

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF HOBART
LAKE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
04/04/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah A. Longer	01-01-12 to 12-31-19
Mayor	Brian Snedecor	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Brian Snedecor	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Jerry Herzog Matt Claussen Jerry Herzog	01-01-14 to 12-31-15 01-01-16 to 09-07-16 09-08-16 to 12-31-17



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Hobart (City), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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


Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 16, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

February 16, 2017



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Hobart (City), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated February 16, 2017, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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 2014-001 and 2014-002 to be material weaknesses.

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

Compliance and Other Matters


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

City of Hobart's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

February 16, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
General	\$ 683,019	\$ 25,297,810	\$ 22,195,186	\$ 3,785,643
Motor Vehicle Highway	259,196	2,549,138	2,174,624	633,710
Local Road And Street	(34,191)	328,727	-	294,536
Law Enforcement Continuing Ed	43,671	51,196	54,157	40,710
Riverboat	562,712	326,174	339,878	549,008
Parks And Recreation	69,007	829,379	718,388	179,998
Economic Development Income Tax	-	1,014,805	463,536	551,269
Cumulative Capital Improvement	(23,379)	76,865	-	53,486
Cumulative Capital Development	297,826	698,217	151,297	844,746
Police Pension	702,817	513,618	608,326	608,109
Fire Pension	385,487	328,603	382,754	331,336
Public Safety Income Tax	-	1,051,807	861,055	190,752
HMS Police Court Bond B Debt Svc	46,643	223,455	133,205	136,893
Redev RZ TIF Bond A & B Debt Service	216,468	454,732	442,768	228,432
Maria Reiner Senior Center	147,983	157,146	103,211	201,918
Domestic Highway Enforcement	(3,134)	25,220	30,577	(8,491)
City Donations	317	502	171	648
RDC Special Fund	-	7,025	-	7,025
2014 Paving Bond Debt Service	-	15,006	-	15,006
Paving Bond Proceeds 2014	-	1,800,000	1,800,000	-
50/50 Sidewalk	-	15,299	14,199	1,100
Health Insurance Bank Account	236,924	1,835,966	2,037,395	35,495
City Court Bank Account	316,368	1,249,278	1,268,611	297,035
Fire Donation	3,093	3,824	1,450	5,467
Park Donation	2,468	3,525	330	5,663
Trust	36,024	-	1,200	34,824
Dare	4,461	11,614	6,381	9,694
Police Donation	3,921	17,669	15,671	5,919
County Share Court Costs	-	325,209	325,209	-
Court Records Perpetuation	41,548	5,260	2,016	44,792
Innkeeper's Tax	10,348	4,725	4,743	10,330
Police Seizure	46,697	218,323	129,603	135,417
Drug Task Force (HIDTA)	7,017	18,709	17,197	8,529
Drug Free Communities	-	16,047	16,047	-
County Juvenile Night Light	1,287	-	-	1,287
Park Improvement	17,811	3,600	-	21,411
Park & Rec Non-Reverting	2,235	-	-	2,235
Arbor Lane Park Donation	2,150	-	-	2,150
Enhancement & Improvement	267,157	344,000	360,222	250,935
Pennsy Depot Donation	12,611	-	-	12,611
Lakefront Festival	14,522	22,514	27,687	9,349
Barrington Ridge Park Donation	80,394	-	7,419	72,975
Pleak Fund	34,198	-	-	34,198
Water Lines	11,595	-	-	11,595
DUI Overtime Grant	3,528	32,758	34,328	1,958

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

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

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
Court Public Defender	988	4,293	3,000	2,281
Adult Probation	148,393	31,433	33,603	146,223
Park District Program	(6,077)	37,635	30,308	1,250
Hobart Entryway Triangle	6,631	-	-	6,631
Fire Dept EMS Education	1,375	-	-	1,375
Cops To School	(10,075)	10,075	-	-
Operation Pull Over	13,551	26,910	24,784	15,677
Tax Abatement	24,003	1,830	7,055	18,778
Scout Cabin	571	-	-	571
Redevelopment	1,808,892	570,046	667,709	1,711,229
Special Events	7,229	54,887	59,201	2,915
Public Works Donation	661	1,300	819	1,142
Assistance To Firefighters Grant	5,619	11,050	15,248	1,421
2008 Recycling Grants	8,845	185,678	114,263	80,260
Employee Health Benefits	208,844	244,869	419,829	33,884
Redevelopment 61St Avenue	3,577,988	1,472,814	779,063	4,271,739
Reimburse Professional Fees	85,475	7,162	72,897	19,740
Park Bond 6 Project Debt Service	372,168	963,671	774,735	561,104
2006 GO Bond Paving Debt Service	178,794	236,363	375,313	39,844
2007 61St Avenue Debt Service	114,078	256,206	243,106	127,178
HMS Police Court Bond A Debt Svc	98,856	742,470	441,313	400,013
61St Ave Series B Debt Service	29,877	69,854	65,154	34,577
Park Bond Proceeds 6 Projects	334,868	22,586	269,693	87,761
61St Avenue Reserve Fund	930,000	-	-	930,000
Redev Rz TIF Bond Proceeds	2,467,647	235,220	1,091,349	1,611,518
Fire Pension 1977	-	174,418	174,418	-
Police Pension 1977	67	207,481	207,548	-
Payroll	49,643	12,369,334	12,327,629	91,348
Water Escrow	41,361	262,670	259,171	44,860
Nipsco Escrow	79,419	916,533	995,951	1
Civilian PERF	222	145,087	145,265	44
Investments	38,264	26,716	-	64,980
HSD Stormwater	3,159,954	1,786,702	909,099	4,037,557
SRF Construction HSD	-	268,438	268,438	-
SRF Bond and Interest HSD	171,338	234,837	337,750	68,425
SRF Debt Svc. Reserve HSD	58,965	223,198	176,030	106,133
Sewer Lease Construction 61st Ave	-	4,465,406	130,984	4,334,422
Sewer Lease Bond & Interest 61st Ave.	-	90,493	-	90,493
Sewer Lease Debt Service Reserve	-	509,021	21	509,000
Wastewater Operating	792,676	4,699,446	5,201,110	291,012
Wastewater Improvement	6,703,488	1,309,142	3,596,397	4,416,233
Wastewater Revenue	130,979	6,680,412	6,360,479	450,912
Totals	\$ 26,146,376	\$ 79,433,431	\$ 71,307,573	\$ 34,272,234

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

CITY OF HOBART
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, wastewater, storm water, trash, and urban redevelopment.

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

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

CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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. Amounts received 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. Amounts received from charges for current services.

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

E. Disbursements

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

Personal services. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, make transfers 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 amounts 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 amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

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

Note 3. Property Taxes

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

CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

C. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Plan Description

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

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

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

Note 7. Cash Balance Deficits

The financial statement contains the Domestic Highway Enhancement fund with a deficit in cash. This is a result of grant expenditures which were not reimbursed by December 31, 2014.

Note 8. Subsequent Event

Lease Rental Revenue Bond of 2015

The Redevelopment Authority sold bonds on April 9, 2015, in the amount of \$3,775,000 for improvements to the downtown area, including construction of sanitary sewers in addition to the downtown improvement project. The Redevelopment Commission and the Hobart Sanitary District, in a cooperative effort, oversee the use of the bond proceeds. The SR130 and Greater Downtown Tax Increment Financing (TIF) District will provide the necessary funds for repayment of this bond.

CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. *Other Postemployment Benefits*

The City provides to eligible retirees and their spouses the following benefits: medical and hospitalization insurance. In addition to the normal pension retirement benefits through INPRS, the City offers certain employees who retire the benefit of continuing existing health insurance coverage for up to five years or until medical coverage or Medicare is available, with the premiums paid by the City. Some exclusions apply to this benefit and eligibility is based on a point system that is outlined in the City of Hobart Employee Handbook. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

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

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Riverboat	Parks And Recreation	Economic Development Income Tax
Cash and investments - beginning	\$ 683,019	\$ 259,196	\$ (34,191)	\$ 43,671	\$ 562,712	\$ 69,007	\$ -
Receipts:							
Taxes	14,720,114	1,427,718	-	-	-	708,262	-
Licenses and permits	1,315,492	-	-	13,000	-	-	-
Intergovernmental receipts	819,062	1,119,616	328,727	-	326,174	26,795	1,014,805
Charges for services	791,562	1,789	-	31,660	-	63,683	-
Fines and forfeits	120,740	-	-	6,205	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	7,530,840	15	-	331	-	30,639	-
Total receipts	25,297,810	2,549,138	328,727	51,196	326,174	829,379	1,014,805
Disbursements:							
Personal services	12,371,215	1,224,235	-	-	-	461,026	-
Supplies	631,738	520,248	-	10,979	-	61,345	-
Other services and charges	2,684,003	137,077	-	38,098	-	92,745	18,571
Debt service - principal and interest	5,635,141	-	-	-	-	-	-
Capital outlay	717,086	293,064	-	5,000	339,878	79,737	444,965
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	156,003	-	-	80	-	23,535	-
Total disbursements	22,195,186	2,174,624	-	54,157	339,878	718,388	463,536
Excess (deficiency) of receipts over disbursements	3,102,624	374,514	328,727	(2,961)	(13,704)	110,991	551,269
Cash and investments - ending	<u>\$ 3,785,643</u>	<u>\$ 633,710</u>	<u>\$ 294,536</u>	<u>\$ 40,710</u>	<u>\$ 549,008</u>	<u>\$ 179,998</u>	<u>\$ 551,269</u>

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

	Cumulative Capital Improvement	Cumulative Capital Development	Police Pension	Fire Pension	Public Safety Income Tax	HMS Police Court Bond B Debt Svc	Redev RZ TIF Bond A & B Debt Service
Cash and investments - beginning	\$ (23,379)	\$ 297,826	\$ 702,817	\$ 385,487	\$ -	\$ 46,643	\$ 216,468
Receipts:							
Taxes	-	672,765	-	-	-	214,828	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	76,865	25,452	-	-	1,036,108	8,077	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	513,618	328,603	15,699	550	454,732
Total receipts	76,865	698,217	513,618	328,603	1,051,807	223,455	454,732
Disbursements:							
Personal services	-	-	1,456	1,456	-	-	-
Supplies	-	-	-	-	40,787	-	-
Other services and charges	-	50,000	390	-	35,335	550	1,300
Debt service - principal and interest	-	-	-	-	-	132,655	441,468
Capital outlay	-	101,297	-	-	784,933	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	606,480	381,298	-	-	-
Total disbursements	-	151,297	608,326	382,754	861,055	133,205	442,768
Excess (deficiency) of receipts over disbursements	76,865	546,920	(94,708)	(54,151)	190,752	90,250	11,964
Cash and investments - ending	\$ 53,486	\$ 844,746	\$ 608,109	\$ 331,336	\$ 190,752	\$ 136,893	\$ 228,432

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

	Maria Reiner Senior Center	Domestic Highway Enforcement	City Donations	RDC Special Fund	2014 Paving Bond Debt Service	Paving Bond Proceeds 2014	50/50 Sidewalk
Cash and investments - beginning	\$ 147,983	\$ (3,134)	\$ 317	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	73,979	25,220	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	83,167	-	502	7,025	15,006	1,800,000	15,299
Total receipts	<u>157,146</u>	<u>25,220</u>	<u>502</u>	<u>7,025</u>	<u>15,006</u>	<u>1,800,000</u>	<u>15,299</u>
Disbursements:							
Personal services	46,715	30,577	-	-	-	-	-
Supplies	17,215	-	-	-	-	-	-
Other services and charges	37,644	-	171	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	1,637	-	-	-	-	1,800,000	14,199
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>103,211</u>	<u>30,577</u>	<u>171</u>	<u>-</u>	<u>-</u>	<u>1,800,000</u>	<u>14,199</u>
Excess (deficiency) of receipts over disbursements	<u>53,935</u>	<u>(5,357)</u>	<u>331</u>	<u>7,025</u>	<u>15,006</u>	<u>-</u>	<u>1,100</u>
Cash and investments - ending	<u>\$ 201,918</u>	<u>\$ (8,491)</u>	<u>\$ 648</u>	<u>\$ 7,025</u>	<u>\$ 15,006</u>	<u>\$ -</u>	<u>\$ 1,100</u>

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

	Health Insurance Bank Account	City Court Bank Account	Fire Donation	Park Donation	Trust	Dare	Police Donation
Cash and investments - beginning	\$ 236,924	\$ 316,368	\$ 3,093	\$ 2,468	\$ 36,024	\$ 4,461	\$ 3,921
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	1,025	-	7,000	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,835,966	1,249,278	3,824	2,500	-	4,614	17,669
Total receipts	<u>1,835,966</u>	<u>1,249,278</u>	<u>3,824</u>	<u>3,525</u>	<u>-</u>	<u>11,614</u>	<u>17,669</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	1,450	330	1,200	2,756	15,671
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,037,395	1,268,611	-	-	-	3,625	-
Total disbursements	<u>2,037,395</u>	<u>1,268,611</u>	<u>1,450</u>	<u>330</u>	<u>1,200</u>	<u>6,381</u>	<u>15,671</u>
Excess (deficiency) of receipts over disbursements	<u>(201,429)</u>	<u>(19,333)</u>	<u>2,374</u>	<u>3,195</u>	<u>(1,200)</u>	<u>5,233</u>	<u>1,998</u>
Cash and investments - ending	<u>\$ 35,495</u>	<u>\$ 297,035</u>	<u>\$ 5,467</u>	<u>\$ 5,663</u>	<u>\$ 34,824</u>	<u>\$ 9,694</u>	<u>\$ 5,919</u>

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

	County Share Court Costs	Court Records Perpetuation	Innkeeper's Tax	Police Seizure	Drug Task Force (HIDTA)	Drug Free Communities
Cash and investments - beginning	\$ -	\$ 41,548	\$ 10,348	\$ 46,697	\$ 7,017	\$ -
Receipts:						
Taxes	-	-	4,725	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	18,709	-
Fines and forfeits	325,209	5,260	-	-	-	16,047
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	218,323	-	-
Total receipts	325,209	5,260	4,725	218,323	18,709	16,047
Disbursements:						
Personal services	-	-	-	-	17,197	-
Supplies	-	-	-	-	-	-
Other services and charges	-	2,016	4,743	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	129,603	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	325,209	-	-	-	-	16,047
Total disbursements	325,209	2,016	4,743	129,603	17,197	16,047
Excess (deficiency) of receipts over disbursements	-	3,244	(18)	88,720	1,512	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ 44,792</u>	<u>\$ 10,330</u>	<u>\$ 135,417</u>	<u>\$ 8,529</u>	<u>\$ -</u>

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

	County Juvenile Night Light	Park Improvement	Park & Rec Non-Reverting	Arbor Lane Park Donation	Enhancement & Improvement	Penny Depot Donation
Cash and investments - beginning	\$ 1,287	\$ 17,811	\$ 2,235	\$ 2,150	\$ 267,157	\$ 12,611
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	3,600	-	-	344,000	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	3,600	-	-	344,000	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	360,222	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	-	-	-	360,222	-
Excess (deficiency) of receipts over disbursements	-	3,600	-	-	(16,222)	-
Cash and investments - ending	<u>\$ 1,287</u>	<u>\$ 21,411</u>	<u>\$ 2,235</u>	<u>\$ 2,150</u>	<u>\$ 250,935</u>	<u>\$ 12,611</u>

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

	Lakefront Festival	Barrington Ridge Park Donation	Pleak Fund	Water Lines	DUI Overtime Grant	Court Public Defender
Cash and investments - beginning	\$ 14,522	\$ 80,394	\$ 34,198	\$ 11,595	\$ 3,528	\$ 988
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	13,575	-	-	-	32,758	-
Fines and forfeits	-	-	-	-	-	4,293
Utility fees	-	-	-	-	-	-
Other receipts	8,939	-	-	-	-	-
Total receipts	<u>22,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,758</u>	<u>4,293</u>
Disbursements:						
Personal services	3,873	-	-	-	34,328	-
Supplies	-	-	-	-	-	-
Other services and charges	17,814	7,419	-	-	-	3,000
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	6,000	-	-	-	-	-
Total disbursements	<u>27,687</u>	<u>7,419</u>	<u>-</u>	<u>-</u>	<u>34,328</u>	<u>3,000</u>
Excess (deficiency) of receipts over disbursements	<u>(5,173)</u>	<u>(7,419)</u>	<u>-</u>	<u>-</u>	<u>(1,570)</u>	<u>1,293</u>
Cash and investments - ending	<u>\$ 9,349</u>	<u>\$ 72,975</u>	<u>\$ 34,198</u>	<u>\$ 11,595</u>	<u>\$ 1,958</u>	<u>\$ 2,281</u>

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

	Adult Probation	Park District Program	Hobart Entryway Triangle	Fire Dept EMS Education	Cops To School	Operation Pull Over
Cash and investments - beginning	\$ 148,393	\$ (6,077)	\$ 6,631	\$ 1,375	\$ (10,075)	\$ 13,551
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	24,345	-	-	-	26,910
Fines and forfeits	31,433	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	13,290	-	-	10,075	-
Total receipts	<u>31,433</u>	<u>37,635</u>	<u>-</u>	<u>-</u>	<u>10,075</u>	<u>26,910</u>
Disbursements:						
Personal services	26,793	19,583	-	-	-	24,784
Supplies	1,100	-	-	-	-	-
Other services and charges	375	10,725	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	5,335	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>33,603</u>	<u>30,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,784</u>
Excess (deficiency) of receipts over disbursements	<u>(2,170)</u>	<u>7,327</u>	<u>-</u>	<u>-</u>	<u>10,075</u>	<u>2,126</u>
Cash and investments - ending	<u>\$ 146,223</u>	<u>\$ 1,250</u>	<u>\$ 6,631</u>	<u>\$ 1,375</u>	<u>\$ -</u>	<u>\$ 15,677</u>

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

	Tax Abatement	Scout Cabin	Redevelopment	Special Events	Public Works Donation	Assistance To Firefighters Grant
Cash and investments - beginning	\$ 24,003	\$ 571	\$ 1,808,892	\$ 7,229	\$ 661	\$ 5,619
Receipts:						
Taxes	-	-	316,512	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	22,895	-	-	-
Charges for services	1,830	-	-	54,887	-	11,050
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	230,639	-	1,300	-
Total receipts	<u>1,830</u>	<u>-</u>	<u>570,046</u>	<u>54,887</u>	<u>1,300</u>	<u>11,050</u>
Disbursements:						
Personal services	-	-	19,905	2,263	-	-
Supplies	-	-	6	-	-	-
Other services and charges	7,055	-	116,441	56,938	819	15,248
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	531,357	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>7,055</u>	<u>-</u>	<u>667,709</u>	<u>59,201</u>	<u>819</u>	<u>15,248</u>
Excess (deficiency) of receipts over disbursements	<u>(5,225)</u>	<u>-</u>	<u>(97,663)</u>	<u>(4,314)</u>	<u>481</u>	<u>(4,198)</u>
Cash and investments - ending	<u>\$ 18,778</u>	<u>\$ 571</u>	<u>\$ 1,711,229</u>	<u>\$ 2,915</u>	<u>\$ 1,142</u>	<u>\$ 1,421</u>

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

	2008 Recycling Grants	Employee Health Benefits	Redevelopment 61St Avenue	Reimburse Professional Fees	Park Bond 6 Project Debt Service	2006 GO Bond Paving Debt Service
Cash and investments - beginning	\$ 8,845	\$ 208,844	\$ 3,577,988	\$ 85,475	\$ 372,168	\$ 178,794
Receipts:						
Taxes	-	-	1,324,471	-	928,704	227,794
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	93,820	-	34,917	8,569
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	185,678	244,869	54,523	7,162	50	-
Total receipts	185,678	244,869	1,472,814	7,162	963,671	236,363
Disbursements:						
Personal services	-	399,829	19,907	-	-	-
Supplies	-	-	118	-	-	-
Other services and charges	114,263	-	38,905	72,897	550	-
Debt service - principal and interest	-	-	-	-	774,185	375,313
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	20,000	720,133	-	-	-
Total disbursements	114,263	419,829	779,063	72,897	774,735	375,313
Excess (deficiency) of receipts over disbursements	71,415	(174,960)	693,751	(65,735)	188,936	(138,950)
Cash and investments - ending	\$ 80,260	\$ 33,884	\$ 4,271,739	\$ 19,740	\$ 561,104	\$ 39,844

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

	2007 61St Avenue Debt Service	HMS Police Court Bond A Debt Svc	61St Ave Series B Debt Service	Park Bond Proceeds 6 Projects	61St Avenue Reserve Fund	Redev Rz TIF Bond Proceeds
Cash and investments - beginning	\$ 114,078	\$ 98,856	\$ 29,877	\$ 334,868	\$ 930,000	\$ 2,467,647
Receipts:						
Taxes	-	715,566	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	26,904	-	-	-	-
Charges for services	-	-	-	-	-	235,220
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	256,206	-	69,854	22,586	-	-
Total receipts	<u>256,206</u>	<u>742,470</u>	<u>69,854</u>	<u>22,586</u>	<u>-</u>	<u>235,220</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	750	1,050	-	-	-	-
Debt service - principal and interest	242,356	440,263	65,154	-	-	-
Capital outlay	-	-	-	269,693	-	1,091,349
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>243,106</u>	<u>441,313</u>	<u>65,154</u>	<u>269,693</u>	<u>-</u>	<u>1,091,349</u>
Excess (deficiency) of receipts over disbursements	<u>13,100</u>	<u>301,157</u>	<u>4,700</u>	<u>(247,107)</u>	<u>-</u>	<u>(856,129)</u>
Cash and investments - ending	<u>\$ 127,178</u>	<u>\$ 400,013</u>	<u>\$ 34,577</u>	<u>\$ 87,761</u>	<u>\$ 930,000</u>	<u>\$ 1,611,518</u>

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

	Fire Pension 1977	Police Pension 1977	Payroll	Water Escrow	Nipsco Escrow	Civilian PERF
Cash and investments - beginning	\$ -	\$ 67	\$ 49,643	\$ 41,361	\$ 79,419	\$ 222
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	174,418	207,481	12,369,334	262,670	916,533	145,087
Total receipts	<u>174,418</u>	<u>207,481</u>	<u>12,369,334</u>	<u>262,670</u>	<u>916,533</u>	<u>145,087</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	174,418	207,548	12,327,629	259,171	995,951	145,265
Total disbursements	<u>174,418</u>	<u>207,548</u>	<u>12,327,629</u>	<u>259,171</u>	<u>995,951</u>	<u>145,265</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(67)</u>	<u>41,705</u>	<u>3,499</u>	<u>(79,418)</u>	<u>(178)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,348</u>	<u>\$ 44,860</u>	<u>\$ 1</u>	<u>\$ 44</u>

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

	Investments	HSD Stormwater	SRF Construction HSD	SRF Bond and Interest HSD	SRF Debt Svc. Reserve HSD	Sewer Lease Construction 61st Ave
Cash and investments - beginning	\$ 38,264	\$ 3,159,954	\$ -	\$ 171,338	\$ 58,965	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	1,786,552	-	-	-	-
Other receipts	26,716	150	268,438	234,837	223,198	4,465,406
Total receipts	26,716	1,786,702	268,438	234,837	223,198	4,465,406
Disbursements:						
Personal services	-	7,541	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	337,750	-	-
Capital outlay	-	-	231,897	-	-	-
Utility operating expenses	-	300,693	36,541	-	-	-
Other disbursements	-	600,865	-	-	176,030	130,984
Total disbursements	-	909,099	268,438	337,750	176,030	130,984
Excess (deficiency) of receipts over disbursements	26,716	877,603	-	(102,913)	47,168	4,334,422
Cash and investments - ending	<u>\$ 64,980</u>	<u>\$ 4,037,557</u>	<u>\$ -</u>	<u>\$ 68,425</u>	<u>\$ 106,133</u>	<u>\$ 4,334,422</u>

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

	Sewer Lease Bond & Interest 61st Ave.	Sewer Lease Debt Service Reserve	Wastewater Operating	Wastewater Improvement	Wastewater Revenue	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 792,676	\$ 6,703,488	\$ 130,979	\$ 26,146,376
Receipts:						
Taxes	-	-	-	-	-	21,261,459
Licenses and permits	-	-	-	-	-	1,328,492
Intergovernmental receipts	-	-	-	-	-	4,968,786
Charges for services	-	-	-	-	-	1,762,802
Fines and forfeits	-	-	-	-	-	509,187
Utility fees	-	-	5,635	-	6,680,412	8,472,599
Other receipts	90,493	509,021	4,693,811	1,309,142	-	41,130,106
Total receipts	90,493	509,021	4,699,446	1,309,142	6,680,412	79,433,431
Disbursements:						
Personal services	-	-	1,078,912	-	-	15,791,595
Supplies	-	-	-	-	-	1,283,536
Other services and charges	-	-	-	-	-	3,588,299
Debt service - principal and interest	-	-	-	-	-	8,444,285
Capital outlay	-	-	145,979	3,257,439	-	10,604,670
Utility operating expenses	-	-	3,600,702	-	-	3,937,936
Other disbursements	-	21	375,517	338,958	6,360,479	27,657,252
Total disbursements	-	21	5,201,110	3,596,397	6,360,479	71,307,573
Excess (deficiency) of receipts over disbursements	90,493	509,000	(501,664)	(2,287,255)	319,933	8,125,858
Cash and investments - ending	<u>\$ 90,493</u>	<u>\$ 509,000</u>	<u>\$ 291,012</u>	<u>\$ 4,416,233</u>	<u>\$ 450,912</u>	<u>\$ 34,272,234</u>

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ -	\$ 643,585
Governmental activities	343,280	594,608
Totals	\$ 343,280	\$ 1,238,193

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
MainSource Bank	E911 Radios	\$ 126,557	11/05/2014	11/05/2018
TCF Equipment Finance	Garbage Packer	31,768	10/21/2011	10/21/2015
TCF Equipment Finance	Garbage Truck	80,487	08/23/2013	08/23/2015
U S Bank	Police / Fire Cars (11)	66,444	03/01/2013	03/01/2016
U S Bank	Fire Truck 2014	53,194	01/15/2015	01/15/2019
U S Bank	Refuse Roll Carts / Recycle Toters	136,347	08/29/2014	08/29/2018
U S Bank	Police / Fire / MVH / Parks Trucks/Cars (16)	97,168	03/20/2014	03/20/2017
U S Bank	Ambulances (2)	69,529	01/25/2012	01/25/2016
U S Bank	Garbage Trucks (2)	62,429	12/01/2012	12/01/2016
U S Bank	Fire Truck 2012	48,591	12/21/2012	12/21/2015
Univest Capital	Phone System / PCC	9,361	03/15/2011	02/15/2016
Total of annual lease payments		<u>\$ 781,875</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2007 Redevelopment Bond: 61st Ave. Series A (Fund 324)	\$ 3,250,000	\$ 268,256
General obligation bonds	2009 Redevelopment Bond: 61st Ave. Series B (Fund 313)	1,080,000	78,954
General obligation bonds	2009 Police Court Reconstruction Bond A (Fund 314)	4,910,000	596,825
General obligation bonds	2005 Park District Bond (Fund 322)	1,855,000	783,474
General obligation bonds	2010 Police Court Reconstruction Bond B (Fund 315)	1,815,000	156,853
General obligation bonds	2010 Redevelopment Bond: 61st Ave TIF Series A (Fund 325)	1,135,000	188,460
General obligation bonds	2010 Redevelopment Bond: 61st Ave RZ Series B (Fund 325)	2,830,000	217,893
General obligation bonds	2014 GO Bond: Street Improvements (Fund 311)	1,800,000	421,225
Revenue bonds	2014 Lease Rental Revenue Bonds (Southside)	<u>5,090,000</u>	<u>101,559</u>
Total governmental activities		<u>23,765,000</u>	<u>2,813,499</u>
Wastewater:			
General obligation bonds	Municipal Sewage Works to Gary Sanitary District (GSD)	163,574	169,796
Revenue bonds	2012 HSD Sanitary Sewage Revenue Bonds (SRF)	<u>3,874,000</u>	<u>234,450</u>
Total Wastewater		<u>4,037,574</u>	<u>404,246</u>
Totals		<u>\$ 27,802,574</u>	<u>\$ 3,217,745</u>

CITY OF HOBART
SCHEDULE OF CAPITAL ASSETS
December 31, 2014

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

	Ending Balance
Governmental activities:	
Land	\$ 1,602,937
Infrastructure	96,636,187
Buildings	30,841,212
Improvements other than buildings	3,981,617
Machinery, equipment, and vehicles	11,497,065
Construction in progress	2,655,780
Books and other	89,356
Total governmental activities	147,304,154
Storm Water:	
Infrastructure	8,815,487
Wastewater:	
Land	1,033,922
Infrastructure	24,544,925
Buildings	15,662,269
Improvements other than buildings	444,709
Machinery, equipment, and vehicles	2,148,779
Construction in progress	932,326
Total Wastewater	44,766,930
Total capital assets	\$ 200,886,571

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

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

Report on Compliance for the Major Federal Program

We have audited the City of Hobart'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 its major federal program for the year ended December 31, 2014. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)


Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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. A significant deficiency in internal control over compliance is a deficiency, or a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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


Paul D. Joyce, CPA
State Examiner

February 16, 2017

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
Department of Commerce					
Coastal Zone Management Administration Awards Hobart Marsh Plan	Indiana Department of Natural Resources	11.419	EDS E16-12-JO113	\$ -	\$ 1,584
Total - Department of Commerce				-	1,584
Department of Justice					
Bulletproof Vest Partnership Program Bullet Proof Vests	Direct Grant	16.607	OMB1121-0235	-	4,620
Total - Department of Justice				-	4,620
Department of Transportation					
Highway Planning and Construction Cluster Highway Planning and Construction Streetscape: 3rd St. E-85 Police Fuel 61st Ave. CNG Refuse Hauler Diesel Catalysts: MVH	Indiana Department of Transportation Indiana Department of Transportation Indiana Department of Transportation Indiana Department of Environmental Management Northwestern Indiana Regional Planning Commission	20.205	Des#0810541 EDS A249-12-320708 STP-N606(001) EDS: A305-4-171 Diesel Retrofit	- - - - -	18,836 57,307 235,220 71,415 13,232
Total - Highway Planning and Construction Cluster				-	396,010
Total - Department of Transportation				-	396,010
Environmental Protection Agency					
Clean Water State Revolving Fund Cluster Capitalization Grants for Clean Water State Revolving Funds SRF Construction HSD	Indiana Finance Authority	66.458	WW12451401	-	89,444
Total - Clean Water State Revolving Fund Cluster				-	89,444
Total - Environmental Protection Agency				-	89,444
Department of Homeland Security					
Disaster Grants - Public Assistance (Presidentially Declared Disasters) Arctic Blast 2014	Indiana Department of Emergency Management	97.036	App: 089-34114-00	-	46,823
Assistance to Firefighters Grant Thermal Imaging Camera	Indiana Department of Homeland Security	97.044	EDS: PSF1-4-020A	-	4,000
Staffing for Adequate Fire and Emergency Response (SAFER)	Direct Grant	97.083	EDS: EMW-2013-FH-00533	-	129,881
Total - Department of Homeland Security				-	180,704
Total federal awards expended				\$ -	\$ 672,362

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

CITY OF HOBART
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2014. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. *Summary of Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	no

Identification of Major Program:

_____ Name of Federal Program or Cluster _____

Highway Planning and Construction Cluster

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

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

Section II - Financial Statement Findings

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

There were no segregation of duties over the preparation of the SEFA. One employee was responsible for preparing the SEFA without evidence of a review or approval process.

The City did not have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Federal expenditures were understated \$89,444 for one grant and were overstated \$203,633 in total for four grants, resulting in the SEFA having a total overstatement of \$114,189.

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

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"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. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (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 when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.

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

- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

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

FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were several deficiencies in the internal control system of the City related to financial transactions and reporting.

1. Lack of Segregation of Duties - Receipts: Duties of preparing the deposit and taking the deposit to the bank were performed by separate employees; however, consistent written documentation to verify that these steps were performed by two different employees was not provided.
2. Lack of Segregation of Duties - Financial Close and Reporting: The City had not separated incompatible activities related to the financial close and reporting process. The Clerk-Treasurer prepared the Annual Financial Report, which included the financial activity of all funds and was the basis for the financial statement, and submitted it on the Gateway reporting system website. Evidence that an adequate oversight or review process had occurred before submission was not provided.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management of the City had not properly implemented the internal control system relating to receipts. Management of the City had not established a proper system of internal control relating to the financial close and reporting process.

Effect

The failure to establish and properly implement controls could have enabled misstatements or irregularities to remain undetected.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE-PREPARED DOCUMENTS

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

Deborah A. Longer
Clerk-Treasurer

"The Friendly City"

Telephone:
(219) 942-1940

The City of Hobart

414 Main Street • Hobart, Indiana 46342

Fax:
(219) 942-0505



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2013-002

Auditor Assigned Reference Number: B43783

Fiscal Year 2013

Pass Through Entity Indiana Finance Authority

Auditee Contact Person Deborah A. Longer

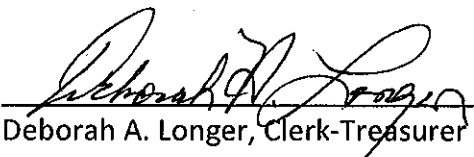
Title of Contact Person Clerk-Treasurer

Phone Number (219) 942-1940

Status of Finding Corrective Action Plan - Follow-up

As described in the Corrective Action Plan issued on April 30, 2014, the City of Hobart hired a full-time City Engineer in early 2013 and directed him, among other things, to focus his efforts to overseeing the project and review all claims submitted relative to the State Revolving Fund (SRF) loan and the activities related thereto. A sub-consultant, working under the monitoring of the paid project consultant, was hired to assure the Davis Bacon (prevailing wage) and Suspension and Debarment compliance was met. The Hobart Sanitary District Board considered all claims submitted by all consultants and payment was made for those approved by the Board upon the recommendation of the City Engineer.

The Hobart Sanitary District and the City have responded to the need for a more effective internal control systems and the Mayor and Clerk-Treasurer continue to remind the Department Heads to timely submit accurate information regarding any and all grants applied for and received and to take responsibility for the compliance requirements for each grant and project undertaken by the City. In addition, paid consultants whose activities are monitored by the City Engineer have been hired when deemed necessary to assure compliance with certain grants and/or projects that are beyond the scope or expertise of the staff.


Deborah A. Longer, Clerk-Treasurer
January 10, 2017

Deborah A. Longer
Clerk-Treasurer



"The Friendly City"

The City of Hobart

414 Main Street • Hobart, Indiana 46342

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CORRECTIVE ACTION PLAN

FINDING 2014-001: PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Deborah Longer, Clerk-Treasurer
Contact Phone Number: (219) 942-1940

The City maintains separate files on all grants applied for and awarded as provided to the Clerk-Treasurer's office. It has been problematic on numerous occasions when found that the Clerk-Treasurer was not supplied with all information related to grant awards and reporting while the designated Employee in Responsible Charge (ERC) for each grant maintained they did comply with the requirements of the grants they monitored and administered. The Administration consistently reminded the ERC's to provide the information but, at the end of the year, when preparing the Schedule of Expenditures of Federal Awards (SEFA), the Clerk-Treasurer continued to find a lack of information or misinformation due to insufficient reporting by the ERC's to the Clerk-Treasurer regarding the grant management.

At the time the 2014 Audit was being conducted, there was insufficient time to implement any correction to this Finding. On February 6, 2017, the Clerk-Treasurer and Mayor met with the Department Heads and instituted a new internal control specifically requiring each ERC to submit quarterly reports to designated staff in the Clerk-Treasurer's office for each grant applied for and/or awarded including any and all expenditures, receipts, quarterly reports and other filings related to the grant(s). It is believed that this additional quarterly step in monitoring the federal award activities throughout the year will allow the Clerk-Treasurer's staff to prepare up-to-date records that accurately reflect the activity of each grant. Using these updated records, the Clerk-Treasurer will then prepare the SEFA for review by each of the ERC's prior to submittal.

Anticipated Completion Date: February 6, 2017

Signed: _____

Deborah A. Longer, Clerk-Treasurer

Date: _____

2/14/2017

Deborah A. Longer
Clerk-Treasurer

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CORRECTIVE ACTION PLAN

FINDING 2014-002: INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Deborah Longer, Clerk-Treasurer
Contact Phone Number: (219) 942-1940

Lack of Segregation of Duties – Receipts: The Clerk-Treasurer's office has, since at least 2004 required that the preparation of the receipts for deposit and banking the deposit be performed by separate employees on a rotating basis. This control is in place to assure that multiple employees are checking the deposits, reconciling them with daily reports from the financial software system and assuring the deposits are accurately and timely made. Written documentation on a daily basis was not specifically noted on each deposit made. At the time the 2014 Audit was being conducted, there was insufficient time to implement any correction to this Finding. In early February, 2017, the Clerk-Treasurer's employees will begin to note with their initials who has prepared each deposit and who takes the deposit to the bank on the daily revenue reports.

Lack of Segregation of Duties – Financial Close and Reporting: The daily operations of the Clerk-Treasurer's office as to financial close and reporting is performed by the various employees of the office who oversee certain areas of specialization (i.e. asset management, accounts payable, debt management, accounts receivable). At the close of the year, the Clerk-Treasurer gathers this information and reviews each part for all funds and prepares the Annual Financial Report for the City. At the time the 2014 Audit was being conducted, there was insufficient time to implement any correction to this Finding. Beginning in January 2017, an employee of the Clerk-Treasurer's office was given editing rights to prepare the Annual Financial Report as to the receipts and disbursements portion. The Clerk-Treasurer, using the information provided by the other employees related to their particular areas of specialization, prepared the other areas of the report, sharing the final reported versions of each section prior to submission with the appropriate contributing employees. The report was also reviewed by the Mayor and the Council President prior to submission.

Anticipated Completion Date: February 3, 2017

Signed: _____

Deborah A. Longer, Clerk-Treasurer

Date: _____

2/14/2017

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.