

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF GARY
LAKE COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
01/02/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	M. Celita Green	01-01-11 to 12-31-12
Mayor	Rudolph Clay, Sr. Karen Freeman-Wilson	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Geraldine B. Tousant Delvert Cole	01-01-11 to 12-31-11 01-01-12 to 12-31-12
President of the Common Council	Ronier Scott Kyle W. Allen	01-01-11 to 12-31-11 01-01-12 to 12-31-12
Superintendent of Utilities	Rinzer Williams, III (Vacant) Daniel Vicari	01-01-11 to 02-28-12 01-29-12 to 07-29-12 07-30-12 to 12-31-12
President of the Board of Sanitary Commissioners and Storm Water Commissioners	Richard Comer	01-01-11 to 12-31-12



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the City of Gary (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2011.

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, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated September 6, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 6, 2012



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

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

We have audited the financial statement of the City of Gary (City), for the year ended December 31, 2011, and have issued our report thereon dated September 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2011-01 and 2011-02 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-01 and 2011-02.

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

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

STATE BOARD OF ACCOUNTS

September 6, 2012

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 GARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments		Disbursements	Cash and Investments	
	01-01-11	Receipts		12-31-11	
General	\$ (9,439,779)	\$ 103,917,961	\$ 99,384,632	\$ (4,906,450)	
Motor Vehicle Highway	296,597	2,837,925	3,062,285	72,237	
Local Road And Street	85,822	1,051,931	614,127	523,626	
Law Enforcement Continuing Ed	150,444	108,118	90,032	168,530	
Unsafe Building	158,899	-	-	158,899	
Riverboat	1,988,163	21,697,798	21,977,051	1,708,910	
Parks And Recreation	5,366	2,071,089	1,905,715	170,740	
Cumulative Capital Development	512,518	898,671	1,366,428	44,761	
Cumulative Capital Improvement	195,141	295,062	431,447	58,756	
Self-Insurance	181,368	9,353,912	9,868,533	(333,253)	
Police Pension	1,481,663	6,716,567	6,140,087	2,058,143	
Fire Pension	3,039,989	4,730,007	5,021,160	2,748,836	
J-Pit/Landfill Management	-	50,000	10,804	39,196	
Geminus Grant	-	5,000	5,683	(683)	
FireFighter Safer Grant	-	-	788,954	(788,954)	
Note Reserve	-	1,354,737	-	1,354,737	
Note Repayment	-	1,476,446	1,476,446	-	
Bond Revenue	-	811,261	811,261	-	
Metro Center	13,270	83,468	89,884	6,854	
Ambulance/Ems Nonreverting	499,015	685,132	1,153,681	30,466	
Protective Services Grant I	(1,033,929)	-	-	(1,033,929)	
Protective Services Grant Ii	285,799	333,534	301,880	317,453	
Equal Opportunity Commission Hr	17,809	43,936	51,330	10,415	
Tourism Project	71,401	10,800	-	82,201	
Local Law Enforcement Block Grant	79	-	79	-	
Youth Services Bureau	262,954	95,112	120,254	237,812	
Home Program	14,721	1,240,957	1,249,498	6,180	
Emergency Shelter Grant	888	144,637	144,363	1,162	
Brownfield	99,558	256,831	195,180	161,209	
Healthy Families	16,780	2,003	1,505	17,278	
Marquette Park	2,247	65,724	65,840	2,131	
Gleason Golf Course	5,249	92,047	94,867	2,429	
Emergency Shelter	(357,180)	365,868	430,032	(421,344)	
Comprehensive Community Program	83,997	30,860	35,200	79,657	
Homeownership	158	-	158	-	
Landfill Closure	204,320	-	83,363	120,957	
Landfill Trust	1,133,409	45,288	39,651	1,139,046	
Solid Waste Recycling Project	281,081	633,043	671,986	242,138	
Environmental Management	15,403	51,078	74,347	(7,866)	
Pgci Project Grant	18,659	-	18,659	-	
Health And Human Services	(318,405)	818,740	793,376	(293,041)	
Supplemental Adult Probation Svcs	141,161	194,179	149,456	185,884	
Gary Health Department Rental	5,545	-	-	5,545	
Hiv Substance Abuse Prevention	8,523	-	8,523	-	
Cops In School	504	-	504	-	
Park Nonreverting	15,112	90,437	87,423	18,126	
Park Pavilion	514	-	514	-	
National Park Service	802	-	802	-	
Vehicle Auction	54,951	88,011	110,878	32,084	
Bioterrorism	(16,454)	146,879	139,103	(8,678)	
Community Development Block Grant	137,191	3,593,205	3,577,540	152,856	
Redevelopment Operating	31,096	233,924	214,909	50,111	
Summer Jobs Training Program	21,084	147,475	168,559	-	
Fair Housing Project	46,275	76,360	63,111	59,524	
Genesis Civic Center	13,731	538,719	515,771	36,679	
Media	268,578	1,031,417	895,781	404,214	
Clerk Perpetuation	24,799	14,260	39,021	38	
Genesis Center Operating	29,305	790,807	772,582	47,530	
Leased Properties - Gary Bldg Corp.	(650,530)	68,483	-	(582,047)	
State Air Grant	30,658	-	8,756	21,902	
Hazardous Material	5,969	-	-	5,969	
Lead Base Training	753	-	753	-	

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

CITY OF GARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Dusable Apartments	5,240	-	5,240	-
Economic Development Bond Comm	15,688	11,528	821	26,395
Crime Victim Assistance	5,600	-	5,600	-
Alcohol And Drug Treatment	56,674	-	-	56,674
New Birth Grant	22	-	-	22
Boy Scouts	500	-	-	500
Remote Encoding Center	141,645	241,336	13,442	369,539
Edi Bar Code Center	8,296	-	8,296	-
Mayor Donations	-	500	500	-
Lakefront Development	1,124,739	-	16,800	1,107,939
Social Services	107	6,443	5,074	1,476
Special Events	10,009	1,389	10,647	751
City Council Donations	18,015	-	-	18,015
Lead Free 4 Me	(1,732)	16,915	15,183	-
Special Project Donations	4,420	10,000	2,860	11,560
Economic Development Trust	667,778	24,453	42,610	649,621
Community Development Loan Program	16,048	8	-	16,056
Police Donations	1,355	-	-	1,355
Weed And Seed	10,442	-	2,185	8,257
Welfare Excess	400,380	102	296	400,186
Human Relations	2,000	-	-	2,000
Homeland Security Fund	280	-	280	-
Cmaq Vehicles	-	7,750	-	7,750
Hope Vi Pilot	22,082	57,243	23,119	56,206
Energy Efficient	12,312	286,378	294,057	4,633
Hprp	4,268	264,053	265,935	2,386
Cdbg-R St Impro	-	191,643	191,643	-
Filming Fees	6,250	7,550	3,500	10,300
Chrp	(93,794)	534,182	515,940	(75,552)
Neighborhood Stabilization Program	444	1,114,687	1,089,873	25,258
Lead Base Paint Hazard Control G	2,279	978,013	973,351	6,941
Grand Trunk Corp	1,187,500	-	123,226	1,064,274
Redevelopment Bond	2,591,295	4,697,532	6,288,762	1,000,065
2007 Multi Purpose Revenue Bonds	445,335	718	359,942	86,111
2007 Go Judgment Funding Bonds	33,525	1,526,759	912,096	648,188
Baseball Maintenance	(68,267)	300,000	231,462	271
15Th And Fulton Project	3,459	-	3,459	-
Burr Street Project	297,261	55,404	352,665	-
Grant/Buchanan Street Project	325,816	189,907	469,653	46,070
Park Construction	3,856	3,600	4,068	3,388
Mainwater Project	72,577	-	-	72,577
Casino Capital	2,417	53,473	55,890	-
Clean Up/Beautification	7,080	-	-	7,080
911 Equipment	1,295	-	-	1,295
Small Farms Tif District	429,359	400,000	506,556	322,803
Consolidated Area Tif District	216,200	2,901,857	2,741,036	377,021
Lakefront Tif District	3,073,549	2,379,671	396,865	5,056,355
6Th Avenue & Broadway Tif District	25,266	254,700	279,966	-
Tif Replacement	363,581	93,633	323,844	133,370
Marquette Renovation	-	7,053,124	6,179,524	873,600
Lady Liberty Restoration	212	70	-	282
Guea Properties	2,641	1	-	2,642
Downtown Mall Tif District	61,817	8,424	245	69,996
Madison Avenue Tif District	391,526	293,848	126,204	559,170
Washington Manor Tif District	15,662	1,224	-	16,886
Consolidated Area Exp Tif District	245,689	476,938	711,652	10,975
Midwest Center Tif District	287,536	146,063	15,385	418,214
Lancaster Dusable Tif District	91,485	193,160	104,020	180,625
Fema Grant - Fire Department	53,998	-	52,460	1,538
Joint Public Safety Training	13,041	5,765	-	18,806
Dalton Arms Tif District	46,281	5,294	2,450	49,125
County Market Tif District	2,475	810,020	342,134	470,361

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

CITY OF GARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Sr912 No. 1 Tif District	15,754	2,636	2,633	15,757
Sr912 No. 2 Tif District	141,205	31,075	270	172,010
Kenney's Ribs Tif District	184,253	42,708	221,056	5,905
Fire Capital Equipment	10,660	4,591	-	15,251
Major Moves Capital Projects	538,791	-	272,406	266,385
Gary City Center Allocation Area	35,497	-	-	35,497
Truck City Of Gary Allocation Area	70,929	458,610	166,908	362,631
Wci/Uci Benefit	(64,657)	1,128,772	1,064,115	-
Payroll	602	2,824	-	3,426
County Health	1,482	6,041	5,882	1,641
Empowerment Zone	-	793,735	787,662	6,073
Empowerment Zone Revolving	353,964	807,239	1,092,021	69,182
Microloan	23,795	11,184	33,051	1,928
Empowerment Zone Sba Microloan	3,184	18,206	21,314	76
Empowerment Zone Sba Loss Reserve	30,252	43	18,049	12,246
City Clerk - Civil Division	6,208	81,490	80,917	6,781
City Clerk - Criminal Division	1,017,675	1,220,134	1,268,923	968,886
Regional Development Authority	-	3,975,000	3,975,000	-
Miscellaneous Refunds	12,287	813	-	13,100
Redevelopment Depository Trust	167,902	284	-	168,186
Withholdings	1,779,360	22,284,704	22,259,592	1,804,472
Supplemental Public Defender	15,868	21,496	-	37,364
ledc - Empowerment Zone	16,750	3,356	19,756	350
Confiscated Property	169,855	92,261	43,113	219,003
Salary Fee Judicial	17,819	25,831	34,641	9,009
Gary Storm Water Management District (GSWMD)	66,126	1,856,273	1,692,465	229,934
GSD/GSWMD Watershed Management Plan	100	-	100	-
GSDWM E. Ridge Road Project	-	835,105	835,105	-
GSD Long Lake Water	-	92,919	64	92,855
Gsd Wwtp General Operating	1,257,910	28,394,024	26,586,836	3,065,098
Gsd Bond And Interest	1,134,292	2,292,100	3,303,661	122,731
Gsd Sewer Construction	30,150	832,086	835,105	27,131
Gsd Sewer Operating	437,305	4,605,047	4,939,299	103,053
Gsd Solid Waste Disposal	143,912	10,782,309	10,833,653	92,568
Gsd Debt Service	1,511,904	6,084,030	5,781,492	1,814,442
Gsd Grand Calumet Sedimentation	3,485,928	5,917	-	3,491,845
Gsd Debt Service Reserve	1,658,573	2,770	-	1,661,343
Gsd Equipment Replacement	449,248	4,555,831	3,140,958	1,864,121
Gsd/Wrep Economic Development	1,981	-	-	1,981
Gsd Srf	-	2,692,559	2,692,559	-
GSD 2011 Bonds Series A	-	21,325,538	811,261	20,514,277
Gsd Beach Sampling	985	6,930	-	7,915
Gsd E Coli	44,109	44,151	-	88,260
Totals	<u>\$ 27,579,813</u>	<u>\$ 310,415,679</u>	<u>\$ 282,214,447</u>	<u>\$ 55,781,045</u>

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

CITY OF GARY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the 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 include the following sources:

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

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

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 State of Indiana.

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

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

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

Other services and charges which include, but are not limited to: 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 include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

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.

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

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

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement any 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

C. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

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

Plan Description

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

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

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

Note 7. Subsequent Events

On April 23, 2012, the City's Redevelopment District issued \$4,500,000 in tax increment revenue bonds. The purpose for the bonds was to perform repairs on elevators and stairways at City Hall and the repair or replacement of the heating and air conditioning system at the Genesis Convention Center.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Unsafe Building	Riverboat	Parks And Recreation
Cash and investments - beginning	\$ (9,439,779)	\$ 296,597	\$ 85,822	\$ 150,444	\$ 158,899	\$ 1,988,163	\$ 5,366
Receipts:							
Taxes	61,825,720	-	-	-	-	15,765,111	1,349,253
Licenses and permits	834,430	-	-	-	-	-	-
Intergovernmental	2,405,322	2,828,235	1,051,734	-	-	-	55,801
Charges for services	612,795	-	-	5,083	-	-	19,180
Fines and forfeits	1,053,251	-	-	80,633	-	-	4,084
Utility fees	-	-	-	-	-	-	-
Other receipts	37,186,443	9,690	197	22,402	-	5,932,687	642,771
Total receipts	<u>103,917,961</u>	<u>2,837,925</u>	<u>1,051,931</u>	<u>108,118</u>	<u>-</u>	<u>21,697,798</u>	<u>2,071,089</u>
Disbursements:							
Personal services	38,574,861	1,323,125	-	9,624	-	1,954	722,240
Supplies	1,672,468	218,206	557,757	-	-	69,834	16,849
Other services and charges	7,493,671	1,520,954	56,370	80,408	-	12,467,743	268,174
Debt service - principal and interest	20,165,619	-	-	-	-	31,155	609,429
Capital outlay	2,229	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	31,475,784	-	-	-	-	9,406,365	289,023
Total disbursements	<u>99,384,632</u>	<u>3,062,285</u>	<u>614,127</u>	<u>90,032</u>	<u>-</u>	<u>21,977,051</u>	<u>1,905,715</u>
Excess (deficiency) of receipts over disbursements	<u>4,533,329</u>	<u>(224,360)</u>	<u>437,804</u>	<u>18,086</u>	<u>-</u>	<u>(279,253)</u>	<u>165,374</u>
Cash and investments - ending	<u>\$ (4,906,450)</u>	<u>\$ 72,237</u>	<u>\$ 523,626</u>	<u>\$ 168,530</u>	<u>\$ 158,899</u>	<u>\$ 1,708,910</u>	<u>\$ 170,740</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Cumulative Capital Development	Cumulative Capital Improvement	Self-Insurance	Police Pension	Fire Pension	J-Pit/Landfill Management	Geminus Grant
Cash and investments - beginning	\$ 512,518	\$ 195,141	\$ 181,368	\$ 1,481,663	\$ 3,039,989	\$ -	\$ -
Receipts:							
Taxes	94,122	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	4,480	295,062	-	5,944,528	4,729,960	-	-
Charges for services	-	-	-	-	-	-	5,000
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	800,069	-	9,353,912	772,039	47	50,000	-
Total receipts	898,671	295,062	9,353,912	6,716,567	4,730,007	50,000	5,000
Disbursements:							
Personal services	-	-	9,727,262	-	-	-	5,683
Supplies	49,590	-	-	-	19,943	-	-
Other services and charges	388,123	-	6,271	5,193,262	4,749,500	10,804	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	141,841	196,447	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	786,874	235,000	135,000	946,825	251,717	-	-
Total disbursements	1,366,428	431,447	9,868,533	6,140,087	5,021,160	10,804	5,683
Excess (deficiency) of receipts over disbursements	(467,757)	(136,385)	(514,621)	576,480	(291,153)	39,196	(683)
Cash and investments - ending	\$ 44,761	\$ 58,756	\$ (333,253)	\$ 2,058,143	\$ 2,748,836	\$ 39,196	\$ (683)

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	FireFighter Safer Grant	Note Reserve	Note Repayment	Bond Revenue	Metro Center	Ambulance/Ems Nonreverting	Protective Services Grant I
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 13,270	\$ 499,015	\$ (1,033,929)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	676,690	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	1,354,737	1,476,446	811,261	83,468	8,442	-
Total receipts	-	1,354,737	1,476,446	811,261	83,468	685,132	-
Disbursements:							
Personal services	733,960	-	-	-	-	911,736	-
Supplies	-	-	-	-	-	48,976	-
Other services and charges	-	-	-	160,468	-	100,896	-
Debt service - principal and interest	-	-	1,476,446	-	-	-	-
Capital outlay	54,994	-	-	-	-	92,073	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	650,793	89,884	-	-
Total disbursements	788,954	-	1,476,446	811,261	89,884	1,153,681	-
Excess (deficiency) of receipts over disbursements	(788,954)	1,354,737	-	-	(6,416)	(468,549)	-
Cash and investments - ending	<u>\$ (788,954)</u>	<u>\$ 1,354,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,854</u>	<u>\$ 30,466</u>	<u>\$ (1,033,929)</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Protective Services Grant li	Equal Opportunity Commission Hr	Tourism Project	Local Law Enforcement Block Grant	Youth Services Bureau	Home Program	Emergency Shelter Grant
Cash and investments - beginning	\$ 285,799	\$ 17,809	\$ 71,401	\$ 79	\$ 262,954	\$ 14,721	\$ 888
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	43,900	10,800	-	94,912	1,240,927	144,637
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	333,534	36	-	-	200	30	-
Total receipts	<u>333,534</u>	<u>43,936</u>	<u>10,800</u>	<u>-</u>	<u>95,112</u>	<u>1,240,957</u>	<u>144,637</u>
Disbursements:							
Personal services	-	48,669	-	-	64,445	89,723	-
Supplies	18,029	585	-	-	42,680	-	-
Other services and charges	179,656	2,076	-	-	13,129	1,159,775	144,363
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	104,195	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	79	-	-	-
Total disbursements	<u>301,880</u>	<u>51,330</u>	<u>-</u>	<u>79</u>	<u>120,254</u>	<u>1,249,498</u>	<u>144,363</u>
Excess (deficiency) of receipts over disbursements	<u>31,654</u>	<u>(7,394)</u>	<u>10,800</u>	<u>(79)</u>	<u>(25,142)</u>	<u>(8,541)</u>	<u>274</u>
Cash and investments - ending	<u>\$ 317,453</u>	<u>\$ 10,415</u>	<u>\$ 82,201</u>	<u>\$ -</u>	<u>\$ 237,812</u>	<u>\$ 6,180</u>	<u>\$ 1,162</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Brownfield	Healthy Families	Marquette Park	Gleason Golf Course	Emergency Shelter	Comprehensive Community Program	Homeownership
Cash and investments - beginning	\$ 99,558	\$ 16,780	\$ 2,247	\$ 5,249	\$ (357,180)	\$ 83,997	\$ 158
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	256,831	-	-	-	313,619	-	-
Charges for services	-	-	65,711	86,336	2,249	30,860	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	2,003	13	5,711	50,000	-	-
Total receipts	256,831	2,003	65,724	92,047	365,868	30,860	-
Disbursements:							
Personal services	-	-	-	9,136	422,249	-	-
Supplies	680	-	1,271	13,304	469	1,197	-
Other services and charges	194,500	1,505	62,674	72,427	7,314	32,727	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	1,895	-	-	1,276	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	158
Total disbursements	195,180	1,505	65,840	94,867	430,032	35,200	158
Excess (deficiency) of receipts over disbursements	61,651	498	(116)	(2,820)	(64,164)	(4,340)	(158)
Cash and investments - ending	\$ 161,209	\$ 17,278	\$ 2,131	\$ 2,429	\$ (421,344)	\$ 79,657	\$ -

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Landfill Closure	Landfill Trust	Solid Waste Recycling Project	Environmental Management	Pgci Project Grant	Health And Human Services	Supplemental Adult Probation Svcs
Cash and investments - beginning	\$ 204,320	\$ 1,133,409	\$ 281,081	\$ 15,403	\$ 18,659	\$ (318,405)	\$ 141,161
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	51,078	-	775,723	-
Charges for services	-	-	-	-	-	-	194,179
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	45,288	633,043	-	-	43,017	-
Total receipts	-	45,288	633,043	51,078	-	818,740	194,179
Disbursements:							
Personal services	-	-	494,997	-	-	616,731	149,456
Supplies	297	-	16,406	-	-	36,008	-
Other services and charges	83,066	-	81,668	74,347	-	131,165	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	78,915	-	-	9,472	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	39,651	-	-	18,659	-	-
Total disbursements	83,363	39,651	671,986	74,347	18,659	793,376	149,456
Excess (deficiency) of receipts over disbursements	(83,363)	5,637	(38,943)	(23,269)	(18,659)	25,364	44,723
Cash and investments - ending	\$ 120,957	\$ 1,139,046	\$ 242,138	\$ (7,866)	\$ -	\$ (293,041)	\$ 185,884

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Gary Health Department Rental	Hiv Substance Abuse Prevention	Cops In School	Park Nonreverting	Park Pavilion	National Park Service	Vehicle Auction
Cash and investments - beginning	\$ 5,545	\$ 8,523	\$ 504	\$ 15,112	\$ 514	\$ 802	\$ 54,951
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	90,281	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	156	-	-	88,011
Total receipts	-	-	-	90,437	-	-	88,011
Disbursements:							
Personal services	-	-	-	80,003	-	-	5,407
Supplies	-	-	-	3,122	-	-	48,709
Other services and charges	-	-	-	4,298	514	-	28,520
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	28,242
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	8,523	504	-	-	802	-
Total disbursements	-	8,523	504	87,423	514	802	110,878
Excess (deficiency) of receipts over disbursements	-	(8,523)	(504)	3,014	(514)	(802)	(22,867)
Cash and investments - ending	<u>\$ 5,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,126</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,084</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Bioterrorism	Community Development Block Grant	Redevelopment Operating	Summer Jobs Training Program	Fair Housing Project	Genesis Civic Center	Media
Cash and investments - beginning	\$ (16,454)	\$ 137,191	\$ 31,096	\$ 21,084	\$ 46,275	\$ 13,731	\$ 268,578
Receipts:							
Taxes	-	-	164,275	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	146,879	3,585,864	7,649	-	64,288	1	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	431,179
Utility fees	-	-	-	-	-	-	-
Other receipts	-	7,341	62,000	147,475	12,072	538,718	600,238
Total receipts	<u>146,879</u>	<u>3,593,205</u>	<u>233,924</u>	<u>147,475</u>	<u>76,360</u>	<u>538,719</u>	<u>1,031,417</u>
Disbursements:							
Personal services	3,768	1,151,291	196,481	168,242	59,694	240,619	240,496
Supplies	26,263	7,938	623	317	852	55,593	10,931
Other services and charges	53,376	2,203,347	17,540	-	2,565	29,624	33,625
Debt service - principal and interest	-	-	265	-	-	-	-
Capital outlay	55,696	214,964	-	-	-	-	10,729
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	189,935	600,000
Total disbursements	<u>139,103</u>	<u>3,577,540</u>	<u>214,909</u>	<u>168,559</u>	<u>63,111</u>	<u>515,771</u>	<u>895,781</u>
Excess (deficiency) of receipts over disbursements	<u>7,776</u>	<u>15,665</u>	<u>19,015</u>	<u>(21,084)</u>	<u>13,249</u>	<u>22,948</u>	<u>135,636</u>
Cash and investments - ending	<u>\$ (8,678)</u>	<u>\$ 152,856</u>	<u>\$ 50,111</u>	<u>\$ -</u>	<u>\$ 59,524</u>	<u>\$ 36,679</u>	<u>\$ 404,214</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Clerk Perpetuation	Genesis Center Operating	Leased Properties - Gary Bldg Corp.	State Air Grant	Hazardous Material	Lead Base Training	Dusable Apartments
Cash and investments - beginning	\$ 24,799	\$ 29,305	\$ (650,530)	\$ 30,658	\$ 5,969	\$ 753	\$ 5,240
Receipts:							
Taxes	-	3,084	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	14,260	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	787,723	68,483	-	-	-	-
Total receipts	<u>14,260</u>	<u>790,807</u>	<u>68,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	39,021	452,598	-	8,186	-	-	-
Supplies	-	164,410	-	-	-	-	-
Other services and charges	-	155,574	-	570	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	753	5,240
Total disbursements	<u>39,021</u>	<u>772,582</u>	<u>-</u>	<u>8,756</u>	<u>-</u>	<u>753</u>	<u>5,240</u>
Excess (deficiency) of receipts over disbursements	<u>(24,761)</u>	<u>18,225</u>	<u>68,483</u>	<u>(8,756)</u>	<u>-</u>	<u>(753)</u>	<u>(5,240)</u>
Cash and investments - ending	<u>\$ 38</u>	<u>\$ 47,530</u>	<u>\$ (582,047)</u>	<u>\$ 21,902</u>	<u>\$ 5,969</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Economic Development Bond Comm	Crime Victim Assistance	Alcohol And Drug Treatment	New Birth Grant	Boy Scouts	Remote Encoding Center	Edi Bar Code Center
Cash and investments - beginning	\$ 15,688	\$ 5,600	\$ 56,674	\$ 22	\$ 500	\$ 141,645	\$ 8,296
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	240,933	-
Fines and forfeits	11,500	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	28	-	-	-	-	403	-
Total receipts	11,528	-	-	-	-	241,336	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	821	-	-	-	-	13,442	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	5,600	-	-	-	-	8,296
Total disbursements	821	5,600	-	-	-	13,442	8,296
Excess (deficiency) of receipts over disbursements	10,707	(5,600)	-	-	-	227,894	(8,296)
Cash and investments - ending	<u>\$ 26,395</u>	<u>\$ -</u>	<u>\$ 56,674</u>	<u>\$ 22</u>	<u>\$ 500</u>	<u>\$ 369,539</u>	<u>\$ -</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Mayor Donations	Lakefront Development	Social Services	Special Events	City Council Donations	Lead Free 4 Me	Special Project Donations
Cash and investments - beginning	\$ -	\$ 1,124,739	\$ 107	\$ 10,009	\$ 18,015	\$ (1,732)	\$ 4,420
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	500	-	6,443	1,389	-	16,915	10,000
Total receipts	500	-	6,443	1,389	-	16,915	10,000
Disbursements:							
Personal services	-	-	-	-	-	11,007	-
Supplies	-	-	-	-	-	-	-
Other services and charges	500	16,800	5,074	10,647	-	4,176	2,860
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	500	16,800	5,074	10,647	-	15,183	2,860
Excess (deficiency) of receipts over disbursements	-	(16,800)	1,369	(9,258)	-	1,732	7,140
Cash and investments - ending	\$ -	\$ 1,107,939	\$ 1,476	\$ 751	\$ 18,015	\$ -	\$ 11,560

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Economic Development Trust	Community Development Loan Program	Police Donations	Weed And Seed	Welfare Excess	Human Relations	Homeland Security Fund
Cash and investments - beginning	\$ 667,778	\$ 16,048	\$ 1,355	\$ 10,442	\$ 400,380	\$ 2,000	\$ 280
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	1,285	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>23,168</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>102</u>	<u>-</u>	<u>-</u>
Total receipts	<u>24,453</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>102</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	296	-	-
Supplies	-	-	-	1,162	-	-	-
Other services and charges	42,610	-	-	1,023	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280</u>
Total disbursements	<u>42,610</u>	<u>-</u>	<u>-</u>	<u>2,185</u>	<u>296</u>	<u>-</u>	<u>280</u>
Excess (deficiency) of receipts over disbursements	<u>(18,157)</u>	<u>8</u>	<u>-</u>	<u>(2,185)</u>	<u>(194)</u>	<u>-</u>	<u>(280)</u>
Cash and investments - ending	<u>\$ 649,621</u>	<u>\$ 16,056</u>	<u>\$ 1,355</u>	<u>\$ 8,257</u>	<u>\$ 400,186</u>	<u>\$ 2,000</u>	<u>\$ -</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Cmaq Vehicles	Hope Vi Pilot	Energy Efficient	Hprp	Cdbg-R St Impro	Filming Fees	Chrp
Cash and investments - beginning	\$ -	\$ 22,082	\$ 12,312	\$ 4,268	\$ -	\$ 6,250	\$ (93,794)
Receipts:							
Taxes	-	-	-	263,391	-	-	533,724
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	54,668	286,378	-	191,643	-	-
Charges for services	-	-	-	-	-	7,550	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	7,750	2,575	-	662	-	-	458
Total receipts	7,750	57,243	286,378	264,053	191,643	7,550	534,182
Disbursements:							
Personal services	-	-	-	11,691	-	-	515,940
Supplies	-	-	2,593	1,442	-	-	-
Other services and charges	-	23,119	188,613	252,802	191,643	3,500	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	102,851	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	23,119	294,057	265,935	191,643	3,500	515,940
Excess (deficiency) of receipts over disbursements	7,750	34,124	(7,679)	(1,882)	-	4,050	18,242
Cash and investments - ending	<u>\$ 7,750</u>	<u>\$ 56,206</u>	<u>\$ 4,633</u>	<u>\$ 2,386</u>	<u>\$ -</u>	<u>\$ 10,300</u>	<u>\$ (75,552)</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Neighborhood Stabilization Program	Lead Base Paint Hazard Control G	Grand Trunk Corp	Redevelopment Bond	2007 Multi Purpose Revenue Bonds	2007 Go Judgment Funding Bonds	Baseball Maintenance
Cash and investments - beginning	\$ 444	\$ 2,279	\$ 1,187,500	\$ 2,591,295	\$ 445,335	\$ 33,525	\$ (68,267)
Receipts:							
Taxes	1,111,889	-	-	-	-	1,496,360	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	975,463	-	-	-	30,219	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,798	2,550	-	4,697,532	718	180	300,000
Total receipts	1,114,687	978,013	-	4,697,532	718	1,526,759	300,000
Disbursements:							
Personal services	61,779	46,356	-	-	-	-	-
Supplies	30,129	3,031	-	-	-	-	-
Other services and charges	997,965	923,964	92,518	-	-	500	231,462
Debt service - principal and interest	-	-	-	3,458,553	-	807,456	-
Capital outlay	-	-	30,708	-	359,942	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	2,830,209	-	104,140	-
Total disbursements	1,089,873	973,351	123,226	6,288,762	359,942	912,096	231,462
Excess (deficiency) of receipts over disbursements	24,814	4,662	(123,226)	(1,591,230)	(359,224)	614,663	68,538
Cash and investments - ending	\$ 25,258	\$ 6,941	\$ 1,064,274	\$ 1,000,065	\$ 86,111	\$ 648,188	\$ 271

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	15Th And Fulton Project	Burr Street Project	Grant/Buchanan Street Project	Park Construction	Mainwater Project	Casino Capital	Clean Up/Beautification
Cash and investments - beginning	\$ 3,459	\$ 297,261	\$ 325,816	\$ 3,856	\$ 72,577	\$ 2,417	\$ 7,080
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	55,404	189,907	3,600	-	53,473	-
Total receipts	-	55,404	189,907	3,600	-	53,473	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	324,175	4,068	-	1,248	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	90,352	-	-	54,642	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	3,459	352,665	55,126	-	-	-	-
Total disbursements	3,459	352,665	469,653	4,068	-	55,890	-
Excess (deficiency) of receipts over disbursements	(3,459)	(297,261)	(279,746)	(468)	-	(2,417)	-
Cash and investments - ending	\$ -	\$ -	\$ 46,070	\$ 3,388	\$ 72,577	\$ -	\$ 7,080

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	911 Equipment	Small Farms Tif District	Consolidated Area Tif District	Lakefront Tif District	6Th Avenue & Broadway Tif District	Tif Replacement	Marquette Renovation
Cash and investments - beginning	\$ 1,295	\$ 429,359	\$ 216,200	\$ 3,073,549	\$ 25,266	\$ 363,581	\$ -
Receipts:							
Taxes	-	-	869,857	2,379,671	-	93,617	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	254,700	16	7,053,124
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	400,000	2,032,000	-	-	-	-
Total receipts	-	400,000	2,901,857	2,379,671	254,700	93,633	7,053,124
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	2,076	-
Other services and charges	-	44,556	741,036	394,961	299	174,958	1,413,466
Debt service - principal and interest	-	-	-	-	279,667	146,810	-
Capital outlay	-	-	-	1,904	-	-	4,766,058
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	462,000	2,000,000	-	-	-	-
Total disbursements	-	506,556	2,741,036	396,865	279,966	323,844	6,179,524
Excess (deficiency) of receipts over disbursements	-	(106,556)	160,821	1,982,806	(25,266)	(230,211)	873,600
Cash and investments - ending	\$ 1,295	\$ 322,803	\$ 377,021	\$ 5,056,355	\$ -	\$ 133,370	\$ 873,600

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Lady Liberty Restoration	Guea Properties	Downtown Mall Tif District	Madison Avenue Tif District	Washington Manor Tif District	Consolidated Area Exp Tif District	Midwest Center Tif District
Cash and investments - beginning	\$ 212	\$ 2,641	\$ 61,817	\$ 391,526	\$ 15,662	\$ 245,689	\$ 287,536
Receipts:							
Taxes	-	-	8,424	293,848	1,224	127,452	146,063
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	70	1	-	-	-	349,486	-
Total receipts	<u>70</u>	<u>1</u>	<u>8,424</u>	<u>293,848</u>	<u>1,224</u>	<u>476,938</u>	<u>146,063</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	245	-	-	406,879	15,385
Debt service - principal and interest	-	-	-	126,204	-	-	-
Capital outlay	-	-	-	-	-	4,773	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	300,000	-
Total disbursements	<u>-</u>	<u>-</u>	<u>245</u>	<u>126,204</u>	<u>-</u>	<u>711,652</u>	<u>15,385</u>
Excess (deficiency) of receipts over disbursements	<u>70</u>	<u>1</u>	<u>8,179</u>	<u>167,644</u>	<u>1,224</u>	<u>(234,714)</u>	<u>130,678</u>
Cash and investments - ending	<u>\$ 282</u>	<u>\$ 2,642</u>	<u>\$ 69,996</u>	<u>\$ 559,170</u>	<u>\$ 16,886</u>	<u>\$ 10,975</u>	<u>\$ 418,214</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Lancaster Dusable Tif District	Fema Grant - Fire Department	Joint Public Safety Training	Dalton Arms Tif District	County Market Tif District	Sr912 No. 1 Tif District	Sr912 No. 2 Tif District
Cash and investments - beginning	\$ 91,485	\$ 53,998	\$ 13,041	\$ 46,281	\$ 2,475	\$ 15,754	\$ 141,205
Receipts:							
Taxes	193,160	-	-	5,294	810,020	2,636	31,075
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	5,765	-	-	-	-
Total receipts	193,160	-	5,765	5,294	810,020	2,636	31,075
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	35	33,600	-	2,450	7,134	2,633	270
Debt service - principal and interest	103,985	-	-	-	335,000	-	-
Capital outlay	-	18,860	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	104,020	52,460	-	2,450	342,134	2,633	270
Excess (deficiency) of receipts over disbursements	89,140	(52,460)	5,765	2,844	467,886	3	30,805
Cash and investments - ending	\$ 180,625	\$ 1,538	\$ 18,806	\$ 49,125	\$ 470,361	\$ 15,757	\$ 172,010

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Kenney's Ribs Tif District	Fire Capital Equipment	Major Moves Capital Projects	Gary City Center Allocation Area	Truck City Of Gary Allocation Area	Wci/Uci Benefit
Cash and investments - beginning	\$ 184,253	\$ 10,660	\$ 538,791	\$ 35,497	\$ 70,929	\$ (64,657)
Receipts:						
Taxes	42,708	-	-	-	458,610	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	4,591	-	-	-	1,128,772
Total receipts	<u>42,708</u>	<u>4,591</u>	<u>-</u>	<u>-</u>	<u>458,610</u>	<u>1,128,772</u>
Disbursements:						
Personal services	-	-	-	-	-	1,064,115
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	17,124	-
Debt service - principal and interest	221,056	-	-	-	149,784	-
Capital outlay	-	-	272,406	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>221,056</u>	<u>-</u>	<u>272,406</u>	<u>-</u>	<u>166,908</u>	<u>1,064,115</u>
Excess (deficiency) of receipts over disbursements	<u>(178,348)</u>	<u>4,591</u>	<u>(272,406)</u>	<u>-</u>	<u>291,702</u>	<u>64,657</u>
Cash and investments - ending	<u>\$ 5,905</u>	<u>\$ 15,251</u>	<u>\$ 266,385</u>	<u>\$ 35,497</u>	<u>\$ 362,631</u>	<u>\$ -</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Payroll	County Health	Empowerment Zone	Empowerment Zone Revolving	Microloan	Empowerment Zone Sba Microloan
Cash and investments - beginning	\$ 602	\$ 1,482	\$ -	\$ 353,964	\$ 23,795	\$ 3,184
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	245	370	1,115
Utility fees	-	-	-	-	-	-
Other receipts	2,824	6,041	793,735	806,994	10,814	17,091
Total receipts	<u>2,824</u>	<u>6,041</u>	<u>793,735</u>	<u>807,239</u>	<u>11,184</u>	<u>18,206</u>
Disbursements:						
Personal services	-	-	474,352	-	-	-
Supplies	-	-	2,903	-	-	-
Other services and charges	-	5,882	190,867	154,682	-	21,314
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	119,540	937,339	33,051	-
Total disbursements	<u>-</u>	<u>5,882</u>	<u>787,662</u>	<u>1,092,021</u>	<u>33,051</u>	<u>21,314</u>
Excess (deficiency) of receipts over disbursements	<u>2,824</u>	<u>159</u>	<u>6,073</u>	<u>(284,782)</u>	<u>(21,867)</u>	<u>(3,108)</u>
Cash and investments - ending	<u>\$ 3,426</u>	<u>\$ 1,641</u>	<u>\$ 6,073</u>	<u>\$ 69,182</u>	<u>\$ 1,928</u>	<u>\$ 76</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Empowerment Zone Sba Loss Reserve	City Clerk Civil Division	City Clerk Criminal Division	Regional Development Authority	Miscellaneous Refunds	Redevelopment Depository Trust
Cash and investments - beginning	\$ 30,252	\$ 6,208	\$ 1,017,675	\$ -	\$ 12,287	\$ 167,902
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>43</u>	<u>81,490</u>	<u>1,220,134</u>	<u>3,975,000</u>	<u>813</u>	<u>284</u>
Total receipts	<u>43</u>	<u>81,490</u>	<u>1,220,134</u>	<u>3,975,000</u>	<u>813</u>	<u>284</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	3,975,000	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>18,049</u>	<u>80,917</u>	<u>1,268,923</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>18,049</u>	<u>80,917</u>	<u>1,268,923</u>	<u>3,975,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(18,006)</u>	<u>573</u>	<u>(48,789)</u>	<u>-</u>	<u>813</u>	<u>284</u>
Cash and investments - ending	<u>\$ 12,246</u>	<u>\$ 6,781</u>	<u>\$ 968,886</u>	<u>\$ -</u>	<u>\$ 13,100</u>	<u>\$ 168,186</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Withholdings	Supplemental Public Defender	ledc - Empowerment Zone	Confiscated Property	Salary Fee Judicial	Gary Storm Water Management District (GSWMD)
Cash and investments - beginning	\$ 1,779,360	\$ 15,868	\$ 16,750	\$ 169,855	\$ 17,819	\$ 66,126
Receipts:						
Taxes	-	-	-	-	-	1,001,206
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	26,459
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	716	-	-	-
Utility fees	-	-	-	-	-	34,375
Other receipts	<u>22,284,704</u>	<u>21,496</u>	<u>2,640</u>	<u>92,261</u>	<u>25,831</u>	<u>794,233</u>
Total receipts	<u>22,284,704</u>	<u>21,496</u>	<u>3,356</u>	<u>92,261</u>	<u>25,831</u>	<u>1,856,273</u>
Disbursements:						
Personal services	-	-	-	-	34,641	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	43,113	-	-
Debt service - principal and interest	-	-	-	-	-	9,479
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	834,086
Other disbursements	<u>22,259,592</u>	<u>-</u>	<u>19,756</u>	<u>-</u>	<u>-</u>	<u>848,900</u>
Total disbursements	<u>22,259,592</u>	<u>-</u>	<u>19,756</u>	<u>43,113</u>	<u>34,641</u>	<u>1,692,465</u>
Excess (deficiency) of receipts over disbursements	<u>25,112</u>	<u>21,496</u>	<u>(16,400)</u>	<u>49,148</u>	<u>(8,810)</u>	<u>163,808</u>
Cash and investments - ending	<u>\$ 1,804,472</u>	<u>\$ 37,364</u>	<u>\$ 350</u>	<u>\$ 219,003</u>	<u>\$ 9,009</u>	<u>\$ 229,934</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	GSD/GSWMD Watershed Management Plan	GSDWM E. Ridge Road Project	GSD Long Lake Water	Gsd Wwtp General Operating	Gsd Bond And Interest	Gsd Sewer Construction
Cash and investments - beginning	\$ 100	\$ -	\$ -	\$ 1,257,910	\$ 1,134,292	\$ 30,150
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	8,411	-	-
Other receipts	-	835,105	92,919	28,385,613	2,292,100	832,086
Total receipts	-	835,105	92,919	28,394,024	2,292,100	832,086
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	3,303,661	-
Capital outlay	-	-	-	115,139	-	-
Utility operating expenses	-	-	64	17,407,817	-	-
Other disbursements	100	835,105	-	9,063,880	-	835,105
Total disbursements	100	835,105	64	26,586,836	3,303,661	835,105
Excess (deficiency) of receipts over disbursements	(100)	-	92,855	1,807,188	(1,011,561)	(3,019)
Cash and investments - ending	\$ -	\$ -	\$ 92,855	\$ 3,065,098	\$ 122,731	\$ 27,131

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Gsd Sewer Operating	Gsd Solid Waste Disposal	Gsd Debt Service	Gsd Grand Calumet Sedimentation	Gsd Debt Service Reserve	Gsd Equipment Replacement
Cash and investments - beginning	\$ 437,305	\$ 143,912	\$ 1,511,904	\$ 3,485,928	\$ 1,658,573	\$ 449,248
Receipts:						
Taxes	1,296,751	6,233,289	4,241,842	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	26,134	138,642	88,413	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>3,282,162</u>	<u>4,410,378</u>	<u>1,753,775</u>	<u>5,917</u>	<u>2,770</u>	<u>4,555,831</u>
Total receipts	<u>4,605,047</u>	<u>10,782,309</u>	<u>6,084,030</u>	<u>5,917</u>	<u>2,770</u>	<u>4,555,831</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	7,683	3,640,943	-	-	-
Capital outlay	-	7,307,658	-	-	-	219,025
Utility operating expenses	396,514	-	-	-	-	12,933
Other disbursements	<u>4,542,785</u>	<u>3,518,312</u>	<u>2,140,549</u>	<u>-</u>	<u>-</u>	<u>2,909,000</u>
Total disbursements	<u>4,939,299</u>	<u>10,833,653</u>	<u>5,781,492</u>	<u>-</u>	<u>-</u>	<u>3,140,958</u>
Excess (deficiency) of receipts over disbursements	<u>(334,252)</u>	<u>(51,344)</u>	<u>302,538</u>	<u>5,917</u>	<u>2,770</u>	<u>1,414,873</u>
Cash and investments - ending	<u>\$ 103,053</u>	<u>\$ 92,568</u>	<u>\$ 1,814,442</u>	<u>\$ 3,491,845</u>	<u>\$ 1,661,343</u>	<u>\$ 1,864,121</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Gsd/Wrep Economic Development	Gsd Srf	GSD 2011 Bonds Series A	Gsd Beach Sampling	Gsd E Coli	Totals
Cash and investments - beginning	\$ 1,981	\$ -	\$ -	\$ 985	\$ 44,109	\$ 27,579,813
Receipts:						
Taxes	-	-	-	-	-	100,843,676
Licenses and permits	-	-	-	-	-	834,430
Intergovernmental	-	-	-	-	29,086	33,207,175
Charges for services	-	-	-	-	-	2,036,847
Fines and forfeits	-	-	-	-	-	1,598,638
Utility fees	-	-	-	-	-	42,786
Other receipts	-	2,692,559	21,325,538	6,930	15,065	171,852,127
Total receipts	-	2,692,559	21,325,538	6,930	44,151	310,415,679
Disbursements:						
Personal services	-	-	-	-	-	58,771,834
Supplies	-	-	-	-	-	3,146,643
Other services and charges	-	-	-	-	-	44,271,008
Debt service - principal and interest	-	-	-	-	-	38,848,195
Capital outlay	-	-	-	-	-	14,337,286
Utility operating expenses	-	362,682	668,923	-	-	19,683,019
Other disbursements	-	2,329,877	142,338	-	-	103,156,462
Total disbursements	-	2,692,559	811,261	-	-	282,214,447
Excess (deficiency) of receipts over disbursements	-	-	20,514,277	6,930	44,151	28,201,232
Cash and investments - ending	\$ 1,981	\$ -	\$ 20,514,277	\$ 7,915	\$ 88,260	\$ 55,781,045

CITY OF GARY
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 1,752,775	\$ -
Storm Water Management District	1,825	-
Gsd	1,687,753	7,536,717
Totals	\$ 3,442,353	\$ 7,536,717

CITY OF GARY
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Fifth Third	(3) Ten Ton Trucks Salt Spreaders Excavators & Accessories Lease 3	\$ 68,880	06-09-06	12-09-12
GE Government Finance Inc.	Recycling Trucks	<u>78,915</u>	01-06-08	02-02-12
Total governmental activities		<u>147,795</u>		
Total of annual lease payments		<u><u>\$ 147,795</u></u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	City of Gary GO Judgement Funding Bonds Series 2007	\$ 3,250,000	\$ 882,797
Notes and loans payable	Improving Neighborhoods Through Revitalization Revolving Loan	94,478	94,478
Notes and loans payable	General Revenue Notes of 2010	7,354,762	2,413,993
Lines of credit	Broad Ridge Partners LP	<u>314,633</u>	<u>229,733</u>
Total governmental activities		<u>11,013,873</u>	<u>3,621,001</u>
Gsd:			
General obligation bonds	1993 SRF Bonds	1,094,000	1,115,800
General obligation bonds	Special Taxing District Refunding Bonds Series 2003	2,680,000	1,411,250
Revenue bonds	2011 Revenue Bonds	21,705,000	902,352
Revenue bonds	2000 SRF Revenue Bonds	<u>13,347,014</u>	<u>1,250,000</u>
Total Gsd		<u>38,826,014</u>	<u>4,679,402</u>
Totals		<u><u>\$ 49,839,887</u></u>	<u><u>\$ 8,300,403</u></u>

CITY OF GARY
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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

	Ending Balance
Governmental activities:	
Land	\$ 22,189,934
Infrastructure	135,005,624
Buildings	144,114,905
Improvements other than buildings	12,104,575
Machinery, equipment and vehicles	43,968,906
Construction in progress	13,546,841
Total governmental activities	370,930,785
Storm Water Management District:	
Land	114,354
Infrastructure	5,098,920
Buildings	1,367,825
Machinery, equipment and vehicles	258,620
Construction in progress	3,311,408
Total Storm Water Management District	10,151,127
Gsd:	
Land	1,508,598
Infrastructure	193,360,421
Buildings	104,713,847
Improvements other than buildings	3,505,630
Machinery, equipment and vehicles	62,533,678
Construction in progress	3,609,453
Total Gsd	369,231,627
Total capital assets	\$ 750,313,539

CITY OF GARY
OTHER REPORTS

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

City Controller
City Clerk
Common Council
City Court
Parks Department

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited City of Gary's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in items 2011-03, 2011-04, 2011-05, 2011-06, 2011-07, 2011-08, and 2011-09 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Allowable Costs and Reporting that are applicable to its ARRA - Homelessness Prevention and Rapid Re-Housing Program, Reporting and Subrecipient Monitoring that are applicable to its HOME Investment Partnerships Program, Reporting and Cash Management that are applicable to its CDBG - Entitlement Grants Cluster, and Earmarking and Reporting applicable to its ARRA - Energy Efficiency and Conservation Block Grant (EECBG). Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended December 31, 2011.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies, or material weaknesses, and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2011-03, 2011-04, 2011-05, 2011-06, 2011-08, and 2011-09 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-07, to be a significant deficiency.

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

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

STATE BOARD OF ACCOUNTS

September 6, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education Child Nutrition Cluster Summer Food Service Program for Children (SFSPC)	10.559	C2-9-45-74505	\$ 54,086
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Pass-Through Indiana Department of Natural Resources Coastal Zone Management Administration Awards Lake Michigan Shoreline Management Plan Long Lake Watershed Project	11.419	C20813	4,846 <u>9,357</u>
Total for the federal grantor agency			<u>14,203</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grants			
CDBG - Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants	14.218	B-08-MC-18005 B-09-MC-18005 B-10-MC-18006 B-11-MC-18006 B-08-MN-18-0005	82,088 352,040 2,817,563 336,316 <u>1,077,184</u>
Neighborhood Stabilization Program (NSP1)			
Total for program			<u>4,665,191</u>
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	14.253	B-09-MY-18-0005	<u>191,643</u>
Total for cluster			<u>4,856,834</u>
Lead Hazard Control Cluster ARRA - Lead-Based Paint Hazard Control In Privately-Owned Housing	14.907	INLHB0419-08	<u>975,463</u>
Total for cluster			<u>975,463</u>
Supportive Housing Program	14.235	IN36B702036	<u>88,365</u>
HOME Investment Partnerships Program	14.239	M-05-MC-180203 M-07-MC-180203 M-08-MC-180203 M-09-MC-180203 M-10-MC-180203 M-11-MC-180203	783,111 9,076 240,729 84,318 105,158 <u>18,535</u>
Total for program			<u>1,240,927</u>
ARRA - Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257	S-09-MY-18-0005	<u>263,391</u>
Emergency Shelter Grants Program	14.231	S-10-MC-18-0005 S-11-MC-18-0005	32,125 112,512
Pass-Through Indiana Housing and Community Development Authority Emergency Shelter Grants Program		ES-010-032	<u>18,145</u>
Total for program			<u>162,782</u>
Total for federal grantor agency			<u>8,563,225</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grants			
ARRA - Public Safety Partnership and Community Policing Grants COPS Hiring Recovery Program (CHRP)	16.710	2009-RKWX-0345	<u>533,724</u>

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

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE (continued)</u>			
Direct Grants (continued)			
Equitable Sharing Program	16.922		<u>179,589</u>
Pass-Through Indiana Criminal Justice Institute			
Crime Victim Assistance	16.575	10VANP055 11VANP234	65,575 <u>25,376</u>
Total for program			<u>90,951</u>
Violence Against Women Formula Grant Program			
Services, Training, Officers, and Prosecutors (STOP)	16.588	10STVS049 11STVS016	12,306 <u>14,633</u>
Total for program			<u>26,939</u>
Total for federal grantor agency			<u>831,203</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205		
Gary Green Link: Grand Calumet River Bike and Pedestrian Trail		PE 0401038	51,078
South Grant Street Improvement Project - Phase 3		STP-N-501-(011) 710384	65,769
Matrina Access		DES #0900262 & 0300909	<u>49,917</u>
Total for federal grantor agency			<u>166,764</u>
<u>U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u>			
Direct Grant			
Employment Discrimination-Title VII of the Civil Rights Act of 1964	30.001	EECCN110065 EECIND11052	43,400 <u>500</u>
Total for federal grantor agency			<u>43,900</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grants			
Community Action for a Renewed Environment (CARE) Program	66.035	RE-00E00567-0	<u>86,942</u>
Environmental Workforce Development and Job Training Cooperative Agreements			
Brownfield Job Training Cooperative Agreements	66.815	JT-00E97401-1	<u>53,379</u>
Brownfields Assessment and Cleanup Cooperative Agreements			
EPA Petroleum Assessment	66.818	BF-00E40601	<u>33,570</u>
Pass-Through Indiana Finance Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS 18225801	<u>1,000,583</u>
Total for federal grantor agency			<u>1,174,474</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Grant			
ARRA - Energy Efficiency and Conservation Block Grant (EECBG) Program	81.128	DE-FOA-0000013	<u>286,378</u>

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

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana State Department of Health Immunization Cluster Immunization Grants	93.268	IP 196-68 FY 2010 IP 196-68 FY 2011	45,720 <u>29,021</u>
Total for cluster			<u>74,741</u>
Public Health Emergency Preparedness Public Health Preparedness and Response for Bioterrorism	93.069	BPRS 196-70 BPRS 196-71	9,974 33,263
Public Health Emergency Preparedness and Response for H1N1		H1N1 196-68	<u>116,665</u>
Total for program			<u>159,902</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	TB 196-3	<u>10,240</u>
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	CLP 775-3	<u>80,982</u>
Pass-Through Indiana Criminal Justice Institute Social Services Block Grant	93.667	09SSBG00	<u>3,335</u>
Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	93.671	09FFV-0019	<u>31,000</u>
Pass-Through Indiana State Department of Health Block Grants for Prevention and Treatment of Substance Abuse Prenatal Substance Use Prevention Program	93.959	PSUP 775-1	<u>75,047</u>
Pass-Through Indiana Criminal Justice Institute Preventive Health and Health Services Block Grant	93.991	09SOS005	<u>980</u>
Pass-Through Indiana State Department of Health Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	STD 196-4 STD 196-5	122,284 <u>4,275</u>
Total for program			<u>126,559</u>
Maternal and Child Health Services Block Grant to the States	93.994	MCH 196-1	<u>157,576</u>
Total for federal grantor agency			<u>720,362</u>
Total federal awards expended			<u>\$ 10,879,132</u>

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

CITY OF GARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Gary (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2011:

Program Title	Federal CFDA Number	2011
Community Development Block Grants/Entitlement Grants	14.218	\$ 135,485
Emergency Shelter Grants Program	14.231	144,637
HOME Investment Partnerships Program	14.239	1,110,524

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	CDBG - Entitlement Grants Cluster
14.239	HOME Investment Partnerships Program
14.257	ARRA - Homelessness Prevention and Rapid Re-Housing Program (HPRP)
81.128	ARRA - Energy Efficiency and Conservation Block Grant (EECBG) Program

Dollar threshold used to distinguish between Type A and Type B programs: \$328,303

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2011-01 – FEDERAL GRANT SCHEDULE

The information for the initial Schedule of Expenditures of Federal Awards (SEFA) provided for audit was incomplete and contained errors.

1. The schedule did not include a federal program which resulted in the SEFA presented for audit to be understated by \$1,000,583 of Federal Expenditures, before adjustment.

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

2. Nine of the programs on the schedule did not include or have the correct CFDA (Catalog of Federal Domestic Assistance) numbers relating to the programs. In addition, seven grants on the schedule did not include all award identifying numbers.
3. Five programs reported a total for program expenditures and did not breakdown the financial activity between the various grant awards.
4. Four American Recovery and Reinvestment Act (ARRA) funded grants were not identified on the schedule as ARRA.

Although the Controller's office obtained additional information and revised the SEFA for audit, the controls over information processes that contributed to the errors in the original SEFA are insufficient.

Various departments are responsible for applying for grants, seeking board approval for the grants, and overseeing the implementation of the grant and the related grant activity. The Controller's office is responsible for preparing the SEFA, based upon the grant information obtained from the financial accounting records and other information provided by each department. A review of the grant files maintained by the business office determined that grant award letters, grant application, grant budget, reports, and other grant documents are not always provided by the various departments. These documents are necessary for the Controller's office to obtain required information for the SEFA such as CFDA titles and numbers, and to assist in identifying federal grants.

The lack of submission of grant documents by the various departments to the Controller's office hinders the ability of the business office to accurately prepare the federal grant schedule.

OMB Circular A-133, subpart .300 Auditee Responsibilities, states in part:

"The auditee shall: (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity."

OMB Circular A-133, subpart .310 Financial Statements states in part:

"(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements . . . At a minimum, the schedule shall:

1. List individual Federal programs by Federal agency. . . .
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number . . ."

We recommended the City establish policies and procedures to ensure that the Controller's office has the documentation required to prepare the federal grant schedule accurately, completely, and in accordance with OMB Circular A-133 requirements.

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

FINDING 2011-02 – INTERNAL CONTROLS OVER FINANCIAL STATEMENT

The Gary Sanitary District (GSD), a department of the City, sold revenue bonds in September 2011. The bond proceeds are financing the Ralston Street Lagoon project, as required by a consent decree with the EPA (Environmental Protection Agency). Bond proceeds of \$ 21,108,113 were deposited into the trust account in September 2011. Interest earnings and the Good Faith Deposit from the bond purchaser, increased receipts in the trust account by \$217,456. Thus, the total 2011 trust receipts were \$21,325,538. The total 2011 trust disbursements were \$811,261 for bond issuance costs and project costs.

The trust financial transactions, including the ending cash balance of \$20,514,277 at December 31, 2011, were not entered in the records of the City. Failure to record the transactions to the City's financial accounting system caused the financial statement for the City to be understated. Adjustments, approved by the City Controller, have been made to the financial statement to reflect the activity of the trust.

Inquiry of employees at GSD indicated that the failure to record the transactions was an oversight by employees, who did not realize that the trust account should be reflected in the records. The City's finance department relies upon the GSD's finance department to account and post the financial transactions of GSD. The City, including the GSD, does not have adequate internal controls to ensure that all financial transactions of the City, which includes GSD activity, were properly recorded.

The omission of transactions by GSD hinders the ability of the City's finance department to accurately report the City's financial activity.

OMB Circular A-133____.300 states in part: "The auditee shall: . . . (d).Prepare appropriate financial statements . . ."

OMB Circular A-133____.105 states in part:

"Internal control means a process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and efficiency of operations;
2. Reliability of financial reporting; and
3. Compliance with applicable laws and regulations."

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

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

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

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

We recommended the City, including GSD, establish and implement policies and procedures to ensure all financial transactions are properly recorded to the City's records.

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-03 – REPORTING

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: ARRA - Homelessness Prevention and Rapid Re-Housing Program (HPRP)
CFDA Number: 14.257
Award Number: S-09-MY-18-0005

The City was required to submit Quarterly Performance Reports as part of the ARRA Homelessness Prevention and Rapid Re-Housing Program (HPRP) grant agreement between the City and the U.S. Department of Housing and Urban Development (HUD). The performance reports were completed based upon the Homeless Management Information System (HMIS). The performance reports were filed with the HUD on a quarterly basis; however, the information reported did not agree with and was not reconciled to the City's ledgers.

The HMIS system is used to maintain individual client information which should mirror the City's financial system. The HMIS did not include all of the expenditures that were recorded in the City's financial system; therefore, the amounts reported were not in agreement with the financial records of the City. This finding was previously reported as Finding 2010-04.

The performance reports submitted by the City contain a section for Expenditures by Activity. The instructions for that section state the following: "In the cells below, enter the amount of funds expended (costs incurred, not necessarily drawn down) for each activity type, in the current quarter and for the grant to date. If an expenditure is incurred and reported in the grantee's financial system for the current quarter, report it below. This data will not necessarily reflect draws in IDIS." The City did not comply with the reporting guidance in preparing the report.

24 CFR 85.20 states in part:

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

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

2 CFR 176.50 states:

"Agencies are responsible for ensuring that their recipients report information required under the Recovery Act in a timely manner. The following award term shall be used by agencies to implement the recipient reporting and registration requirements in section 1512:

- (a) This award requires the recipient to complete projects or activities which are funded under the American Recovery and Reinvestment Act of 2009 (Recovery Act) and to report on use of Recovery Act funds provided through this award. Information from these reports will be made available to the public.

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

(b) The reports are due no later than ten calendar days after each calendar quarter in which the recipient receives the assistance award funded in whole or in part by the Recovery Act.

(c) Recipients and their first-tier recipients must maintain current registrations in the Central Contractor Registration (<http://www.ccr.gov>) at all times during which they have active federal awards funded with Recovery Act funds. A Dun and Bradstreet Data Universal Numbering System (DUNS) Number (<http://www.dnb.com>) is one of the requirements for registration in the Central Contractor Registration.

(d) The recipient shall report the information described in section 1512(c) of the Recovery Act using the reporting instructions and data elements that will be provided online at <http://www.FederalReporting.gov> and ensure that any information that is pre-filled is corrected or updated as needed."

The U.S. Department of Housing and Urban Development cannot adequately monitor the grant funds, or adequately assess their needs if reports do not contain accurate information. No attempt was made to reconcile the City's accounting records to the quarterly reports filed. Internal controls are not in place to ensure the amounts reported agree to the City's records.

OMB Circular A133 Section 300(b) states that the auditee shall:

"Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Failure to comply with these requirements could cause the City to be ineligible to receive future federal awards.

We recommended that the City establish controls and procedures to ensure future reports are prepared in compliance with the U.S. Department of Housing and Urban Development's guidelines.

FINDING 2011-04 – ALLOWABLE COSTS

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: ARRA Homelessness Prevention and Rapid Re-Housing Program (HPRP)
CFDA Number: 14.257
Award Number: S-09-MY-18-0005

Homelessness Prevention and Rapid Re-Housing Program (HPRP) provides temporary financial assistance and housing relocation and stabilization services to individuals and families who are homeless or would be homeless without this assistance. After receiving the approval for funding regarding the HPRP, the City entered into a contract dated September 30, 2009, with Continuum of Care, a not-for-profit organization (grantee) to administer the entire HPRP grant. According to the contract, the grantee had the responsibility to administer the entire grant and the City was to reimburse the grantee for the related expenditures.

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

1. According to the contract, the federal funds were to be reimbursed to the grantee. According to the City, the grantee determined that was not feasible as it did not have the cash flow to expend the funds prior to reimbursement by the City. The City did not void or amend the contract to more accurately reflect the contractual arrangement between the City and the grantee. The City did not disburse any funds to the grantee during 2011, but paid all the grantee's vendors directly to administer the HPRP grant.
2. The not-for-profit organization had entered into agreements with "independent contractors" to conduct the HPRP grant activities. These independent contractors were responsible for determining the eligibility of participants of the grant including preparing all the necessary paperwork and monitoring of services of the HPRP grant. The City paid these independent contractors directly, without a written contract between the City and the independent contractor. The invoices submitted for payment by the independent contractors did not include detailed time records, description of service, or detailed rate of pay.

This finding was previously reported as Finding 2010-05.

24 CFR 85.20 states in part:

"Standards for financial management systems. . . .

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

(6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

OMB Circular A87, Attachment B, Section 32(b) states:

"In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:
. . .

(8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions)."

OMB Circular A133 Section 300(b) states that the auditee shall:

"Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Failure to establish the proper controls over the payment of claims and complying with contractual agreements could jeopardize the City's ability to secure future federal awards.

We recommended that City officials establish procedures to review contracts. We also recommended that the City establish better controls to ensure compliance with Federal and State guidelines.

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

FINDING 2011-05 – REPORTING

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program, Community
Development Block Grants/Entitlement Grants
CFDA Number: 14.239, 14.218
Award Number and Year: M-11-MC-180203, B-11-MC-18006

The Federal Funding Accountability and Transparency Act (FFATA) (Transparency Act) requires prime awardees (the City) of federal grants to submit certain reports. These reports are required when the City awards federal funds of \$25,000 or more through to subrecipients. The purpose behind the Transparency Act is to provide the citizens with information regarding how local units are spending federal funds. The City's Community Development Department staff was not aware of Transparency Act's reporting requirements for the Community Development Block Grants/Entitlement Grants (CDBG). The required reports were not prepared or submitted by the City's Community Development Department.

As part of the reporting requirements associated with the HOME Investment Partnerships (HOME) program and the CDBG grant, for each grant exceeding \$200,000 that involves housing rehabilitation or construction, the awardee submit annual performance reports to ensure compliance with section 3 requirements. We requested a copy of the report and it could not be located for audit, nor was there any knowledge by City employees of the report being submitted. Therefore, the required report was not remitted for the period of January 1, 2011 to December 31, 2011

Federal regulation requires that prime awardees awarded a federal grant are required to file a Federal Funding Accountability and Transparency Act (FFATA) sub-award report by the end of the month following the month in which the prime awardee awards any sub-grant equal to or greater than \$25,000.

2 CFR Appendix A to Part 170 states in part:

"I. Reporting Subawards and Executive Compensation.

a. *Reporting of first-tier subawards.*

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

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

24 CFR 135.90 states:

"Each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of section 3. Where the program providing the section 3 covered assistance requires submission of an annual performance report, the section 3 report will be submitted with that annual performance report. If the program providing the section 3 covered assistance does not require an annual performance report, the section 3 report is to be submitted by January 10 of each year or within 10 days of project completion, whichever is earlier. All reports submitted to HUD in accordance with the requirements of this part will be made available to the public."

OMB Circular A133 Section 300(b) states that the auditee shall:

"Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The City was not in compliance with reporting requirements for this program. Failure to comply with these reporting requirements could cause the City to be ineligible to receive future federal awards.

We recommended that the officials establish controls and proper procedures to ensure compliance with the reporting requirements.

FINDING 2011-06 – SUBRECIPIENT MONITORING

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.239
Award Number and Year: M-05-MC-180203

The City's Department of Community Development (Department) sub-grants funds to organizations that develop affordable housing within the City. One of the organizations was reimbursed \$783,110.88 during the 2011 calendar year, potentially requiring an A-133 audit. The organization did not obtain an A-133 audit, based upon the audited financial statements that the Department had received from the organization. The Department failed to determine if the A-133 audit was required or performed.

The Department of Community Development did not provide the Catalog of Federal Domestic Assistance (CFDA) title and number, the Federal Award name and grant identifying number to its sub-recipients. The written agreements with the organizations (subrecipients) lacked this information. Without the proper notification, a sub-grantee may be unaware of the need for an A-133 audit.

The City is not in compliance with subrecipient monitoring requirements. Failure to comply with federal guidelines could lead to the loss of future funding.

According to OMB Circular A-133 Section 400(d) states in part:

"Pass-through entity responsibilities. A pass-through entity shall perform the following for the federal awards it makes:

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

- (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.
- (2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
- (6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.
- (7) Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part."

OMB Circular A133 Section 300(b) states that the auditee shall:

"Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended that the City's Community Development Department develop procedures to ensure that requirements outlined in section 400(d) of OMB Circular A-133 regarding subrecipients are being met.

FINDING 2011-07 – CASH MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Number: Neighborhood Stabilization Program (NSP1) B-08-MN-18-00005

A portion of the Neighborhood Stabilization Program (NSP1) grant received by the City was used for the demolition of slum and blighted structures. The demolition activities from the NSP1 grant were overseen by the City's Redevelopment Department, who are experienced in managing and overseeing the demolition of structures.

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

The Community Development Department would process drawdowns for demolition based upon the claim information provided by the Redevelopment Department. The Redevelopment Department was submitting the claim to the City Controller's office for payment, according to Community Development staff. Community Development did not know when the claim was actually submitted for payment, only when the drawdown was requested. The Community Development Department lacked procedures and/or oversight to ensure that the Redevelopment Department was complying with the guidelines to minimize time between draw down and payment.

Seven payments for demolition totaling \$76,132 were paid where the time between the drawdown of funds and the payment was not minimized. The time between drawdown and payment for these seven payments ranged between sixteen to forty-three days.

24 CFR part § 84.21 states in part:

"(b) Recipients' financial management systems shall provide for the following: . . .

- (5) Written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means for program purposes by the recipient. To the extent that the provisions of the Cash Management Improvement Act (CMIA) (Pub. L. 101-453) govern, payment methods of State agencies, instrumentalities, and fiscal agents shall be consistent with CMIA Treasury-State Agreements or the CMIA default procedures codified at 31 CFR part 205, "Withdrawal of Cash from the Treasury for Advances under Federal Grant and Other Programs."

OMB Circular A133 Section 300(b) states that the auditee shall:

"Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Failure to comply with the requirements may cause future funding to be reduced by the U.S. Department of Housing and Urban Development.

We recommended that City Officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized according to the grant requirements.

FINDING 2011-08 – EARMARKING

Federal Agency: U.S. Department of Energy
Federal Program: ARRA - Energy Efficiency and Conservation Block Grant (EECBG) Program
CFDA Number: 81.128
Award Number: DE-FOA-0000013

The Energy Independence and Security Act (EISA) requires that a local unit of government may not exceed the greater of: 10 percent or \$75,000, for administrative costs, excluding the costs of meeting the program's reporting requirement. The 10 percent limitation for the City, which is higher than \$75,000, was \$93,520.

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

The Energy Director, who was a contractual employee, was compensated from this grant both in 2010 and 2011. Bi-weekly invoices submitted by the Energy Director lacked sufficient detail. The invoices listed general work done, but failed to include rate of pay, hours worked, and days worked. Due to a lack of detail on submitted invoices for 2011, it was impossible to verify how much time the Energy Director spent on activities related to meeting the reporting requirements. Under the EISA guidelines, reporting costs could be excluded from administrative costs. Additionally, the City contacted with a vendor to assist with reporting. As a result, we considered the Director's entire compensation when testing compliance with 10% administrative cap. The administrative costs, as determined for the grant, were \$149,712, which exceeded the 10 percent administrative cap of \$93,520.

According to the Energy Independence and Security Act Section 545 (a)(3), an eligible unit of local government may use:

"(A) for administrative expenses, excluding the cost of meeting the reporting requirements of this subtitle, an amount equal to the greater of –

- i. 10 percent; and
- ii. \$75,000 . . ."

OMB Circular A133 Section 300(b) states that the auditee shall:

"Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The City was not in compliance with the earmarking requirements for this program. Failure to comply with these requirements could cause the City to be ineligible to receive future federal awards.

We recommended City Officials establish controls to monitor the earmarking requirements stated in the federal guidelines.

FINDING 2011-09 – REPORTING

Federal Agency: U.S. Department of Energy
Federal Program: Energy Efficiency and Conservation Block Grant (EECBG) Program
CFDA Number: 81.128
Federal Award Number: DE-FOA-0000013

As part of the grant agreement with the U.S. Department of Energy, the City was required to submit quarterly federal financial reports (form SF-425), as well as quarterly ARRA reports (Section 1512). The SF-425 reports were to detail program receipts and expenditures per the City's financial records and were to be submitted no later than 30 days after the end of each quarter. The Section 1512 reports were to include an award number, the total amount of the award, and the cumulative money received and expended to date. The Section 1512 reports were to be submitted no later than 10 days after the end of each quarter.

The form SF-425 or Section 1512 reports were not submitted timely. The first, second, and third quarter form SF-425 reports were not submitted until December 2011. The fourth quarter report was not submitted until March 2012. The Section 1512 reports were submitted anywhere from 4 to 25 days after the submission deadline.

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

The form SF-425 and Section 1512 reports did not accurately reflect the activity of the grant as recorded in the City's financial records, as follows

1. For all four quarterly form SF-425 reports, the receipts listed on the reports exceeded the receipts posted to the ledger. In three of the four quarters, the disbursements listed on the reports exceeded the disbursements posted to the ledger.
2. For three of the four quarterly Section 1512 reports, the receipts and disbursements listed on the reports exceeded the receipts posted to the ledger. In the fourth quarter, the ledger activity exceeded the reported activity for both receipts and disbursements.
3. In all four quarters, the receipts and disbursements listed on the form SF-425 did not agree with the receipts and disbursements listed on the Section 1512.

The 2009 Energy Efficiency and Conservation Block Grant Assistance Agreement between the U.S. Department of Energy and the City of Gary, Attachment 3, Federal Assistance Reporting Instructions states: "FOR ALL RECIPIENTS: Submit a Quarterly Progress Report and the SF-425 Federal Financial Report. All quarterly reports are due no later than 30 days after the end of the reporting period." The agreement also states the following: "ARRA Performance Progress Report: Failure to comply with this reporting requirement may result in termination of that part of the award funding by Recovery Act."

10 CFR 600.220 (b) states in part:

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

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

2 CFR 176.50 states in part:

"Agencies are responsible for ensuring that their recipients report information required under the Recovery Act in a timely manner. The following award term shall be used by agencies to implement the recipient reporting and registration requirements in section 1512:

- (a) This award requires the recipient to complete projects or activities which are funded under the American Recovery and Reinvestment Act of 2009 (Recovery Act) and to report on use of Recovery Act funds provided through this award. Information from these reports will be made available to the public.

- (b) The reports are due no later than ten calendar days after each calendar quarter in which the recipient receives the assistance award funded in whole or in part by the Recovery Act."

OMB Circular A133 Section 300(b) states that the auditee shall:

"Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

The City did not comply with the reporting requirements of the EECBG. Failure to comply with the federal guidelines could lead to a loss of future funding.

We recommended the City establish and implement controls to ensure compliance with federal guidelines related to reporting.



City Of Gary

KAREN M. FREEMAN-WILSON

Mayor

Department of Finance

401 Broadway

Gary, Indiana 46402

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

M. CELITA GREEN

Director of Finance

B.R. LANE

Chief of Staff

MICHELE ROBY

Chief Accountant

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO.2010-1 SUSPENSION AND DEBARMENT-

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

Federal Program: Community Development Block; Grant/Entitlement Grants;

ARRA-Community Development Block Grant AARA Entitlement Grants (CDBG-R)

CFDA Number: 14.218, 14.253

Award Numbers: B-09-MC18005, B-08-MN-18-0005, B-08-MN-18-0005,
B-09-MY-18-0005

Auditee Contact Person: M. Celita Green

Title of Contact Person: Director of Finance

Response: The City concurs with the finding and the following action was taken to improve the suspension and debarment policy and procedures:

- Provided direct communication and guidance regarding suspension and debarment policy.

-Ensured that the agency was aware and acknowledge the City policy on suspension and debarment

-Monitored and reinforced agencies participation in the government wide Excluded Parties List System (EPLS) during the procurement process by randomly sampling contracts to confirm supportive verification of documentation.

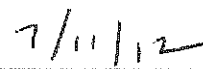
The policy and procedures outlines the required criteria needed during the procurement process for organizations and individuals receiving governmental contracts, grants and other assistance programs.

Each City department or agencies is responsible for checking the contractor or vendors status against the federal debarment and suspension list by accessing the Excluded Parties List System (EPLS) website at www.epls.gov/epls/search.

City department and board shall use supporting documents before awarding and accepting bids and contracts.

The new guidelines are aimed at eliminating suspended or disbarred vendors from doing business with the City and being paid with federal funds. We respect, adhere to and enforce the rules, policies and guidelines established under the federal assistance programs or grants.


M. Celita Green, Director of Finance


Date



City Of Gary

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Mayor

Department of Finance

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Director of Finance

B.R. LANE
Chief of Staff

MICHELE ROBY
Chief Accountant

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO.2010-2 PROCUREMENT/DAVIS BACON

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

Federal Program: Community Development Block Grants/Entitlement

CFDA Number: 14.218

Program Title: Neighborhood Stabilization Program (NSP1)

Award Numbers: B-08-MC-18-0005, B-09-MC-18-0005

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

Response:

ALL COMMUNITY DEVELOPMENT CONTRACTS ARE NOW APPROVED/AWARDED BY THE BOARD OF WORKS.

- ✦ THE CONSTRUCTION DEPARTMENT INSPECTS ALL PROPERTIES PRIOR TO BIDDING TO DETERMINE THE SCOPE OF WORK AND COST ESTIMATE OF THE ENTIRE PROJECT.
- ✦ ONCE THE JOB HAS BEGUN, IF A WORK CHANGE ORDER IS NECESSARY, IT MUST BE IN WRITING AND MUTUALLY AGREED UPON BY BOTH PARTIES AND AUTHORIZED BY THE COMMUNITY DEVELOPMENT DIVISION. THIS WORK CHANGE ORDER ONLY ALLOWS FOR 20% OF THE ORIGINAL COST ESTIMATE. IF IT IS DETERMINED THAT THE WORK CHANGE ORDER IS OVER THE 20% THRESHOLD, THE PROJECT WOULD THEN REQUIRE RE-BIDDING.

THE CONSTRUCTION DEPARTMENT PREPARES THE BID PACKAGES.

- ✦ ALL BID PACKAGES ARE ASSEMBLED AT THE COMMUNITY DEVELOPMENT DIVISION OF THE DEPARTMENT OF COMMERCE: 839 BROADWAY, SUITE 302N, GARY, INDIANA.
- ✦ ALL BID PACKAGES ARE MADE AVAILABLE AT THE DEPARTMENT OF COMMERCE, 401 BROADWAY, SUITE 300, GARY, INDIANA.
- ✦ THE COMMUNITY DEVELOPMENT DIVISION OF THE DEPARTMENT OF COMMERCE PREPARES A "PRESS RELEASE" THAT IS DISTRIBUTED BY THE CITY OF GARY'S COMMUNICATIONS DEPARTMENT TO ADVERTISE ALL REHAB PROJECTS UNDER ENTITLEMENT FUNDING DOLLARS. THE "PRESS RELEASE" IS SUBMITTED TO ALL MEDIA, LOCAL CHANNELS 4,21 & 22. IN ADDITION, THE "PRESS RELEASE" IS ALSO SUBMITTED TO THE DIVISION'S CONTRACTOR DIRECTORY VIA EMAIL. THE "PRESS RELEASE" IS INCLUSIVE OF THE WORDING "GENERAL CONTRACTORS", AS THE COMMUNITY DEVELOPMENT DIVISION WILL ONLY CONTRACT WITH LICENSED AND BONDED GENERAL CONTRACTORS WHO ARE CERTIFIED UNDER THE U.S. EPA'S RENOVATION, REPAIR AND PAINTING (RRP) RULE FOR LEAD-SAFE WORK PRACTICES. CONTRACTORS ARE VERIFIED THROUGH THE FEDERAL GOVERNMENT'S EXCLUDED

PARTIES LIST SYSTEM TO ENSURE THE CONTRACTOR HAS NOT BEEN SUSPENDED OR DISBARRED.

- # ALL COMPLETED BID PACKAGES ARE RECEIVED UP TO AND INCLUDING THE TIME FOR THE CALL FOR BIDS AT THE MEETING OF THE BOARD OF PUBLIC WORKS AND SAFETY ON WEDNESDAYS AT 10:00 AM.
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- # ALL COMPLETED BIDS MUST BE SEALED AND SUBMITTED TO THE INDICATED LOCATION BY THE TIME SO INDICATED IN THE BID PACKAGE. BIDS SUBMITTED AFTER SUCH TIME WILL NOT BE ACCEPTED.
- # THE BOARD OF PUBLIC WORKS OPENS ALL SUBMITTED BIDS. THE BIDS ARE READ ALOUD AT THE TELEVISED MEETING.
- # THE CONSTRUCTION DEPARTMENT IS RESPONSIBLE FOR COMPLETING THE TABULATION SHEET WHICH COMPRISES A LISTING OF ALL OF THE PROPERTIES, THE RESPECTIVE COST ESTIMATES, THE BIDDING CONTRACTORS AND THEIR RESPECTIVE BIDS.
- # THE TABULATION SHEET IS PRESENTED TO THE PROCUREMENT OFFICER WHO THEN REVIEWS THE DOCUMENTATION, COMPLETES THE BID RANGE CALCULATION (PLEASE NOTE: ALL BIDS MUST BE WITHIN 20% OF THE COST ESTIMATE) AND MAKES THE RECOMMENDATION TO THE BOARD OF PUBLIC WORKS. NOTE: THE RECOMMENDATION IS MADE TO THE LOWEST, MOST RESPONSIVE AND MOST RESPONSIBLE BIDDER WITHIN THE RECOMMENDED 20% THRESHOLD OF THE COST ESTIMATE. THE LOWEST BIDDER MAY NOT BE THE MOST RESPONSIVE AND RESPONSIBLE.
- # THE PROCUREMENT OFFICER DRAFTS A MEMORANDUM TO THE DIVISION'S DIRECTOR REGARDING THE RECOMMENDED BIDS.
- # THE CONSTRUCTION DEPARTMENT IS RESPONSIBLE FOR PROVIDING THE BID FORMS FOR ALL RECOMMENDED CONTRACTORS.
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- # ALL PARTIES TO THE CONTRACT: THE DIRECTOR, THE GENERAL CONTRACTOR AND THE HOMEOWNER (IF A PARTY TO THE AGREEMENT) EXECUTE THE SAME.
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- # THE CONSTRUCTION MANAGER/INSPECTOR CONDUCTS A FINAL INSPECTION OF THE WORK TO VERIFY THE
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- ✦ ALL FINAL PAYMENT PACKAGES ARE TABULATED BY THE CONSTRUCTION MANAGER, HOUSING SPECIALIST AND FISCAL MANAGER PRIOR TO MAKING FINAL PAYMENT. A PAYMENT TABULATION SHEET/TAPE MUST BE COMPLETED AND SIGNED BY THE CONSTRUCTION MANAGER, HOUSING SPECIALIST AND FISCAL MANAGER TO ENSURE NO OVERPAYMENT OF ANY PACKAGE. THE DIVISION'S DIRECTOR SIGNS NO FINAL PAYMENT PACKAGE WITHOUT ALL TABULATION SHEETS TO ENSURE NO OVERPAYMENT OF ANY FILE.
- ✦ PAYMENT IS MADE.

All documentation necessary to ensure compliance with Davis Bacon is maintained.


M. Celita Green, Director of Finance

7/11/12
Date

Attachments:



City Of Gary

KAREN M. FREEMAN-WILSON

Mayor

Department of Finance

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M. CELITA GREEN

Director of Finance

B.R. LANE

Chief of Staff

MICHELE ROBY

Chief Accountant

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO.2010-3 PROCUREMENT-NSP 1

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

Federal Program: Community Development Block Grants/Entitlement

CFDA Number: 14.218

Program Title: Neighborhood Stabilization Program (NSP1)

Award Numbers: B-08-MC-18-0005

Auditee Contact Person: M. Celita Green

Title of Contact Person: Director of Finance

Response:

The bid process outlined in Finding #2 is also followed for NSP projects.

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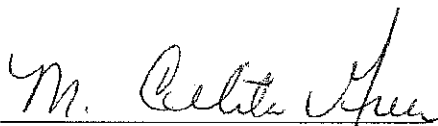
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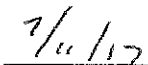
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✚ PAYMENT IS MADE.

All documentation necessary to ensure compliance with Davis Bacon is maintained.


M. Celita Green, Director of Finance


Date



KAREN FREEMAN-WILSON

Mayor

**City of Gary
Department of Finance**

401 Broadway

Gary, Indiana 46402

(219) 881-1363 /Fax (219) 881-5298

M. CELITA GREEN

City Controller

B. R. LANE

Chief of Staff

MICHELE ROBY

Chief Accountant

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2010-4 REPORTING

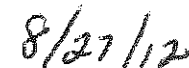
Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: ARRA Homelessness Prevention and Rapid Re-Housing Program
CFDA Number: 14.257
Award Number: S09-MY-18-0005

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

Response:

Steps have been taken to develop procedures to ensure that all transactions are posted, recorded, and balanced to the city's general ledger. We are in the process of implementing a tracking system. The old Foothold system has been replaced with Client track, which will make it easier to reconcile. Also, internal controls have been established and are in the process of implementation to ensure the accuracy of transactions, the reliability and timeliness of information, as well as compliance with regulations and guidelines.


M. Celita Green, Director of Finance


Date



KAREN FREEMAN-WILSON

Mayor

B. R. LANE
Chief of Staff

City of Gary
Department of Finance

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(219) 881-1363 /Fax (219) 881-5298

M. CELITA GREEN

City Controller

MICHELE ROBY
Chief Accountant

SUMMARY OF PRIOR AUDIT FINDINGS

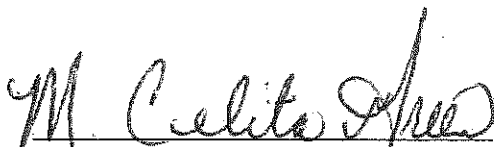
FINDING NO. 2010-5 ALLOWABLE COSTS

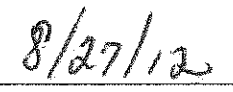
Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: ARRA Homelessness Prevention and Rapid Re-Housing Program
CFDA Number: 14.257
Award Number: S09-MY-18-0005

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

Response:

Contract processes and procedures have been modified to ensure compliance with all applicable regulations and guidelines. The Community Development Division is in the process of implementing changes that relate to the contracting processes and procedures for the operation of this grant to ensure compliance.


M. Celita Green, Director of Finance


Date



City Of Gary

Department of Finance

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KAREN M. FREEMAN-WILSON
Mayor

M. CELITA GREEN
Director of Finance

B.R. LANE
Chief of Staff

MICHELE ROBY
Chief Accountant

CORRECTIVE ACTION PLAN

FEDERAL FINDING 2011-01 – FEDERAL GRANT SCHEDULE

SECTION II – Financial Statement Findings

Auditee Contact Person: M. Celita Green
Title of Contact Person: Controller
Phone Number: (219) 881-1363

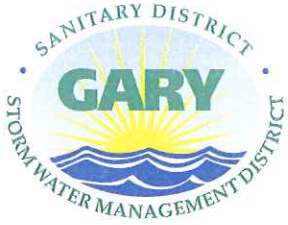
The City is in the process of developing a comprehensive Grant Management Program. The program will consist of established policies and procedures from the application process through the reporting and closing process. The Controller's office has already implemented a Grant Application Approval Form as the first step in this process to ensure that the Executive Management and the Controller's Office are aware of all potential awards sought on behalf of the City.

Once the procedures and policies are developed for the entire program, the program will be implemented by training all department heads on the requirements for all phases of the Grant Management Program, including the Federal Grant Schedule. As part of the Federal Grant Schedule training, departments will be informed on the specific requirements and expectations for the Schedule of Expenditures of Federal Awards (SEFA). The requirements will include, but not limited to, listing individual Federal programs by Federal agency; for Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity; providing total Federal awards expended for each individual Federal program and the CDFA number or other identifying number.

Signed

Date

9/5/12



Mayor Karen Freeman-Wilson
Special Administrator

Daniel F. Vicari, P.E.
Executive Director

Main Office
3600 West 3rd Avenue
Gary, IN 46406
Telephone: 219-944-0595
Fax: 219-977-8318

Customer Service
839 Broadway
Gary, IN 46402
Telephone: 219-883-1027
Fax: 219-883-1029

Gary Sanitary District
Board of Commissioners
&
Gary Storm Water
Management District
Board of Directors

Richard J. Comer
President

Charles W. Jackson, Jr.
Vice President

Cynthia D. Watts
Secretary/Treasurer

Harlee Currie
Member

Nelson N. Tinsley
Member

Jewell Harris, Jr., Attorney

Website:
www.garysanitary.com

CORRECTIVE ACTION PLAN

FINDING 2011-02 – INTERNAL CONTROLS OVER FINANCIAL STATEMENTS

Auditee Contact Person: Ms. Vern E. White
Title of Contact Person: Director of Finance
Phone Number: 219.944.0595 Ext. 1813

During the issuance of the 2011 A Bond Series, we were advised by our former financial advisers that we needed to set up a fund to track the costs that were being paid out of the bond proceeds. We forwarded the information onto the City Controller's Office and received a new Fund number. We have been tracking expenses in this fund as done in the past with previous Bond Issuances. Per our records, we were not informed by our prior Financial Consultants that the entire amount of the Bond proceeds had to be recorded on our books. Had we been made aware of this, we would have recorded the information.

However, we concur with the findings and will work with the City of Gary Contoller's Office to get the cash balance recorded on the books at 12/31/2011.

Signed *Vern E. White*
Date *9/6/2012*

Cc: Daniel F. Vicari, GSD Executive Director
M. Celita Green, City Controller
Curtis Whittaker, GSD Financial Consultant



KAREN FREEMAN-WILSON
Mayor

CITY OF GARY
DEPARTMENT OF COMMERCE
DIVISION OF COMMUNITY DEVELOPMENT

839 Broadway, Suite 302N
Gary, IN 46402
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ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

CORRECTIVE ACTION PLAN

Section III – Federal Awards Findings and Questioned Costs

FINDING 2011-03 – REPORTING

Federal Agency: U. S. Department of Housing and Urban Development
Federal Program: ARRA Homelessness Prevention and Rapid Re-Housing Program
CFDA Number: 14.257
Award Number: S09-MY-18-0005
Auditee Contact Person: Arlene Colvin
Title of Contact Person: Director
Phone Number: 219-881-5075

Briefly describe action to be taken to correct finding.

Internal controls will be established and procedures will be developed to ensure that quarterly reports contain accurate information and that city accounting records are reconciled to quarterly reports.

Signed *Arlene Colvin*

Date *08/31/12*



KAREN FREEMAN-WILSON
Mayor

CITY OF GARY
DEPARTMENT OF COMMERCE
DIVISION OF COMMUNITY DEVELOPMENT

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Gary, IN 46402
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ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

CORRECTIVE ACTION PLAN

Section III – Federal Awards Findings and Questioned Costs

FINDING 2011-04, ALLOWABLE COSTS

Federal Agency: U. S. Department of Housing and Urban Development
Federal Program: ARRA Homelessness Prevention and Rapid Re-Housing Program
CFDA Number: 14.257
Award Number: S09-MY-18-0005
Auditee Contact Person: Arlene Colvin
Title of Contact Person: Director
Phone Number: 219-881-5075

Briefly describe action to be taken to correct finding.

A new contract review process has been implemented in the department under the direction of the Deputy Director. This process will ensure that there is compliance with all federal and state guidelines.

Signed *Arlene Colvin*

Date 8-31-12



KAREN FREEMAN-WILSON
Mayor

CITY OF GARY
DEPARTMENT OF COMMERCE
DIVISION OF COMMUNITY DEVELOPMENT

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Gary, IN 46402
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ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

CORRECTIVE ACTION PLAN

Section III – Federal Awards Findings and Questioned Costs

FINDING 2011-05 – REPORTING

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program, Community Development Block
Grants/Entitlement Grants
CFDA Number: 14.239, 14.218
Award Number and Year: M-11-MC-180203, B-11-MC-18006
Auditee Contact Person: Arlene Colvin
Title of Contact Person: Director
Phone Number: 219-881-5075

Briefly describe action to be taken to correct finding.

We will establish standard operating procedures under our sub-grantee award process to ensure that sub-grant awards are properly reported in accordance with the Federal Funding Accountability and Transparency Act. This process will be handled by the department's monitoring and compliance division. These procedures have already been established under our HOME program (there should be no finding relating to that program).

Signed *Arlene Colvin*

Date *08-31-12*



KAREN FREEMAN-WILSON
Mayor

CITY OF GARY
DEPARTMENT OF COMMERCE
DIVISION OF COMMUNITY DEVELOPMENT

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ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

CORRECTIVE ACTION PLAN

Section III – Federal Awards Findings and Questioned Costs

FINDING 2011-06 – SUBRECIPIENT MONITORING

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.239
Federal Award No. M-05-MC-180203
Auditee Contact Person: Arlene Colvin
Title of Contact Person: Director
Phone Number: 219.881.5075

Briefly describe action to be taken to correct finding.

Finding 2011-06 has been corrected. Please See Attachment.

Signed *Arlene Colvin*

Date *08-31-12*



KAREN FREEMAN-WILSON
Mayor

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CORRECTIVE ACTION PLAN

Section III – Federal Awards Findings and Questioned Costs

FEDERAL FINDING 2011-07, CASH MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants (NSP 1)
CFDA Number: 14.218
Federal Award Number and Year (or Other Identifying Number): B-08-MN-18-0005
Auditee Contact Person: Arlene Colvin
Title of Contact Person: Director
Phone Number: 219.881.5075

Briefly describe action to be taken to correct finding.

The Community Development Department has resumed oversight of the payment process for demolition. Claims must now be submitted to this department for review and approval and once processed, forwarded to the City Controller's office for payment. The Redevelopment Department no longer submits claims for demolition directly to the Controller's Office. The time between receipt and disbursement of federal funding has been minimized due to the institution of these internal controls.

Signed Arlene Colvin

Date 08-31-12



City Of Gary

Department of Finance

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KAREN M. FREEMAN-WILSON

Mayor

M. CELITA GREEN

Director of Finance

B.R. LANE

Chief of Staff

MICHELE ROBB

Chief Accountant

CORRECTIVE ACTION PLAN

Section III – Federal Awards Findings and Questioned Costs

FINDING 2011-08 – Earmarking

Federal Agency:	U. S. Department of Energy
Federal Program:	Energy Efficiency and Conservation Block Grant Program
CFDA Number:	81.128
Federal Award No.	DE-FOA-0000013
Auditee Contact Person:	Lauren Riga
Title of Contact Person:	Director, Department of Green Urbanism
Phone Number:	219.882.3000

Briefly describe action to be taken to correct finding.

The Energy Director's compensation should have been a programmatic expense rather than an administrative expense. To correct this finding, staff is working with the Department of Energy to make the appropriate changes in the quarterly reports moving the director's compensation from administrative cost to technical consultation. Upon completion of this corrective task, the expense for administrative cost will be considerably lower than the 10 percent administrative cap.

Signed

M. Celita Green

Date

9/5/12



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CORRECTIVE ACTION PLAN

Section III – Federal Awards Findings and Questioned Costs

FINDING 2011-09 – Reporting

Federal Agency:	U. S. Department of Energy
Federal Program:	Energy Efficiency and Conservation Block Grant Program
CFDA Number:	81.128
Federal Award No.	DE-FOA-0000013
Auditee Contact Person:	Lauren Riga
Title of Contact Person:	Director, Department of Green Urbanism
Phone Number:	219.882.3000

Briefly describe action to be taken to correct finding.

In January 2012, the new administration assigned the above referenced grant to the Green Urbanism department. The department has been and will continue to be timely with all reporting requirements. The current reporting process is to submit financial and activity performance data/information to the contractual reporting firm who then prepares and submit all quarterly reports to Department of Energy on the City's behalf.

Signed *M. Celita Green*

Date 4/5/12

CITY OF GARY
EXIT CONFERENCE

The contents of this report were discussed on September 6, 2012, with Karen Freeman-Wilson, Mayor; Kyle W. Allen, President of the Common Council; Mary Brown, Council member; M. Celita Green, Controller; and B.R. Lane, Chief of Staff.

A second exit conference was held with Celita Green, City Controller on November 27, 2012, to discuss changes to the Independent Auditor's Report.