>	<u>8,450</u>	<u>-</u>	<u>(66,199)</u>	<u>(240,931)</u>	<u>(28,906)</u>
Cash and investments - ending	<u>\$ 1,341,206</u>	<u>\$ 123,724</u>	<u>\$ 8,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOBART  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Park Bond 6 Project	2006 Go Bond Paving Debt Service	2007 61St Avenue Debt Service	Hms Police Court Bond Ds	61St Ave Series B Debt Service	Cumulative Capital Improvement
Cash and investments - beginning	\$ (50,349)	\$ 1,301	\$ (18,847)	\$ -	\$ -	\$ (325,558)
Receipts:						
Taxes	399,308	211,823	224,423	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	35,268	37,440	-	-	-	74,262
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	418,009	188,835	-	750	-	-
Total receipts	852,585	438,098	224,423	750	-	74,262
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	318	-	477	1,250	750	-
Debt service - principal and interest	763,860	350,375	150,356	235,682	35,106	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	93,070	-	-	-
Total disbursements	764,178	350,375	243,903	236,932	35,856	-
Excess (deficiency) of receipts over disbursements	88,407	87,723	(19,480)	(236,182)	(35,856)	74,262
Cash and investments - ending	\$ 38,058	\$ 89,024	\$ (38,327)	\$ (236,182)	\$ (35,856)	\$ (251,296)

CITY OF HOBART  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Cumulative Capital Development	Park Bond Proceeds 6 Projects	2007 61St Ave Bond Proceeds	61St Avenue Reserve Fund	61St Ave B" Bond Proceeds"	Police Court Complex Bond Proceeds
Cash and investments - beginning	\$ 171,905	\$ 2,445,923	\$ 1,147,340	\$ 450,000	\$ 906,904	\$ 5,380,180
Receipts:						
Taxes	210,933	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	30,470	-	99,802	-	32,358	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	404	20,443	-	480,000	50,385	1,985,000
Total receipts	<u>241,807</u>	<u>20,443</u>	<u>99,802</u>	<u>480,000</u>	<u>82,743</u>	<u>1,985,000</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	224,548	1,024,451	1,183,284	-	445,125	4,960,815
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>224,548</u>	<u>1,024,451</u>	<u>1,183,284</u>	<u>-</u>	<u>445,125</u>	<u>4,960,815</u>
Excess (deficiency) of receipts over disbursements	<u>17,259</u>	<u>(1,004,008)</u>	<u>(1,083,482)</u>	<u>480,000</u>	<u>(362,382)</u>	<u>(2,975,815)</u>
Cash and investments - ending	<u>\$ 189,164</u>	<u>\$ 1,441,915</u>	<u>\$ 63,858</u>	<u>\$ 930,000</u>	<u>\$ 544,522</u>	<u>\$ 2,404,365</u>

CITY OF HOBART  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Redev Rz Tif Bond Proceeds	Police Pension	Fire Pension	Fire Pension 1977	Police Pension 1977	Payroll
Cash and investments - beginning	\$ -	\$ 724,951	\$ 504,248	\$ 34,188	\$ 37,623	\$ 4,466
Receipts:						
Taxes	-	-	-	142,501	160,078	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	486,581	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	4,272,950	-	340,771	-	-	69
Total receipts	4,272,950	486,581	340,771	142,501	160,078	69
Disbursements:						
Personal services	-	503,006	464,742	140,862	157,814	-
Supplies	-	-	-	-	-	-
Other services and charges	-	1,427	1,547	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	108,983	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	108,983	504,433	466,289	140,862	157,814	-
Excess (deficiency) of receipts over disbursements	4,163,967	(17,852)	(125,518)	1,639	2,264	69
Cash and investments - ending	\$ 4,163,967	\$ 707,099	\$ 378,730	\$ 35,827	\$ 39,887	\$ 4,535

CITY OF HOBART  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Water Escrow	Nipsco Escrow	Cable Escrow	Civilian Perf	Investments	Payroll Withholdings
Cash and investments - beginning	\$ 23,266	\$ 415	\$ 100,000	\$ 32,454	\$ -	\$ 11,840
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	317,272	1,334,881	-	128,457	27,363	11,141,660
Total receipts	<u>317,272</u>	<u>1,334,881</u>	<u>-</u>	<u>128,457</u>	<u>27,363</u>	<u>11,141,660</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	312,126	1,334,675	-	124,900	-	11,144,548
Total disbursements	<u>312,126</u>	<u>1,334,675</u>	<u>-</u>	<u>124,900</u>	<u>-</u>	<u>11,144,548</u>
Excess (deficiency) of receipts over disbursements	<u>5,146</u>	<u>206</u>	<u>-</u>	<u>3,557</u>	<u>27,363</u>	<u>(2,888)</u>
Cash and investments - ending	<u>\$ 28,412</u>	<u>\$ 621</u>	<u>\$ 100,000</u>	<u>\$ 36,011</u>	<u>\$ 27,363</u>	<u>\$ 8,952</u>

CITY OF HOBART  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Hobart Adult Probation	Hsd Stormwater	Wastewater Operating	Wastewater Improvement	Wastewater Revenue	Totals
Cash and investments - beginning	\$ 4,831	\$ 76,021	\$ 363,262	\$ 8,086,020	\$ 425,968	\$ 25,579,908
Receipts:						
Taxes	-	-	-	-	-	15,084,756
Licenses and permits	-	-	-	-	-	171,993
Intergovernmental	-	-	-	-	-	3,243,922
Charges for services	-	-	-	-	-	2,239,647
Fines and forfeits	-	-	-	-	-	1,544,273
Utility fees	-	-	2,000	-	-	2,000
Other receipts	5,872	1,107,400	5,593,749	786,126	6,280,033	47,963,591
Total receipts	5,872	1,107,400	5,595,749	786,126	6,280,033	70,250,182
Disbursements:						
Personal services	-	-	-	-	-	15,087,781
Supplies	-	-	-	-	-	1,042,670
Other services and charges	-	-	-	-	-	3,584,077
Debt service - principal and interest	-	-	-	-	-	1,586,754
Capital outlay	-	21,071	184,169	123,034	-	10,112,353
Utility operating expenses	-	1,009,718	5,553,052	-	-	6,562,770
Other disbursements	10,703	-	35,465	6,892,356	6,654,067	40,366,380
Total disbursements	10,703	1,030,789	5,772,686	7,015,390	6,654,067	78,342,785
Excess (deficiency) of receipts over disbursements	(4,831)	76,611	(176,937)	(6,229,264)	(374,034)	(8,092,603)
Cash and investments - ending	\$ -	\$ 152,632	\$ 186,325	\$ 1,856,756	\$ 51,934	\$ 17,487,305

CITY OF HOBART  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2010

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	\$ 974,106
Infrastructure	94,417,299
Buildings	30,218,650
Improvements other than buildings	1,104,255
Machinery and equipment	11,030,094
Construction in progress	7,500,000
Public Art	<u>89,356</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>145,333,760</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 1,017,765
Buildings	15,662,269
Infrastructure	18,084,101
Machinery and equipment	<u>308,501</u>
 Total Wastewater Utility capital assets	 <u>35,072,636</u>
 Total business-type activities capital assets	 \$ <u>35,072,636</u>

CITY OF HOBART  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
December 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Garbage Truck (2006)	\$ 34,649	\$ 36,323
Police Vehicle - Fusion (2009)	10,475	5,585
EMS Equipment - Life Paks (2006)	19,598	19,598
Ambulance - 2 (2007)	149,787	61,092
Bunker Gear Equipment (2007)	22,616	12,344
Street Dept. Vehicle - Truck (2008)	9,666	10,070
Police Vehicles - 6 (2009)	70,460	37,956
Brush Chipper (2010)	32,233	9,122
Police Vehicles - 10 (2010)	172,792	62,993
Bonds payable:		
General obligation bonds:		
2006 General Obligation Bond (323)	1,385,000	373,938
2009 General Obligation Bond "A"- PD/Ct (314)	5,445,000	256,943 ***
2005 Park District Bonds (322)	4,445,000	768,210
2010 General Obligation Bond "B" - PD/Ct (315)	2,000,000	128,212 ****
Revenue bonds:		
2007 Special Taxing District Bond Series A (324)	3,400,000	150,356 **
2009 Special Taxing District Bond Series B (313)	1,100,000	49,954 **
2010 Special Taxing District Bond - RZ (325)	3,280,000	204,144 *****
2010 Special Taxing District Bond - TIF (325)	1,520,000	84,815 *****
<b>Total governmental activities debt</b>	<b>\$ 23,097,276</b>	<b>\$ 2,271,655</b>
Business-type activities:		
Wastewater Utility:		
Claims and Judgments:		
Capital Costs owed to Gary Sanitary District	\$ 1,015,625	\$ 195,728
Capital Costs owed to Gary Sanitary District 2003-2009	367,714	200,000
<b>Total Wastewater Utility</b>	<b>1,383,339</b>	<b>395,728</b>
<b>Total business-type activities debt</b>	<b>\$ 1,383,339</b>	<b>\$ 395,728</b>

\*\* Principal payments begin in 2013  
\*\*\* Principal Payments begin in 2010  
\*\*\*\* Principal Payments begin in 2012  
\*\*\*\*\* Principal Payments begin in 2011

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The following table presents the funds with overdrawn cash balances at December 31, 2010:

Fund/Fund Number	2010
Motor Vehicle Highway (201)	\$ 77,044 *
Local Road and Street (202)	1,065,312 *
911 Dispatch Center (292)	28,600
Cops To School (284)	58,239 *
2007 61st Avenue Debt Service (324)	38,327
Hms Police Court Bond Ds (314)	236,182
61st Ave Series Bond B Debt Service (313)	35,856
Cumulative Capital Improvement (401)	251,296 *

\*This fund has been overdrawn for three or more years.

Several of the funds have been overdrawn continuously for three or more years, as identified above.

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

**DISBURSEMENTS IN EXCESS OF APPROPRIATIONS**

The following funds had disbursements in excess of budgeted appropriations:

Fund	Excess Amount Expended
Motor Vehicle Highway	\$ 56,680
Local Road and Street	16,298
Fire Pension	31,162

The Local Road and Street (LRS) Fund had no appropriations for 2010. The Department of Local Government Finance did not approve a 2010 budget for LRS since the fund had an overdrawn cash balance.

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

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***UTILITY RATES AND CHARGES – SANITARY DISTRICT***

The Sanitary District (also known as the Waste Water Utility) is governed by the Board of Sanitary Commissioners and operates under Indiana Code 36-9-25. One of the requirements under this statute is that the fees authorized by the Board must be sufficient to pay for operating expenses.

Collections received from charges for services are deposited into a clearing fund, and then are periodically transferred to the Operating Fund and Improvement Fund. The Improvement Fund (established by the Board for extensions, additions, and improvements to the sewage works of the district), receives collections only after the Operating Fund receives sufficient funding for operations. There were three instances in 2010 where collections were transferred only to the Operating Fund, due to the funding needs of the Operating Fund. The Improvement Fund also transferred \$792,356 to the Operating Fund in 2010 to meet operating expenses, due to increased disbursements for repairs.

For the period of January through July 2011, the Improvement Fund only once received collections of \$147,361. The Improvement Fund also transferred out \$1,517,150 to the Operating Fund during this same time period.

Due to the transfers from the Improvement Fund to the Operating Fund, fewer funds are available for extensions, additions, and improvements to the Sanitary District due to the reduction of the Improvement Fund balance. The need for the transfers also indicates that fees from charges for services are insufficient to pay for the operating expenses of the Sanitary District. Part of the increase in operating expenses in 2011 relates to the Sanitary District's compliance with an order from the Indiana Department of Environmental Management.

Indiana Code 36-9-25-11(b) states:

"The board may change fees from time to time. The fees, together with the taxes levied under this chapter, must at all times be sufficient to produce revenues sufficient to pay operation, maintenance, and administrative expenses, to pay the principal and interest on bonds as they become due and payable, and to provide money for the revolving fund authorized by this chapter."

***PUBLIC WORKS PROJECTS – SANITARY DISTRICT***

The Hobart Sanitary District Coordinator, during 2010, engaged a contractor for a storm water project at Franklin and Indiana Streets. The total amount paid for the project was \$76,056. There was no evidence presented for examination that sealed bids were requested or received. Although the claim stated it was an emergency call out, the Board minutes did not document that the Board had declared an emergency or awarded a contract for the project.

Numerous sanitary and storm water repair projects were performed in 2010 which cost less than \$50,000. These projects were authorized by the District Coordinator. Nine of the projects reviewed cost more than \$25,000. The projects were all performed by the same contractor. The Board minutes did not document authorization of or awarding of the various projects by the Sanitary and Stormwater Board. No evidence was presented that quotes were requested or received.

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 36-1-12-4(a) states in part:

"This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; or (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

Indiana Code 36-1-12-4(b) states in part:

"The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

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 36-1-12-5 states in part:

"(a) This section applies whenever a public work project is estimated to cost less than fifty thousand dollars (\$50,000). Except as provided in subsection (g) for local boards of aviation commissioners and local airport authorities, if a contract is to be awarded, the board may proceed under section 4 of this chapter or under subsection (b) or (c).

(b) The board must proceed under the following provisions:

- (1) The board shall invite quotes from at least three (3) persons known to deal in the class of work proposed to be done by mailing them a notice stating that plans and specifications are on file in a specified office. The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes.
- (2) The board may not require a person to submit a quote before the meeting at which quotes are to be received. The meeting for receiving quotes must be open to the public. All quotes received shall be opened publicly and read aloud at the time and place designated and not before.
- (3) The board shall award the contract for the public work to the lowest responsible and responsive quoter . . ."

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**TEMPORARY TRANSFER OF FUNDS – SANITARY DISTRICT**

Temporary transfers (loans), in the amounts of \$800,000 and \$300,000, were made in 2010 from the Wastewater Improvement Fund to the HSD Stormwater Fund. The loans were not repaid by the end of the year, and no emergency was declared by the Sanitary Board to extend the loans, as required by Indiana Code 36-1-8-4. The Sanitary Board adopted Resolution 2011-01 on May 19, 2011, which authorized the Stormwater Fund to repay the loan semiannually, in amounts of \$100,000. The semiannual payments are contingent upon the receipt of storm water fees from the County.

The Sanitary District operates under Indiana Code 36-9-25. Indiana Code 36-9-25-33 only permits the Sanitary District to make temporary transfers (loans) in accordance with Indiana Code 36-1-8-4.

Indiana Code 36-9-25-33 states:

"(a) All money remaining in a fund to the credit of the board at the end of the calendar year belongs to the fund for use by the board for the purposes for which the fund was created. In addition, all money raised under this section shall be deposited at interest with the depository of other public funds of the municipality, with all interest collected on the fund belonging to the fund.

(b) Notwithstanding the provisions of any other statute, money collected for or belonging to a sanitary district belongs to the sanitary district, and not to any city or town in the sanitary district. This money shall be deposited in an interest bearing account, and all interest earned from this deposit shall belong to the sanitary district. If no statutory provision exists to require the crediting or deposit of this interest to a specific fund of the sanitary district, the interest shall be deposited in the sanitary district's sanitary maintenance and general expense fund.

(c) Notwithstanding subsections (a) through (b), money may be transferred from the fund as provided in IC 36-1-8-4."

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

"(a) . . . (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."

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***OPERATING DISBURSEMENTS PAID FROM TIF – REDEVELOPMENT COMMISSION***

The City has declared portions of the City as economic development areas to be developed under Indiana Code 36-7-14 and prepared economic development plans for the selected economic development areas. The additional taxes collected, once an economic development area has been established, are remitted to the Redevelopment Commission (RDC) from the County as Tax Increment Financing (TIF) allocations.

The City uses two funds, Fund 406 and Fund 410, to account for the TIF allocations it receives and spends. Operating disbursements of the RDC are paid from these two funds. Operating disbursements paid included: salaries, office supplies, contractual services that are administrative in nature, memberships, equipment, and training. Operating expenses are not an allowable use of TIF allocations under Indiana Code.

Indiana Code 36-7-14-39(b) (2) states in part:

"Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following: . . . The allocation fund may not be used for operating expenses of the commission."

***COMPENSATION AND BENEFITS – CONTRACTED SERVICES – REDEVELOPMENT COMMISSION***

The City's Redevelopment Commission (RDC) approved a contract with an individual (contractor) for services. The contract requires the contractor to perform certain services, at the location requested by the RDC and requires that the individual report to the appropriate department head for assignments and direction. The contractor submits time invoices on a twice a month basis.

Under the guidelines of the Internal Revenue Service, such individuals would be considered employees of the City. Federal taxes were not withheld or remitted for such individuals by the City, nor did the City pay the employer's share of social security and Medicare taxes.

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

IRS Publication 15, Part 2, states in part:

**"Employee status under common law.** Generally, a worker who performs services for you is your employee if you have the right to control what will be done and how it will be done. This is so even when you give the employee freedom of action. What matters is that you have the right to control the details of how the services are performed . . . If an employer-employee relationship exists, it does not matter what it is called. The employee may be called an agent or independent contractor. It also does not matter how payments are measured or paid, what they are called, or if the employee works full or part time."

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IRS Publication 15, Part 2, states in part:

**"Treating employees as nonemployees.** You will generally be liable for social security and Medicare taxes and withheld income tax if you do not deduct and withhold these taxes because you treated an employee as a nonemployee. You may be able to calculate your liability using special section 3509 rates for the employee share of social security and Medicare taxes and the federal income tax withholding. The applicable rates depend on whether you filed required Forms 1099. You cannot recover the employee share of social security, or Medicare tax, or income tax withholding from the employee if the tax is paid under section 3509. You are liable for the income tax withholding regardless of whether the employee paid income tax on the wages. You continue to owe the full employer share of social security and Medicare taxes. The employee remains liable for the employee share of social security and Medicare taxes. See Internal Revenue Code section 3509 for details. Also see the Instructions for Form 941-X."

***BACKGROUND INFORMATION REGARDING SALE AND TRADE OF FIRE EQUIPMENT***

The City of Hobart Fire Department was awarded a federal grant in 2002 to purchase exercise equipment for the four firehouses, to improve physical fitness of its firefighters. In May and June of 2011, allegations were made that some of the equipment purchased with the grant had been sold to firefighters for cash. The allegations, as reported, also described nonmonetary exchange of a fire engine to a firefighter for several computers for the Fire Department. The sales/trades were reported as being agreed to by the Fire Chief at that time, Bill McCorkle. Mr. McCorkle was Fire Chief during the years of 2006 to 2010.

City officials, independent of the Fire Department, have indicated that they were not aware of the sales/trade of the exercise equipment/fire engines until 2011. The Clerk-Treasurer stated that she reviewed the Board of Works Minutes for the years 2005 to 2007 and found no approvals for the disposals of the exercise equipment and fire engine. The Hobart Police Department conducted two separate internal investigations into the disposal of the exercise equipment and the disposal of the fire truck in May and June of 2011. The information and records obtained by the Police Department were used in our review regarding the disposal of fire equipment by the former Fire Chief. The following addresses the issues of noncompliance with federal and state statutes regarding these disposals.

***SALE OF EXERCISE EQUIPMENT – FIRE DEPARTMENT***

As noted above, the Fire Department purchased exercise equipment with a FEMA grant awarded to the City in 2002. Based upon statements made to police detectives, the former Fire Chief sold a Bowflex machine for approximately \$600 to \$750 and a Versa Climber for approximately \$100. Both sales were for an exchange of cash with firefighters sometime during 2006. No documentation for the sales such as receipts were issued or prepared.

The former Fire Chief initially indicated to police that the proceeds may have gone into the Donation Fund. Receipt records for the years 2006 to 2010 were reviewed for the Fire Donation Fund. All but two receipts in 2006 and one receipt in 2010 were identified as to their source, which was not the sale of exercise equipment. The three remaining receipts were not in amounts described as being received for the sale of equipment.

Later statements by the former Fire Chief to police indicated that the amounts were kept and spent to benefit the Fire Department. Receipts and invoices to document such purchases were not retained. It cannot be determined if the proceeds from the sale of the equipment were spent to benefit the Fire Department.

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

During the investigation, the Versa Climber was returned to the Fire Department but not the Bowflex as the firefighter who had purchased it stated he had previously sold it.

Federal grants have various requirements related to the receipt, disbursement and accounting for items purchased with federal grants. The grant award letter states the following:

"As part of your award package, you will find FEMA's Grant Agreement Articles. Please make sure you read and understand the Articles as they outline the terms and conditions of your Grant award. Maintain a copy of these documents for your official file. **You establish acceptance of the Grant and FEMA's Grant Agreement Articles when you request and receive any of the Federal Grant funds awarded to you.**"

Article XI of the Agreement Articles is General Provisions. It states in part: "The following are hereby incorporated into this agreement by reference: 44 CFR, Emergency Management and Assistance . . . Part 13 Uniform administrative requirements for grants and cooperative agreements to state and local governments . . ."

44 CFR 13.32 addresses equipment use, managing equipment and disposal of equipment acquired in whole or in part with federal funds. There was no property records maintained tracking the equipment, including the disposition information required by paragraph (d) of the CFR.

The former Fire Chief did not comply with Indiana statutes in disposing of the equipment, in particular Indiana Code 5-22-22 which addresses the disposal of personal property. Personal property is property that is not land or structures. Under Indiana Code 5-22-22-3, the purchasing agency may sell personal property. The purchasing agent would be the governmental body that is authorized to enter into contracts, which is the Board of Works. Only the Board of Works had the authority to authorize the sale of the equipment. The former Fire Chief did not obtain authorization from the Board of Works to sell the exercise equipment.

44 CFR 13.32 (d) states in part:

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

- (1) Property records must be maintained that include a description of the property, a serial number . . . the source of the property . . . the acquisition date, and the cost of the property, percentage of Federal participation . . . and any ultimate disposition date including the date of the disposal and sale price of the property.
- (2) A Physical inventory of the property must be taken and the results reconciled with the property records at least once every two years . . .
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Indiana Code 5-22-22-3 states:

"A purchasing agency may sell property that:

- (1) has been left in the custody of an officer or employee of a governmental body and has remained unclaimed for more than one (1) year; or

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (2) belongs to the governmental body but is no longer needed or is unfit for the purpose for which it was intended."

Proceeds generated by the sale or rental of property should be receipted into the fund which originally purchased the property unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or official. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***TRADE OF FIRE TRUCK FOR COMPUTERS – FIRE DEPARTMENT***

The City had a 1985 FMC fire engine. In 2006, this fire engine had mechanical problems with the pump and the brakes and had not been used for a period of time due to the cost of repairs. The City had been advised verbally in 2005 that it had no trade in value due to the mechanical problems of the fire engine.

Based upon statements made to police detectives, a Hobart firefighter became aware of the possibility of purchasing the FMC fire engine. He approached the former Fire Chief about a sales price of the fire engine. He and the former Fire Chief came to an agreement to trade the fire engine for four Dell desktop computers with monitors in 2006. The firefighter purchased and delivered the four computers, which were distributed to the four fire houses. The Fire Chief later provided a title for the fire engine to the firefighter, which had been signed by the Clerk-Treasurer in May 2006.

The asset record of the City contained four Dell computers with an acquisition date of May 8, 2006, with a value of \$800 each.

The former Fire Chief did not comply with Indiana statutes in disposing of the equipment, in particular Indiana Code 5-22-22 which addresses the disposal of personal property. Personal property is property that is not land or structures. Under Indiana Code 5-22-22-3, the purchasing agency may sell personal property. The purchasing agent would be the governmental body that is authorized to enter into contracts, which is the Board of Works for the City. Only the Board of Works had the authority to authorize the disposal of the fire engine. The former Fire Chief did not obtain authorization from the Board of Works to dispose of the fire engine as the minutes show no record of such approval.

Although the City had been advised that the fire truck had no trade in value, this did not mean that it had no value. The engine could have been sold through other means or could have been sold for scrap metal. Indiana Code requires the purchasing agency to use the methods in section Indiana Code 5-22-22 in disposing of property, dependant of its estimated value. The former Fire Chief did not comply with statute in disposing of the equipment when he traded the fire engine for computers. Since statutory requirements were not followed for disposal, it cannot be determined if computers received in exchange for the fire truck resulted in the City receiving the maximum value for the truck.

A photocopy of the title signed by the Clerk-Treasurer, dated May 11, 2006, was observed. The information on the title of the fire engine related to the selling price and purchaser was not completed by the Clerk-Treasurer but filled in by someone else. The Clerk-Treasurer stated that she relied upon the word of the

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

former Fire Chief, in signing the title over for disposal, that the truck was being scrapped. The Clerk-Treasurer's office did not have internal controls in place to ensure that the Board of Works had authorized the disposal of the equipment. There were no internal controls in place to follow up on disposals and realize any collections from the disposal were accounted for in the funds of the City.

Indiana Code 5-22-22-3 states:

"A purchasing agency may sell property that:

- (1) has been left in the custody of an officer or employee of a governmental body and has remained unclaimed for more than one (1) year; or
- (2) belongs to the governmental body but is no longer needed or is unfit for the purpose for which it was intended."

Indiana Code 5-22-22-4 states:

"(a) If the property to be sold is:

- (1) one (1) item, with an estimated value of one thousand dollars (\$1,000) or more; or
- (2) more than one (1) item, with an estimated total value of five thousand dollars (\$5,000) or more; the purchasing agency may engage an auctioneer licensed under IC 25-6.1 to advertise the sale and conduct a public auction.

(b) The advertising by an auctioneer under this section must include a detailed description of the property to be sold.

(c) The purchasing agency shall pay an auctioneer who conducts a sale under this section from the gross proceeds of the sale received before other expenses and liens are paid."

Indiana Code 5-22-22-4.5 states:

"(a) The purchasing agency may sell surplus property using an Internet auction site that satisfies both of the following:

- (1) The site is approved by the office of technology established by IC 4-13.1-2-1.
- (2) The site is linked to the electronic gateway administered under IC 4-13.1-2-2(a)(5) by the office of technology.

(b) The purchasing agency's posting of the sale on the Internet auction site must include a detailed description of the surplus property to be sold.

(c) The purchasing agency may pay the costs of conducting the auction on the Internet site as required by the person maintaining the auction site."

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-22-22-5 states:

"(a) If:

- (1) an auctioneer is not engaged under section 4 of this chapter; or
  - (2) the surplus property is not sold through an Internet auction site under section 4.5 of this chapter; the purchasing agency shall sell the property at a public sale or by sealed bids delivered to the office of the purchasing agency before the date of sale.
- (b) Advertisement of the sale shall be made in accordance with IC 5-3-1.
- (c) All sales shall be made to the highest responsible bidder."

Indiana Code 5-22-22-6 states:

"If the property to be sold is:

- (1) one (1) item, with an estimated value of less than one thousand dollars (\$1,000); or
- (2) more than one (1) item, with an estimated total value of less than five thousand dollars (\$5,000); the purchasing agency may sell the property at a public or private sale or transfer the property, without advertising."

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)

#### ***DEPOSITS – COURT***

Some receipts were deposited later than the next business day. Daily collections were not deposited in accordance with statutory requirements nine times during December 2010.

Indiana Code 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

#### ***RECONCILIATION OF TRUST RECORDS – COURT***

As noted in prior reports, the Trust Register does not reconcile to the Cash Book. Compared with prior periods, the net difference between the two records of \$637 indicates that the Court has made significant progress in reconciling the records in total. The cash bonds and the restitution/trust categories per the Cash Book still have notable differences when compared to the Trust Register as presented in the table below:

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

	Cash Bonds	Trust	Totals
Amounts per Trust Register	\$ 204,971	\$ 11,864	\$ 216,835
Amounts per Cash Book	197,751	18,447	216,198
Difference	\$ 7,220	\$ (6,583)	\$ 637

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines for City and Town Courts, Chapter 4)

***TRUST ITEMS OUTSTANDING FOR FIVE YEARS OR MORE – COURT***

The City Court's Trust Register includes restitution and cash bonds which have been unclaimed in excess of five years. The Trust Register contains bonds dating back to 1985 and restitution back to 1998.

Bonds are used to ensure a person's appearance at the appropriate legal proceeding, after being arrested. If an individual appears in court and the case settled, the bonds should either be applied to costs or refunded in accordance with the court's ruling. If an individual fails to appear in court, the bond should be forfeited in accordance with statutory requirements. Therefore, the bonds should be paid out within a reasonable amount of time and not retained for a number of years.

All items that can be legally disbursed should be paid immediately to the person or persons entitled thereto. All fees and funds five or more years old, including old outstanding checks, should be scheduled on forms provided by the Attorney General and paid over to the Attorney General as required by IC 32-34-1-20(c)(7). Items should not be allowed to accumulate beyond the five year anniversary date. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

Indiana Code 35-33-8-7 states in part:

"(a) if a defendant;

- (1) was admitted to bail under section 3.2(a)(2) of this chapter; and
- (2) has failed to appear before the court as ordered; the court shall, except as provided in subsection (b) or section 8(b) of this chapter, declare the bond forfeited not earlier than one hundred twenty (120) days after the defendant's failure to appear and issue a warrant for the defendant's arrest.

(b) In a criminal case, if the court having jurisdiction over the criminal case receives written notice of a pending civil action or unsatisfied judgment against the criminal defendant arising out of the same transaction or occurrence forming the basis of the criminal case, funds deposited with the clerk of the court under section-3.2(a) (2) of this chapter may not be declared forfeited by

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

the court, and the court shall order the deposited funds to be held by the clerk. If there is an entry of final judgment in favor of the plaintiff in the civil action, and if the deposit and the bond are subject to forfeiture, the criminal court shall order payment of all or any part of the deposit to the plaintiff in the action, as is necessary to satisfy the judgment. The court shall then order the remainder of the deposit, if any, and the bond forfeited.

(c) Any proceedings concerning the bond, or its forfeiture, judgment, or execution of judgment, shall be held in the court that admitted the defendant to bail.

(d) After a bond has been forfeited under subsection (a) or (b), the clerk shall mail notice of forfeiture to the defendant. In addition, unless the court finds that there was a justification for the defendant's failure to appear, the court shall immediately enter judgment, without pleadings and without change of judge or change of venue, against the defendant for the amount of the bail bond, and the clerk shall record the judgment.

(e) If a bond is forfeited and the court has entered a judgment under subsection (d), the clerk shall transfer to the state common school fund:

- (1) any amount remaining on deposit with the court (less the fees retained by the clerk); and
- (2) any amount collected in satisfaction of the judgment."

**FEES NOT CHARGED IN ACCORDANCE WITH STATUTES - COURT**

*Pretrial Diversion Program*

An offender of certain criminal misdemeanors has the option of entering a "pretrial diversion program." Under a "pretrial diversion program," the offender must abide by certain terms as agreed to in a formal written agreement between the Prosecutor and the offender. The offender is then required to pay fees established by Indiana statutes as follows:

Deferred Prosecution Fee \$120

Public Defense Administration Fee \$3

Judicial Insurance Adjustment Fee \$1

Judicial Salaries Fee \$18

Court Administration Fee \$5

DNA Sample Processing Fee \$2

Document Storage Fee \$2

Highway Worksite Zone Fee \$0.50 (for a driving offense)

Automated Recordkeeping Document Fee \$7.00

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Pretrial Diversion Fee:  
Initial User's fee \$50 and  
Monthly user's fee \$10 (for each month the person remains  
in the program, which is at least six months)

Several cases were observed in which offenders participated a "pretrial diversion program" for which no pretrial diversion (user) fees were collected. These participants were only charged \$158, instead of \$328 charged other program participants. Court personnel indicated that whether or not the pretrial diversion fees were charged was dependent upon the written agreement between the prosecutor's office and the defendant. Those participants who had an attorney were not charged the pretrial diversion fees which would have cost \$160 for twelve months in the program, based upon the written agreement.

Indiana Code (IC) 33-39-1-8 states in part:

"(d) A prosecuting attorney may withhold prosecution against an accused person if:

- (1) the person is charged with a misdemeanor;
- (2) the person agrees to conditions of a pretrial diversion program offered by the prosecuting attorney;
- (3) the terms of the agreement are recorded in an instrument signed by the person and the prosecuting attorney and filed in the court in which the charge is pending; and
- (4) the prosecuting attorney electronically transmits information required by the prosecuting attorneys council concerning the withheld prosecution to the prosecuting attorneys council, in a manner and format designated by the prosecuting attorneys council.

(e) An agreement under subsection (d) may include conditions that the person:

- (1) pay to the clerk of the court an initial user's fee and monthly user's fees in the amounts specified in IC 33-37-4-1; . . .

(h) All money collected by the clerk as user's fees under this section shall be deposited in the appropriate user fee fund under IC 33-37-8."

Indiana Code 33-37-4-1(c) states:

"Instead of the criminal costs fee prescribed by this section, except for the automated record keeping fee (IC 33-37-5-21), the clerk shall collect a pretrial diversion program fee if an agreement between the prosecuting attorney and the accused person entered into under IC 33-39-1-8 requires payment of those fees by the accused person. The pretrial diversion program fee is:

- (1) an initial user's fee of fifty dollars (\$50); and
- (2) a monthly user's fee of ten dollars (\$10) for each month that the person remains in the pretrial diversion program."

CITY OF HOBART  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

*Infraction Deferral Program*

An offender of an infraction or a violation of an ordinance of a municipal corporation has the option of entering an "infraction deferral program." Under an "infraction deferral program," the offender must abide by certain terms as agreed to in a formal written agreement between the prosecutor and the offender. The offender is then required to pay fees established by Indiana statutes as follows:

Document Storage Fee \$2

Highway Worksite Zone Fee \$0.50 (for a driving offense)

Deferred Prosecution Fee \$70

Automated Recordkeeping Document Fee \$7.00

Infraction Deferral Fee:

Initial User's fee not to exceed \$52 (of which \$2 is to be accounted for as a jury fee)

Monthly user's fee \$10 (for each month the person remains in the program, which is at least six months)

Several cases were observed in which offenders participated in an "infraction deferral program" for which no infraction deferral fees (including jury fees) were collected. These participants were only charged \$79.50, instead of \$191.50 charged other program participants. Court personnel indicated that whether or not the infraction deferral fees were charged was dependent upon the written agreement between the Prosecutor's office and the defendant. Those participants who had an attorney were not charged the pretrial diversion fees (including jury fees) which would have cost \$112 for six months in the program, based upon the written agreement.

Indiana Code (IC) 33-37-4-2(e) states:

"Instead of the infraction or ordinance violation costs fee prescribed by subsection (a), except for the automated record keeping fee (IC 33-37-5-21), the clerk shall collect a deferral program fee if an agreement between a prosecuting attorney or an attorney for a municipal corporation and the person charged with a violation entered into under IC 34-28-5-1 (or IC 34-4-32-1 before its repeal) requires payment of those fees by the person charged with the violation. The deferral program fee is:

- (1) an initial user's fee not to exceed fifty-two dollars (\$52); and
- (2) a monthly user's fee not to exceed ten dollars (\$10) for each month the person remains in the deferral program."

Indiana Code 33-37-8-5 (c) states: "All of the jury fee and two dollars (\$2) of a deferral program fee collected under IC 33-37-4-2(e) shall be deposited by the county auditor in the jury pay fund established under IC 33-37-11."

CITY OF HOBART  
EXIT CONFERENCE

The contents of this report were discussed on October 31, 2011, with Brian K. Snedecor, Mayor; Deborah A. Longer, Clerk-Treasurer; and David Vinzant, President of the Common Council. The Official Response has been made a part of this report and may be found on pages 46 through 57.

The contents of this report related to the Court were discussed on October 11, 2011, with William J. Longer, City Judge. The Official Response has been made a part of this report and may be found on page 58.



Anthony DeBonis, Jr. \* \*\*  
Hawk P.C. Kautz\*\*

November 10, 2011

Terrance L. Smith, Ph.D.†  
Of Counsel

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RE: OFFICIAL RESPONSE  
City of Hobart, Lake County, Indiana  
Examination Results and Comments for 2010  
Draft Audit Findings Presented October 31, 2011  
Cynthia David, Field Examiner

Dear Mr. Examiner:

As chief legal officer of the City of Hobart, Indiana, I have been asked to compile and present the City’s response to the findings of the 2010 examination conducted by the State Board of Accounts. This document is intended to contain our comments to those draft findings presented to us by the Board’s field examiner on October 31, 2011. Our response consists of this letter and the attached letter prepared by Honorable William J. Longer, Judge of the Hobart City Court which addresses findings directed solely to the Court. We appreciate this opportunity to respond and comment upon the various findings that were presented to us. We have organized our response to those findings, first, with respect to the Civil City including the Clerk-Treasurer’s Office and our Fire Department as discussed below, then followed by the Sanitary District of the City of Hobart and finally the City of Hobart Redevelopment Commission. We hope that the following comments will be helpful to you in preparing your final report for this period.

**1. Civil City of Hobart**

A. Overdrawn Cash Balances

The audit report finds eight funds which showed overdrawn cash balances as of December 31, 2010. Four of these were shown to have been continuously overdrawn for three or more years. While the City of Hobart recognizes that a cash balance may not be reduced below zero in any year, the routinely overdrawn funds in this case are not an indicator of any serious financial problems with the City of Hobart, but, in fact, illustrate





the continuing failure of the State mandated system for the distribution of property tax proceeds to operate within the bounds of the State's audit requirements.

Many of the overdrafts of the funds listed in this category are due to the failure of State and other governments to distribute reimbursable funds by the end of the fiscal year in order to offset the negative balances. In the tax supported funds, for example, final distribution of property taxes for 2010 which amounted to 59% of the total property taxes to which the City was entitled, were not distributed to the City until January of 2011. Such late distributions of property taxes have been an annual occurrence since 2003.

The City of Hobart, like many political subdivisions, utilizes inter-fund borrowing as needed to meet the ongoing expenses of all funds. At the end of each fiscal year, the inter-fund borrowing was paid back to the appropriate originating fund as required which meant that certain of these funds ended the year with a negative cash balance. It has been the policy of the City of Hobart, and the Office of the Clerk-Treasurer in particular, to show a true picture of the status of funds which reflects the amount of money not yet received by the City from its property tax entitlements. This more transparent approach actually reflects the status of the cash receivables of the City from the entities which collect its property taxes. It must be underlined that the City uses a "pooled cash" approach to its cash management so that no actual overdraft of individual funds occurs while the City waits for its reimbursements or tax distributions. Accordingly, the overdrawn funds indicated in the audit are neither an indicator of serious financial problems nor of any inappropriate diversion of funds.

B. Disbursements in Excess of Appropriation

The preliminary audit findings show three funds with disbursements in excess of budgeted appropriations. The report observed that the Local Road and Street Fund had an overdrawn cash balance since the Department of Local Government Finance did not approve any 2010 budget for that fund because it was overdrawn. Again, the apparent disbursements in excess of appropriations here were a product of the fact that the City of Hobart did not receive the 2010 certified budget order from the Department of Local Government Finance (DLGF) until early in September of 2010. As a result, the City operated for the first eight months of that year within the Common Council's approved budget as submitted to the State. The Council then, as appropriate, took action based on their approved budget throughout the year adopting ordinances showing the line-item additional appropriations and reductions to meet the needs of the City within the parameters of their budget.

Being unable to predict the extent to which the DLGF order would change the Common Council budget, the resulting disbursements in excess of approved appropriations resulted. With respect to the overdrawn cash balance in Local Roads and Streets, that fund had been overdrawn for a number of years as a result of a commitment



of those funds by a prior City administration for a project dating back to 2008. Under the circumstances described above, it is difficult if not impossible for the officers of a political subdivision pursuant to I.C. §6-1.1-18-4 to appropriate funds in a proper manner when its approved budget for the year is received so late in the game. We assume that the DLGF will take steps to remedy this situation in the future.

C. Sale of Exercise Equipment – Fire Department

The background information given by the field examiner in connection with this item is correct, and the City recognizes that there was an inappropriate disposition made of property secured through a FEMA grant involving Fire Department exercise equipment in 2006. The City makes two observations which should be noted in the audit report. First, undersigned counsel contacted a FEMA representative who manages the grant which was provided to the City of Hobart. A full rendition of the facts concerning the acquisition and disposition of the equipment was given. The FEMA official advised that FEMA would take no action since it regarded the grant as having been closed out and since the amount of funds involved were not deemed to be significant.

Secondly, while it is certainly true that I.C. §5-22-22-3 governs the authority of a city purchasing agency to sell property, it must be observed that property which is worthless may be disposed of in any reasonable manner, junked or demolished and that property with a value less than \$1,000 (or \$5,000 in the aggregate) may be disposed of by auction. It appears that the aggregate cost of the items at issue here were less than \$5,000 and it is not clear as to whether the cost of sale and disposal would have exceeded their value under the provisions of I.C. §5-22-22-8 which defines whether property is worthless.

It must also be noted here that internal controls were implemented with regard to asset management by the Office of the Clerk-Treasurer of the City of Hobart beginning in 2007 when an asset notification form was required by the Clerk-Treasurer to track the acquisition, transfer or disposal of municipal property. Each department is provided the form and in the case of disposition, must have the form signed by the appropriate parties prior to submitting the form to the Clerk-Treasurer's Office for logging into the City's asset data base. Annually, each department is asked to provide an updated asset list for the department which is filed in the Clerk-Treasurer's Office to assure accurate recordkeeping and compliance with the laws and regulations governing same. The City is confident that had these controls been in effect in 2006 when the issue over the exercise equipment and the surplus fire engine (discussed below) occurred, those procedural violations cited in the audit report would not have happened. Certainly, had annual audits uncovered these failures in prior years, new internal controls could have been implemented even more quickly.



D. Trade of Fire Truck for Computers – Fire Department

Again, the basic analysis of the facts contained in the examination report is correct. In 2006, a fire engine that had severe mechanical problems and could not be used was traded by the then Fire Chief for a number of new desktop computers for use in the City's various fire stations. Again, the City observes that the criticism made that the truck may have had scrap value fails, again, to take into account the provisions of I.C. §5-22-22-8 concerning worthless property. Not only was the truck not wanted by any dealer of used fire equipment (and this fact was confirmed by inquiries made in 2011 when this matter came to light when three different dealers rejected the truck as "junk"), the Fire Department could have made a good faith determination that the value of hauling the truck away or attempting to sell it as scrap would have exceeded its value. There is no question that the proper procedures were not followed with respect to this determination which should have been made by the City Board of Public Works and Safety. Given the implementation of the internal controls noted above, the kind of transaction which occurred with respect to this fire engine is not likely to happen again.

## **2. Hobart Sanitary District**

A. Utility Rates and Charges

The contention in the findings on this item suggest that, because extensive transfers were made from the Improvement Fund to the Operating Fund of the District in years 2010 and 2011, the rate system which is now in effect for Sanitary District operations is inadequate to fund those operations. The District respectfully disputes this contention. First, it must be recognized that the District implemented sanitary rates in the early part of this decade in order to accumulate capital improvement funds for the purpose of building a publicly owned treatment works (POTW) thereby eliminating the need to pay contractual expenses to the Gary Sanitary District for treating Hobart Sanitary District's wastewater effluent. The funds accumulated, however, could not be spent for this purpose because the NPDES permit that had been granted for the construction for the new plant was challenged, first administratively and then in court by Gary Sanitary District and the City of Lake Station. Although the City of Hobart has been successful with respect to the administrative challenge, the matter is still being litigated. The Superior Court of Marion County denied the challenge to the permit recently, but the challenging parties have appealed that determination to the Indiana Court of Appeals. It is likely that they will continue to appeal to the Supreme Court of Indiana.

This has placed the Hobart Sanitary District in a unique position. Having used its rate-making power to accumulate improvement funds, its needs, as the years have passed, have changed considerably. Under prior administrations, Hobart took no steps to implement any rate system for storm water improvements until 2010 when the current



administration, with the assistance of the Common Council, implemented a storm water fee. Prior to this time, the accumulated improvement funds in the Sanitary District had been used to finance ongoing storm water needs which have ballooned in the last two years.

At the same time, improvement funds have been used, as the report points out, to some extent in defraying the continuing operating costs of making payments to the Gary Sanitary District (GSD) for treating Hobart's effluent. While this technically is a distribution from the Improvement to the Operating Fund for what is ostensibly an operating purpose, the inability to construct the POTW has meant that improvement had to be used to defray treatment costs incurred with respect to the Gary Sanitary District because those funds could not be used to build the POTW, and because, had the improvement funds been used to build the POTW, the expenditure of operating funds to GDS would not have been necessary. Presumably, were a Hobart POTW constructed, the improvement funds would have been used but would not have required the outlays for operating funds to achieve the same goal – treatment of Hobart's sewage effluent. Thus, the sanitary rate has been sufficient during these years, both to fund operating and improvement needs. With the advent of the storm water rate which is further discussed below, additional resources have been made available by the rate payers which will allow repayment of amounts transferred from the Improvement Fund over time.

B. Temporary Transfer of Funds – Sanitary District

The report correctly notes, as also discussed in the preceding section, that approximately 1.1 million dollars in funds were transferred out of the Waste Water Improvement Fund to the Sanitary District's Storm Water Fund for the purpose of dealing with a number of exigent events for which no other funds were available. This was the only responsible alternative since the improvement funds on hand would not be needed given the challenge to the POTW discussed in the preceding section, and because, in 2010, the City had not yet implemented storm water fee. In this way, the Sanitary District avoided a costly financing instrument which might have required an increase to the sanitary rate by utilizing improvement funds on hand for storm water purposes.

Secondly, the storm water needs in question were not foreseen. As the discussion in the succeeding section points out, unforeseen repairs to the City's storm water system have exponentially increased in the last two years. The District was also faced with a Notice of Violation from the Indiana Department of Environmental Management which required the expenditure of considerable funds for planning, engineering and preliminary work to submit a compliance plan for the limitation of sanitary sewer overflows caused by infiltration, in-flows, cross connections, and other problems with the City's storm water system. The implementation of the storm water user fee has resulted in the collection of sufficient revenues beginning in early 2011 to institute a program of repayments to the Sanitary District Improvement Fund at the rate of approximately



\$200,000 a year. This was implemented by the adoption of Hobart Storm Water Board of Directors Resolution No. 2011-01 earlier this year, which will result in restoration of the Improvement Fund in an approximate five-year period. While this technically is longer than the maximum eighteen-month period allowed under the statutes governing temporary inter-fund borrowings, it was initially sanctioned by consultation between State Board of Accounts personnel and the Clerk-Treasurer's Office earlier this year. Alternatives to this would have required the Sanitary District to increase user rates to the public and engage in an expensive borrowing with extended interest charges and issuance fees to return the money to the Improvement Fund. The District submits that this was not a responsible alternative when the Improvement Fund monies were available and would not be immediately required for other purposes involving improvements to the Sanitary District system in the near future.

Legislation needs to be enacted which modifies the provisions of I.C. §§36-9-25-33 and 36-1-8-4 to extend the term of temporary loans longer than a year when sufficient funds are available through non-tax sources (the sanitary and storm water rates) to retire the obligation within a reasonable time.

C. Public Works Projects

First, the Franklin and Indiana Streets project was believed to be a modest and quick repair which became more costly because excavation revealed the need to replace a long section of sewer underground on an urgent basis. For this reason, sealed quotes were not requested. (Sealed bids, even as the law existed in 2010 under I.C. §36-1-12-4 were not required since, when commenced, the project was not expected to amount to \$25,000 or more in costs. The fact that this project required much more could not be foreseen at that time.) The District agrees with the analysis that the Board of Sanitary Commissioners, in its next meeting subsequent to the performance of the work, should have made findings sufficient to establish the emergency nature of the project. Steps will be taken to assure that timely review of the exigent nature of projects by the Board will be undertaken in the future.

All of the other projects cited in the Audit Report were of similar character. Only after excavation took place could the true scope of the project be realized and those required immediate performance order to safeguard the storm water system and the public thoroughfares in which they are located. All of the projects in question were reported to the Sanitary and Storm Water Board. The Sanitary and Storm Water Board raised no objection to any of these projects and in fact the Board minutes with the attached report of the Storm Water Coordinator contain narratives describing these projects. While it is true that the Board did not formally, in its minutes, make findings of emergency and document the quotes received by the Storm Water Coordinator, the Storm Water Coordinator did in fact obtain quotes on most if not all of these projects. In fact, in order to address the large number of emergency projects the Storm Water Board was



facing in 2010, the Board adopted, in September of 2010, Hobart Sanitary District Board of Commissioners Resolutions Nos. 2010-03 and 2010-04 which made effective policies on the authorization of general engineering services and the acquisition of goods and services, respectively, including the authorization of the performance of emergency work. No reference to these policies was made in the Preliminary Examination Report.

Based on these facts, the Hobart Sanitary District Board believes that it acted reasonably within the requirements of the law in all of these repairs. The absence of emergency findings will be remedied in the future by specific motions finding emergencies when necessary so that this work can be performed. However, of paramount importance in this process, is the repair of storm water and sanitary conditions which, due to their urgent nature, must be undertaken before the Board can act.

### **3. Hobart Redevelopment Commission**

#### **A. Operating Disbursements Paid from Tax Increment Financing Funds**

The Hobart Redevelopment Commission administers two large tax increment financing allocation areas within the City. One is the 61st Avenue allocation area, and the other is the State Road 130—Greater Downtown Allocation Area. The 61st Avenue area has been the scene of much development activity and two large infrastructure projects, Phase I and Phase II of the 61st Avenue Improvement Project. The State Road 130—Greater Downtown allocation area has several initiatives ongoing including a building façade replacement program, street and parking acquisitions and improvements downtown, and contributions to drainage along State Road 130. These project-based initiatives require a considerable commitment of time by the Commission’s professional staff. In particular, the City Director of Development acts as the Employee in Responsible Charge under Indiana Department of Transportation regulations with respect to the 61st Avenue Phase I and III projects and in coordinating the City’s involvement with respect to the other projects described above. For this reason, a portion of the Director of Development’s salary has been allocated to each of the tax increment finance allocation areas for almost a decade. The finding made in this audit for the first time in 2010, that such an allocation, as well as allocation for other project expenses may be inappropriate is subject to dispute.

It is clear that the Hobart Redevelopment Commission has sole control over the expenditure of tax increment funds received from tax increment financing areas for the uses and purposes stated in the pertinent statutes governing their expenditure. (See I.C. §36-7-14-39(b) (2).) The RDC has allocated the payment of certain items related to projects out of the respective allocation areas (funds 406 and 410 respectively) in order to support the projects noted above. Thus, the allocation of a portion of the Director of Development’s salary to pay for the project coordination function she performs in each of the two allocation areas is proper. Likewise, contractual services expended on particular



projects within each area, and on training for particular functions necessary to administer projects in each area are likewise properly allocated. The *pro rata* use of equipment and office supplies to serve these projects would, in the Redevelopment Commission's estimation, amount to properly allocated expenses of the projects in each of the allocation areas.

This conclusion is supported by the plain language of I.C. §36-7-14-39(b) (2) (j) which authorizes payment of "expenses incurred by the Redevelopment Commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in Section 25.1(a) of this Chapter." It is plain that to the extent these expenditures legitimately address the payment of project related expenses in each of the two allocation areas, they are proper. The audit findings cite no example by specific expenditure of any outlay that was not project related. In our discussion with the field examiner on this point, the field examiner suggested that some better "paper trail" be devised in order to support the project related nature of these expenditures. The Redevelopment Commission will attempt to do this, but it already has a detailed system for reporting claims that specifies exactly the nature of the expenditure made in each case. The Redevelopment Commission will attempt to develop heightened documentation which leaves little doubt that the expenditures made are legitimately allocated to projects involving local public improvements in the two allocation areas. This question has also been addressed at my request to our special counsel, Baker & Daniels, who has provided its own memorandum on this point which is attached.

B. Compensation and Benefits –Contracted Services

The preliminary examination finding on this point involves the contention that a certain contractor is actually an employee and would be subject to treatment as an employee by IRS rules. The description of the contract in the preliminary report fails to note that the express language of the contract requires that the means and methods of performance of the contracted tasks are solely those of the contractor, and are not subject to direction by the contractee. Given the limited nature of the tasks assigned, the fact that the contractor is free to choose the manner and means of performance, the *per diem* compensation, and other features of the agreement, the Redevelopment Commission respectfully contends that the IRS guidelines have not been violated. Nevertheless, the Redevelopment Commission observes that the City recently underwent an audit by the Internal Revenue Service and is anticipating its audit report. The Redevelopment Commission will comply with whatever findings and conclusions are made by the Internal Revenue Service in that report and reserves further comment until that time.



### Conclusion

We sincerely hope that the foregoing comments and responses will enable the State Board of Accounts to complete its full report with insight into the City of Hobart's needs in the foregoing areas and its reasons for undertaking certain actions which led to the preliminary examination findings. As always, officials and employees of the City will cooperate fully with the State Board of Accounts both in its role as examiner and advisor to local governments in carrying out their responsibilities under the law.

Yours very truly,

SMITH & DeBONIS, LLC

A handwritten signature in black ink, appearing to read 'Anthony DeBonis, Jr.', written over a large, stylized flourish.

ANTHONY DeBONIS, JR.  
Hobart City Attorney

AD/djm  
Attachments

cc: Hon. Brian K. Snedecor, Mayor  
Deborah A. Longer, Clerk-Treasurer  
Dave Vinzant, City Council President, *Pro Tempore*

## MEMORANDUM

**TO:** Anthony Debonis Jr. *via Electronic Mail*

**FROM:** BAKER & DANIELS LLP  
-- Richard L. Hill, Esq.  
-- Randolph R. Rompolo, Esq.

**DATE:** November 9, 2011

**RE:** Use of TIF Money for Redevelopment Economic Development Purposes

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We have reviewed the portion of the State Board of Accounts preliminary audit finding relating to the use by the Redevelopment Commission (the "Commission") of tax increment finance ("TIF") funds for expenditures that the State Board of Accounts has characterized as "operating disbursements." We have reviewed the information provided by Denarie regarding her allocation of time with respect to ongoing projects in each of the economic development areas. Additionally, we have reviewed the reports that Denarie has provided which, in a summary fashion, itemize the activities undertaken by Denarie on a monthly basis with respect to her duties in each of the economic development areas.

As we understand what Denarie has communicated, she has typically spent upwards of 80% or more of her time working on projects related to either the downtown TIF area or the 61st Avenue/State Road 51 TIF Area. We understand that TIF from the downtown area is deposited into Fund 406 and that the TIF from the 61st Avenue/State Road 51 TIF Area is deposited into Fund 410.

As you are aware, the City has previously established the two (2) economic development areas in the City for the purpose of providing for continued economic development and redevelopment of the areas. As we understand how the City functions, there is not any redevelopment staff to speak other than Denarie. Denarie, notwithstanding her role as director, is the person primarily responsible for planning and discharging the work necessary to provide for new projects in the economic development areas. She works closely with other redevelopment directors and business development personnel associated with a number of agencies in Lake County to promote expansion and growth of business in each of these economic

development areas. Unlike larger communities, Hobart does not have individual staff to assign to each of the economic development areas. Also, Hobart does not typically hire independent project management staff to assist with the development of projects in its economic development areas. Most of the tasks fall to Denarie.

Indiana Code 36-7-14-39(d)(ii) provides the various uses that TIF funds may be applied to by a redevelopment commission. We certainly agree with the State Board of Accounts with respect to the language at the end of this subsection that provides that TIF funds on deposit in allocation fund “may not be used for operating expenses of the commission.” However, utilization of TIF funds from an allocation fund to support redevelopment or economic development projects in an area is long established. Section 36-7-14-39(d)(ii) permits redevelopment commissions to use TIF funds to be debt service for bonds issued to fund local public improvements, reimburse the city or town for expenditures related to improvements in an redevelopment or economic development area. Finally, redevelopment commissions may also pay expenses incurred by a commission for local public improvements that either located in or that serve the particular allocation area.

Given the information provided by Denarie, we believe that it was appropriate for the Redevelopment Commission to pay a portion of Denarie’s salary from TIF revenues generated from each of the areas in question. As noted above, unlike larger communities that may have multiple staff persons who would have as their primary function the implementation of redevelopment or economic development projects in particular areas, the City has Denarie as its sole staff person with respect to redevelopment and economic development matters. As noted above, the utilization of TIF funds to support redevelopment or economic development projects in an area is permitted under Indiana Code 36-7-14. In the case of redevelopment staff devoting time directly to the management of such projects, we believe that it has become generally accepted for such staff member’s salary to be paid out of TIF funds from a particular allocation fund for a specific area proportionate to the percentage of the individual’s time devoted to the management and supervision of redevelopment or economic development projects in said area. In many communities, individual staff members will have as their fulltime role the management and supervision of projects in a particular redevelopment or economic development area. Also, many communities will hire professional engineering or other consulting firms to assist with the management and implementation of particular redevelopment or economic development projects in an area. The use of TIF funds for such expenditures has not, in our experience, given rise to controversy. It has been understood that the “expenses” that a redevelopment commission might incur in completing projects in a redevelopment or economic development area would include management and oversight of those projects. The City is in a unique position given the small size of its redevelopment staff – namely one person and her intimate knowledge of the ongoing projects in each of the redevelopment or economic development areas. We do not think it unusual or outside the bounds of the statute to reimburse a portion of her salary from TIF funds proportionate to the amount of work undertaken by Denarie with respect to each of those areas.

With respect to the membership expense the State Board of Accounts referenced, we understand that Denarie believes the membership in the Northwest Indiana Forum was instrumental in marketing Northwood Crossing, which is an economic development project underway in the 61st Avenue area. To the extent that membership in the economic development

organization is necessary to help foster development in the economic development area, we believe that it is not unreasonable to deem that to be an eligible expense for the use of TIF funds. Likewise, we understand that the training referred in the State Board of Accounts' statement relates to certain INDOT training completed by Denarie in connection with road projects in the 61st Avenue Area. As we understand, these road construction projects require specialized knowledge of INDOT accounting and bidding procedures in order to provide for the completion of these projects to INDOT standards. Had the Redevelopment Commission hired a private project manager to oversee the completion of those projects, we do not expect that there would have been an issue raised with use of TIF funds for the payment of services provided by that project manager. Given the City's unique opportunity to have its staff person provide that oversight with training, we think it is not an unreasonable use of TIF funds.

The information Denarie has provided to us by way of monthly reports to the Council indicating how her time has been accounted for during each month provides insight to the how TIF funds from each of the areas should be properly be allocated with respect to the payment of expenses related to her salary and that of her assistant. We certainly encourage continued diligence with respect to the allocation of time so that fair and reasonable records may be kept with respect to the same. As an individual who has many duties, no doubt certain of Denarie's duties are more administrative in nature and more properly characterized as "operational expenses of the Commission." However, we also believe that expenditures related to the development and management of projects in each of the economic development areas are properly viewed as "expenses" for which the Redevelopment Commission may apply TIF revenues.

Should you have any questions or wish to discuss further, please do not hesitate to call.

RRR/ays

# HOBART CITY COURT

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Hobart City Court, Audit Response 2010 Audit

**Daily Deposits.** The requirement of daily deposits has been addressed in 2011 with the establishment of a procedure for making of deposits when the person with primary responsibility for doing so is unavailable for any reason.

**Reconciliation of Trust Records.** This has been an ongoing effort for the last several years, with significant progress being made. Efforts continue to locate what is believed to be missing bookkeeping entries reflecting disbursements made.

**Trust items Outstanding.** Case by case review of items over five years old is ongoing. A system has been initiated to calendar files for abandoned property review.

**Fees Not Charged in Accordance With Statutes.** Inquiry to court staff apparently failed to disclose that in Hobart City Court all agreements for deferral or pre-trial diversion are reviewed by the Judge. Only upon approval of the agreement by the court are the fees collected.

While inclusion of the initial users fee and monthly users fee may not be mandatory (see I.C. 33-39-1-8, for example, which provides that a pre-trial diversion agreement *may* include these conditions) I.C. 33-37-4-1(c) and 33-37-4-2(e) include language that the clerk shall collect these fees "if an agreement between a prosecuting attorney or an attorney for a municipal corporation and the person charged with the violation . . . requires payment of those fees...." Inclusion of the fees in the agreement is a pre-requisite to collection by the clerk, under the clear wording of the statute. The inclusion of the word "may" in I.C. 33-39-1-8 and the inclusion of the phrase "not to exceed" before the amounts set forth in I.C. 33-37-4-1 support this construction.

I.C. 5-7-2-1 states: "It shall be unlawful for any officer in this state, under the color of his office, to tax, or permit to be taxed in his office, any fee or sum of money that is not legally allowable under the statute or statutes of this state."

It is the position of Hobart City Court, that it may not collect pretrial diversion fees or infraction deferral fees not specified in the agreement between the Prosecutor and the accused, and the court is therefore limited to collecting not more than the amounts set forth in the agreement.

Respectfully submitted,

  
William J. Longer  
Judge, Hobart City Court