

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, 2016 to December 31, 2016



FILED
12/01/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah Longer	01-01-16 to 12-31-19
Mayor	Brian Snedecor	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Brian Snedecor	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Matt Claussen Jerry Herzog	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, 2016, 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 (Indiana Code 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, 2016.

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, 2016, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 October 17, 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

October 17, 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, 2016, and the related notes to the financial statement, and have issued our report thereon dated October 17, 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.

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 City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002, that we consider 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 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 item 2016-001.

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

October 17, 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, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
General	\$ 2,667,014	\$ 23,622,346	\$ 25,735,572	\$ 553,788
Motor Vehicle Highway	828,327	2,676,827	2,824,072	681,082
Local Road And Street	420,191	331,892	165,984	586,099
Law Enforcement Continuing Ed	51,156	74,914	60,994	65,076
Riverboat	663,641	315,428	575,221	403,848
Parks And Recreation	127,637	763,031	823,899	66,769
Economic Development Income Tax	589,950	1,090,454	557,240	1,123,164
LOIT Special Distribution	-	1,094,701	800,630	294,071
Cumulative Capital Improvement	126,474	74,064	-	200,538
Cumulative Capital Development	1,244,560	773,341	576,015	1,441,886
Police Pension	693,610	593,334	596,290	690,654
Fire Pension	403,994	314,375	329,906	388,463
Public Safety Income Tax	137,181	1,027,375	1,107,848	56,708
HMS Police Court Bond B Debt Svc	143,781	137,130	129,499	151,412
Redev RZ TIF Bond A & B Debt Service	249,663	527,236	507,880	269,019
Maria Reiner Senior Center	180,801	150,118	133,177	197,742
Domestic Highway Enforcement	(5,237)	36,684	35,091	(3,644)
City Donations	5,277	555	914	4,918
RDC Special Fund	7,025	-	-	7,025
2014 Paving Bond Debt Service	75,046	448,889	423,601	100,334
50/50 Sidewalk	-	9,925	9,925	-
Southside Lease Bond	-	316,000	158,000	158,000
G.R.I.T.	-	5,039	-	5,039
Downtown Lease Bond	-	265,750	133,250	132,500
O.P.O./D.U.I. Grant Administration	-	345,071	345,071	-
Health Insurance Bank Account	13,480	2,867,309	2,638,636	242,153
City Court Bank Account	310,964	673,505	677,837	306,632
Fire Donation	4,302	5,050	3,457	5,895
Park Donation	4,915	7,320	8,702	3,533
Trust	34,974	-	2,600	32,374
Dare/Too Good for Drugs	(562)	13,386	6,970	5,854
Police Donation	15,963	50,760	59,752	6,971
County Share Court Costs	-	329,816	329,816	-
Court Records Perpetuation	51,645	10,093	1,041	60,697
Innkeeper's Tax	3,617	4,725	5,027	3,315
Police Seizure	92,530	439,436	257,906	274,060
Drug Task Force (HIDTA)	9,962	17,610	17,941	9,631
Drug Free Communities	-	12,150	12,150	-
County Juvenile Night Light	1,287	-	-	1,287
Park Improvement	25,011	-	-	25,011
Park & Rec Non-Reverting	2,235	-	-	2,235
Arbor Lane Park Donation	2,150	-	-	2,150
Enhancement & Improvement	153,848	384,419	256,937	281,330
Pennsy Depot Donation	12,611	-	-	12,611
Lakefront Festival	8,265	36,604	29,674	15,195
Barrington Ridge Park Donation	70,775	-	3,800	66,975
Pleak Fund	34,198	-	-	34,198

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, 2016
(Continued)

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
Water Lines	11,595	-	-	11,595
DUI Overtime Grant	3,859	49,573	56,273	(2,841)
Court Public Defender	4,926	4,927	500	9,353
Adult Probation	135,062	32,819	50,880	117,001
Park District Program	7,487	46,976	44,517	9,946
Hobart Entryway Triangle	6,631	-	-	6,631
Fire Dept EMS Education	1,375	-	-	1,375
Operation Pull Over	11,182	51,466	52,491	10,157
Tax Abatement	11,844	305	6,375	5,774
Scout Cabin	571	-	-	571
Redevelopment	1,737,363	1,326,719	688,967	2,375,115
Special Events	27,262	52,846	57,971	22,137
Public Works Donation	1,923	1,600	1,446	2,077
Assistance To Firefighters Grant	1,421	-	-	1,421
Recycling Grants	8,854	-	-	8,854
Employee Health Benefits	59,821	431,214	430,187	60,848
Redevelopment 61St Avenue	3,872,041	2,245,845	2,856,822	3,261,064
Reimburse Professional Fees	59,705	9,811	41,336	28,180
Park Bond 6 Project Debt Service	557,381	431,522	786,650	202,253
2007 61St Avenue Debt Service	139,678	279,961	263,289	156,350
HMS Police Court Bond A Debt Svc	430,359	657,301	619,915	467,745
61St Ave Series B Debt Service	43,977	92,304	88,104	48,177
Park Bond Proceeds 6 Projects	81,425	9,695	58,084	33,036
61 St Avenue Reserve Fund	930,000	329,534	340,000	919,534
Fire Pension 1977	-	198,735	198,735	-
Police Pension 1977	151	249,278	249,429	-
Payroll	144,510	13,419,832	13,419,374	144,968
Water Escrow	48,780	283,510	279,467	52,823
Nipsco Escrow	15	685,570	685,569	16
Civilian PERF	102	147,040	147,039	103
Investments	42,388	20,618	2,543	60,463
HSD Stormwater	1,761,683	2,098,354	2,329,059	1,530,978
SRF Bond and Interest HSD	186,106	234,616	254,289	166,433
SRF Debt Svc. Reserve HSD	153,293	47,426	3,930	196,789
Sewer Lease Construction 61st Ave	240,492	571	239,717	1,346
Sewer Lease Bond & Interest 61st Ave.	29,232	13	22,556	6,689
Sewer Lease Debt Service Reserve	509,000	438	438	509,000
Downtown Lease Construction	2,103,606	811	1,686,456	417,961
Downtown Lease Bond & Interest	55,065	88	55,153	-
Downtown Lease Debt Service Reserve	274,029	235	59	274,205
Wastewater Operating	399,327	4,921,333	4,822,255	498,405
Wastewater Improvement	3,964,044	1,387,932	1,769,899	3,582,077
Wastewater Revenue	485,838	6,762,128	7,014,399	233,567
Totals	<u>\$ 28,005,664</u>	<u>\$ 76,359,608</u>	<u>\$ 79,966,498</u>	<u>\$ 24,398,774</u>

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 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 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 non-businesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include 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 some funds with deficits in cash. This is because the funds were set up for reimbursable grants. Reimbursements for grant expenditures were not received by December 31, 2016.

Note 8. Subsequent Events

Park District Bonds of 2017

The Hobart Board of Park Commissioners sold bonds on June 7, 2017, in the amount of \$4,135,000 for a variety of projects: Lakefront Park Improvements, including replace of a walkway, railings, ADA accessibility, and bench seating; Playground Improvements, including new play equipment in parks throughout the District; Pool Improvements, including a new pump and filter system and construction of a splash pad; Maintenance Garage, including demolition of existing building and construction of a steel garage building and restrooms; Brickie Bowl Improvements, including a plaza, sidewalks, lighting, and shade structures; Rugby Field Improvements, including restrooms, picnic areas and parking lot; Festival Park Improvements, including sidewalks to an ADA kayak launch and access to a fishing pier, lighting, and landscaping. This bond issue will mature in its entirety by February 2023.

CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

Public Works Maintenance Facility

In May 2017, the Board of Public Works and Safety adopted Resolutions approving agreements for the purchase of improvements for a new Public Works Maintenance Facility. The Common Council adopted Resolutions authorizing an installment contract for the purchase of the improvements for the total amount of \$1,450,000. Semiannual installment payments are due through July 2027. In addition to this project, a grant was awarded from the Indiana Department of Environmental Management for the construction and equipment for a Compressed Natural Gas (CNG) Fueling Station to be constructed adjacent to the Maintenance Facility. The Maintenance Facility and the CNG Station are expected to be completed in late 2017.

Note 9. Other Postemployment Benefits

The City provides medical and hospitalization insurance benefits to eligible retirees and their spouses. 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, 2016

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Riverboat	Parks And Recreation	Economic Development Income Tax
Cash and investments - beginning	\$ 2,667,014	\$ 828,327	\$ 420,191	\$ 51,156	\$ 663,641	\$ 127,637	\$ 589,950
Receipts:							
Taxes	10,745,417	1,406,948	-	-	-	620,605	-
Licenses and permits	1,084,110	-	-	21,470	-	-	-
Intergovernmental receipts	771,380	1,117,359	331,892	-	238,530	28,887	977,324
Charges for services	2,397,128	-	-	41,629	-	104,300	-
Fines and forfeits	117,500	-	-	6,735	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	8,506,811	152,520	-	5,080	76,898	9,239	113,130
Total receipts	23,622,346	2,676,827	331,892	74,914	315,428	763,031	1,090,454
Disbursements:							
Personal services	14,591,536	1,471,522	-	-	-	547,454	19,494
Supplies	518,231	456,485	1,749	10,993	-	55,312	2,434
Other services and charges	2,958,552	123,263	10,756	45,005	14,819	129,792	135,147
Debt service - principal and interest	6,103,523	-	-	-	-	-	-
Capital outlay	277,613	772,802	153,479	4,996	560,402	67,386	400,165
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,286,117	-	-	-	-	23,955	-
Total disbursements	25,735,572	2,824,072	165,984	60,994	575,221	823,899	557,240
Excess (deficiency) of receipts over disbursements	(2,113,226)	(147,245)	165,908	13,920	(259,793)	(60,868)	533,214
Cash and investments - ending	\$ 553,788	\$ 681,082	\$ 586,099	\$ 65,076	\$ 403,848	\$ 66,769	\$ 1,123,164

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016
 (Continued)

	LOIT Special Distribution	Cumulative Capital Improvement	Cumulative Capital Development	Police Pension	Fire Pension	Public Safety Income Tax
Cash and investments - beginning	\$ -	\$ 126,474	\$ 1,244,560	\$ 693,610	\$ 403,994	\$ 137,181
Receipts:						
Taxes	-	-	738,952	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	1,094,701	74,064	34,389	-	-	1,006,660
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	593,334	314,375	20,715
Total receipts	<u>1,094,701</u>	<u>74,064</u>	<u>773,341</u>	<u>593,334</u>	<u>314,375</u>	<u>1,027,375</u>
Disbursements:						
Personal services	-	-	-	1,456	1,456	239,209
Supplies	-	-	-	-	-	50,000
Other services and charges	-	-	-	-	-	232,569
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	800,630	-	576,015	-	-	586,070
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	594,834	328,450	-
Total disbursements	<u>800,630</u>	<u>-</u>	<u>576,015</u>	<u>596,290</u>	<u>329,906</u>	<u>1,107,848</u>
Excess (deficiency) of receipts over disbursements	<u>294,071</u>	<u>74,064</u>	<u>197,326</u>	<u>(2,956)</u>	<u>(15,531)</u>	<u>(80,473)</u>
Cash and investments - ending	<u>\$ 294,071</u>	<u>\$ 200,538</u>	<u>\$ 1,441,886</u>	<u>\$ 690,654</u>	<u>\$ 388,463</u>	<u>\$ 56,708</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016
 (Continued)

	HMS Police Court Bond B Debt Svc	Redev RZ TIF Bond A & B Debt Service	Maria Reiner Senior Center	Domestic Highway Enforcement	City Donations	RDC Special Fund
Cash and investments - beginning	\$ 143,781	\$ 249,663	\$ 180,801	\$ (5,237)	\$ 5,277	\$ 7,025
Receipts:						
Taxes	130,571	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	6,009	-	-	-	-	-
Charges for services	-	-	69,980	36,684	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	550	527,236	80,138	-	555	-
Total receipts	137,130	527,236	150,118	36,684	555	-
Disbursements:						
Personal services	-	-	59,074	35,091	-	-
Supplies	-	-	26,422	-	-	-
Other services and charges	549	1,300	12,259	-	914	-
Debt service - principal and interest	128,950	506,580	-	-	-	-
Capital outlay	-	-	1,341	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	34,081	-	-	-
Total disbursements	129,499	507,880	133,177	35,091	914	-
Excess (deficiency) of receipts over disbursements	7,631	19,356	16,941	1,593	(359)	-
Cash and investments - ending	\$ 151,412	\$ 269,019	\$ 197,742	\$ (3,644)	\$ 4,918	\$ 7,025

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016
 (Continued)

	2014 Paving Bond Debt Service	50/50 Sidewalk	Southside Lease Bond	G.R.I.T.	Downtown Lease Bond	O.P.O./D.U.I. Grant Administration
Cash and investments - beginning	\$ 75,046	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	429,139	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	19,750	-	-	5,039	-	345,071
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	9,925	316,000	-	265,750	-
Total receipts	<u>448,889</u>	<u>9,925</u>	<u>316,000</u>	<u>5,039</u>	<u>265,750</u>	<u>345,071</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	501	-	158,000	-	133,250	-
Debt service - principal and interest	423,100	-	-	-	-	-
Capital outlay	-	9,925	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	345,071
Total disbursements	<u>423,601</u>	<u>9,925</u>	<u>158,000</u>	<u>-</u>	<u>133,250</u>	<u>345,071</u>
Excess (deficiency) of receipts over disbursements	<u>25,288</u>	<u>-</u>	<u>158,000</u>	<u>5,039</u>	<u>132,500</u>	<u>-</u>
Cash and investments - ending	<u>\$ 100,334</u>	<u>\$ -</u>	<u>\$ 158,000</u>	<u>\$ 5,039</u>	<u>\$ 132,500</u>	<u>\$ -</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016
 (Continued)

	Health Insurance Bank Account	City Court Bank Account	Fire Donation	Park Donation	Trust	Dare/Too Good for Drugs
Cash and investments - beginning	\$ 13,480	\$ 310,964	\$ 4,302	\$ 4,915	\$ 34,974	\$ (562)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	11,000
Charges for services	-	-	-	1,100	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>2,867,309</u>	<u>673,505</u>	<u>5,050</u>	<u>6,220</u>	<u>-</u>	<u>2,386</u>
Total receipts	<u>2,867,309</u>	<u>673,505</u>	<u>5,050</u>	<u>7,320</u>	<u>-</u>	<u>13,386</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	3,457	7,294	-	5,956
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	1,408	2,600	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>2,638,636</u>	<u>677,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,014</u>
Total disbursements	<u>2,638,636</u>	<u>677,837</u>	<u>3,457</u>	<u>8,702</u>	<u>2,600</u>	<u>6,970</u>
Excess (deficiency) of receipts over disbursements	<u>228,673</u>	<u>(4,332)</u>	<u>1,593</u>	<u>(1,382)</u>	<u>(2,600)</u>	<u>6,416</u>
Cash and investments - ending	<u>\$ 242,153</u>	<u>\$ 306,632</u>	<u>\$ 5,895</u>	<u>\$ 3,533</u>	<u>\$ 32,374</u>	<u>\$ 5,854</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016
 (Continued)

	Police Donation	County Share Court Costs	Court Records Perpetuation	Innkeeper's Tax	Police Seizure	Drug Task Force (HIDTA)
Cash and investments - beginning	\$ 15,963	\$ -	\$ 51,645	\$ 3,617	\$ 92,530	\$ 9,962
Receipts:						
Taxes	-	-	-	4,725	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	17,610
Fines and forfeits	-	329,816	10,093	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	50,760	-	-	-	439,436	-
Total receipts	<u>50,760</u>	<u>329,816</u>	<u>10,093</u>	<u>4,725</u>	<u>439,436</u>	<u>17,610</u>
Disbursements:						
Personal services	-	-	-	-	-	17,798
Supplies	-	-	-	-	-	143
Other services and charges	46,213	-	861	5,027	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	13,539	-	180	-	257,906	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	329,816	-	-	-	-
Total disbursements	<u>59,752</u>	<u>329,816</u>	<u>1,041</u>	<u>5,027</u>	<u>257,906</u>	<u>17,941</u>
Excess (deficiency) of receipts over disbursements	<u>(8,992)</u>	<u>-</u>	<u>9,052</u>	<u>(302)</u>	<u>181,530</u>	<u>(331)</u>
Cash and investments - ending	<u>\$ 6,971</u>	<u>\$ -</u>	<u>\$ 60,697</u>	<u>\$ 3,315</u>	<u>\$ 274,060</u>	<u>\$ 9,631</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016
 (Continued)

	Drug Free Communities	County Juvenile Night Light	Park Improvement	Park & Rec Non-Reverting	Arbor Lane Park Donation	Enhancement & Improvement
Cash and investments - beginning	\$ -	\$ 1,287	\$ 25,011	\$ 2,235	\$ 2,150	\$ 153,848
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	384,419
Fines and forfeits	12,150	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	<u>12,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384,419</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	256,937
Utility operating expenses	-	-	-	-	-	-
Other disbursements	12,150	-	-	-	-	-
Total disbursements	<u>12,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,937</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,482</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 1,287</u>	<u>\$ 25,011</u>	<u>\$ 2,235</u>	<u>\$ 2,150</u>	<u>\$ 281,330</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016
 (Continued)

	Pennsy Depot Donation	Lakefront Festival	Barrington Ridge Park Donation	Pleak Fund	Water Lines	DUI Overtime Grant
Cash and investments - beginning	\$ 12,611	\$ 8,265	\$ 70,775	\$ 34,198	\$ 11,595	\$ 3,859
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	21,540	-	-	-	49,573
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	15,064	-	-	-	-
Total receipts	<u>-</u>	<u>36,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,573</u>
Disbursements:						
Personal services	-	5,218	-	-	-	56,044
Supplies	-	-	3,800	-	-	-
Other services and charges	-	22,961	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	1,495	-	-	-	229
Total disbursements	<u>-</u>	<u>29,674</u>	<u>3,800</u>	<u>-</u>	<u>-</u>	<u>56,273</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>6,930</u>	<u>(3,800)</u>	<u>-</u>	<u>-</u>	<u>(6,700)</u>
Cash and investments - ending	<u>\$ 12,611</u>	<u>\$ 15,195</u>	<u>\$ 66,975</u>	<u>\$ 34,198</u>	<u>\$ 11,595</u>	<u>\$ (2,841)</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016
 (Continued)

	Court Public Defender	Adult Probation	Park District Program	Hobart Entryway Triangle	Fire Dept EMS Education	Operation Pull Over
Cash and investments - beginning	\$ 4,926	\$ 135,062	\$ 7,487	\$ 6,631	\$ 1,375	\$ 11,182
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	35,396	-	-	51,466
Fines and forfeits	4,927	32,819	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	11,580	-	-	-
Total receipts	<u>4,927</u>	<u>32,819</u>	<u>46,976</u>	<u>-</u>	<u>-</u>	<u>51,466</u>
Disbursements:						
Personal services	500	47,904	29,438	-	-	52,491
Supplies	-	1,043	-	-	-	-
Other services and charges	-	1,933	15,079	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>500</u>	<u>50,880</u>	<u>44,517</u>	<u>-</u>	<u>-</u>	<u>52,491</u>
Excess (deficiency) of receipts over disbursements	<u>4,427</u>	<u>(18,061)</u>	<u>2,459</u>	<u>-</u>	<u>-</u>	<u>(1,025)</u>
Cash and investments - ending	<u>\$ 9,353</u>	<u>\$ 117,001</u>	<u>\$ 9,946</u>	<u>\$ 6,631</u>	<u>\$ 1,375</u>	<u>\$ 10,157</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016
 (Continued)

	Tax Abatement	Scout Cabin	Redevelopment	Special Events	Public Works Donation	Assistance To Firefighters Grant
Cash and investments - beginning	\$ 11,844	\$ 571	\$ 1,737,363	\$ 27,262	\$ 1,923	\$ 1,421
Receipts:						
Taxes	-	-	408,903	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	285	-	-	52,846	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	20	-	917,816	-	1,600	-
Total receipts	<u>305</u>	<u>-</u>	<u>1,326,719</u>	<u>52,846</u>	<u>1,600</u>	<u>-</u>
Disbursements:						
Personal services	-	-	9,321	2,100	-	-
Supplies	-	-	-	-	-	-
Other services and charges	6,375	-	290,909	55,871	1,446	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	122,987	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	265,750	-	-	-
Total disbursements	<u>6,375</u>	<u>-</u>	<u>688,967</u>	<u>57,971</u>	<u>1,446</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(6,070)</u>	<u>-</u>	<u>637,752</u>	<u>(5,125)</u>	<u>154</u>	<u>-</u>
Cash and investments - ending	<u>\$ 5,774</u>	<u>\$ 571</u>	<u>\$ 2,375,115</u>	<u>\$ 22,137</u>	<u>\$ 2,077</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, 2016
 (Continued)

	Recycling Grants	Employee Health Benefits	Redevelopment 61St Avenue	Reimburse Professional Fees	Park Bond 6 Project Debt Service	2007 61St Avenue Debt Service
Cash and investments - beginning	\$ 8,854	\$ 59,821	\$ 3,872,041	\$ 59,705	\$ 557,381	\$ 139,678
Receipts:						
Taxes	-	-	1,614,157	-	412,539	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	18,983	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	431,214	631,688	9,811	-	279,961
Total receipts	-	431,214	2,245,845	9,811	431,522	279,961
Disbursements:						
Personal services	-	430,160	9,322	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	788,759	41,336	550	1,750
Debt service - principal and interest	-	-	-	-	786,100	261,539
Capital outlay	-	-	483,497	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	27	1,575,244	-	-	-
Total disbursements	-	430,187	2,856,822	41,336	786,650	263,289
Excess (deficiency) of receipts over disbursements	-	1,027	(610,977)	(31,525)	(355,128)	16,672
Cash and investments - ending	\$ 8,854	\$ 60,848	\$ 3,261,064	\$ 28,180	\$ 202,253	\$ 156,350

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016
 (Continued)

	HMS Police Court Bond A Debt Svc	61St Ave Series B Debt Service	Park Bond Proceeds 6 Projects	61 St Avenue Reserve Fund	Fire Pension 1977	Police Pension 1977
Cash and investments - beginning	\$ 430,359	\$ 43,977	\$ 81,425	\$ 930,000	\$ -	\$ 151
Receipts:						
Taxes	628,381	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	28,920	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	92,304	9,695	329,534	198,735	249,278
Total receipts	657,301	92,304	9,695	329,534	198,735	249,278
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	1,096	550	-	-	-	-
Debt service - principal and interest	618,819	87,554	-	-	-	-
Capital outlay	-	-	58,084	340,000	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	198,735	249,429
Total disbursements	619,915	88,104	58,084	340,000	198,735	249,429
Excess (deficiency) of receipts over disbursements	37,386	4,200	(48,389)	(10,466)	-	(151)
Cash and investments - ending	\$ 467,745	\$ 48,177	\$ 33,036	\$ 919,534	\$ -	\$ -

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016
 (Continued)

	Payroll	Water Escrow	Nipsco Escrow	Civilian PERF	Investments	HSD Stormwater
Cash and investments - beginning	\$ 144,510	\$ 48,780	\$ 15	\$ 102	\$ 42,388	\$ 1,761,683
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	1,852,110
Other receipts	13,419,832	283,510	685,570	147,040	20,618	246,244
Total receipts	<u>13,419,832</u>	<u>283,510</u>	<u>685,570</u>	<u>147,040</u>	<u>20,618</u>	<u>2,098,354</u>
Disbursements:						
Personal services	-	-	-	-	-	18,323
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	1,695,344
Utility operating expenses	-	-	-	-	-	615,392
Other disbursements	13,419,374	279,467	685,569	147,039	2,543	-
Total disbursements	<u>13,419,374</u>	<u>279,467</u>	<u>685,569</u>	<u>147,039</u>	<u>2,543</u>	<u>2,329,059</u>
Excess (deficiency) of receipts over disbursements	<u>458</u>	<u>4,043</u>	<u>1</u>	<u>1</u>	<u>18,075</u>	<u>(230,705)</u>
Cash and investments - ending	<u>\$ 144,968</u>	<u>\$ 52,823</u>	<u>\$ 16</u>	<u>\$ 103</u>	<u>\$ 60,463</u>	<u>\$ 1,530,978</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016
 (Continued)

	SRF Bond and Interest HSD	SRF Debt Svc. Reserve HSD	Sewer Lease Construction 61st Ave	Sewer Lease Bond & Interest 61st Ave.	Sewer Lease Debt Service Reserve	Downtown Lease Construction
Cash and investments - beginning	\$ 186,106	\$ 153,293	\$ 240,492	\$ 29,232	\$ 509,000	\$ 2,103,606
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	234,616	47,426	571	13	438	811
Total receipts	234,616	47,426	571	13	438	811
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	254,289	3,930	-	22,556	438	-
Capital outlay	-	-	239,717	-	-	1,686,456
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	254,289	3,930	239,717	22,556	438	1,686,456
Excess (deficiency) of receipts over disbursements	(19,673)	43,496	(239,146)	(22,543)	-	(1,685,645)
Cash and investments - ending	\$ 166,433	\$ 196,789	\$ 1,346	\$ 6,689	\$ 509,000	\$ 417,961

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016
 (Continued)

	Downtown Lease Bond & Interest	Downtown Lease Debt Service Reserve	Wastewater Operating	Wastewater Improvement	Wastewater Revenue	Totals
Cash and investments - beginning	\$ 55,065	\$ 274,029	\$ 399,327	\$ 3,964,044	\$ 485,838	\$ 28,005,664
Receipts:						
Taxes	-	-	-	-	-	17,140,337
Licenses and permits	-	-	-	-	-	1,105,580
Intergovernmental receipts	-	-	-	-	-	6,109,958
Charges for services	-	-	-	-	-	3,263,956
Fines and forfeits	-	-	-	-	-	514,040
Utility fees	-	-	4,000	-	6,627,157	8,483,267
Other receipts	88	235	4,917,333	1,387,932	134,971	39,742,470
Total receipts	<u>88</u>	<u>235</u>	<u>4,921,333</u>	<u>1,387,932</u>	<u>6,762,128</u>	<u>76,359,608</u>
Disbursements:						
Personal services	-	-	1,126,091	-	-	18,771,002
Supplies	-	-	-	-	-	1,126,612
Other services and charges	-	-	750	-	-	5,254,849
Debt service - principal and interest	55,153	59	-	281,706	-	9,534,296
Capital outlay	-	-	21,248	712,214	-	10,102,941
Utility operating expenses	-	-	3,571,712	250,000	-	4,437,104
Other disbursements	-	-	102,454	525,979	7,014,399	30,739,694
Total disbursements	<u>55,153</u>	<u>59</u>	<u>4,822,255</u>	<u>1,769,899</u>	<u>7,014,399</u>	<u>79,966,498</u>
Excess (deficiency) of receipts over disbursements	<u>(55,065)</u>	<u>176</u>	<u>99,078</u>	<u>(381,967)</u>	<u>(252,271)</u>	<u>(3,606,890)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 274,205</u>	<u>\$ 498,405</u>	<u>\$ 3,582,077</u>	<u>\$ 233,567</u>	<u>\$ 24,398,774</u>

CITY OF HOBART
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2016

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 84,370	\$ 555,744
Governmental activities	413,861	938,397
Totals	\$ 498,231	\$ 1,494,141

CITY OF HOBART
SCHEDULE OF LEASES AND DEBT
December 31, 2016

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
People's Bank	FireHouse #2	117,693	07/15/2016	01/15/2026
U S Bank	Braun 2016 Ambulance	38,059	05/26/2016	05/26/2019
U S Bank	Police Cars (10)	64,056	03/30/2016	03/30/2019
U S Bank	Fire Truck 2013 Quint	121,850	12/17/2014	12/17/2018
U S Bank	Fire Truck 2014 E-One Typhoon	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)	<u>97,168</u>	03/20/2014	03/20/2017
Total of annual lease payments		<u>\$ 754,924</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2009 Redevelopment Bond: 61st Ave. Series B (Fund 313)	\$ 1,010,000	\$ 100,854
General obligation bonds	2009 Police Court Reconstruction Bond A (Fund 314)	3,970,000	1,011,988
General obligation bonds	2005 Park District Bond (Fund 322)	385,000	392,315
General obligation bonds	2010 Police Court Reconstruction Bond B (Fund 315)	1,695,000	128,020
General obligation bonds	2010 Redevelopment Bond: 61st Ave TIF Series A (Fund 325)	810,000	229,510
General obligation bonds	2010 Redevelopment Bond: 61st Ave RZ Series B (Fund 325)	2,520,000	256,603
General obligation bonds	2014 GO Bond: Street Improvements (Fund 311)	1,010,000	30,075
General obligation bonds	2016 Redevelopment Refunding Bond: 61st Ave (Fund 324)	3,135,000	311,450
Revenue bonds	2014 Lease Rental Revenue Bonds (Southside)	5,090,000	416,606
Revenue bonds	2015 Lease Rental Revenue Bonds (Downtown)	<u>3,700,000</u>	<u>258,709</u>
Total governmental activities		<u>23,325,000</u>	<u>3,136,130</u>
Wastewater:			
Revenue bonds	2012 HSD Sanitary Sewage Revenue Bonds (SRF)	<u>3,517,000</u>	<u>235,073</u>
Totals		<u>\$ 26,842,000</u>	<u>\$ 3,371,203</u>

CITY OF HOBART
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2016

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	\$ 1,603,257
Infrastructure	98,040,406
Buildings	30,679,212
Improvements other than buildings	7,205,930
Machinery, equipment, and vehicles	15,881,654
Construction in progress	6,383,613
Books and other	89,356
Total governmental activities	159,883,428
Storm Water:	
Infrastructure	11,245,172
Wastewater:	
Land	1,053,215
Infrastructure	26,106,657
Buildings	15,662,269
Improvements other than buildings	1,280,393
Machinery, equipment, and vehicles	2,859,850
Construction in progress	6,539,137
Total Wastewater	53,501,521
Total capital assets	\$ 224,630,121

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hobart's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2016.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-003, that we consider to be a material weakness.

The City's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

October 17, 2017

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, 2016

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
<u>Department of Commerce</u>					
Coastal Zone Management Administration Awards	Indiana Department of Natural Resources	11.419			
Historic Preservation Policies			E16-6-KMA0346	\$ -	\$ 2,000
Hobart Sustainable Neighborhoods			EDS: E16-5-KMA0343	-	4,000
Deep River Access			EDS: E16-5-MKM00420	-	85,000
Lake George Bank Stabilization			300FWOLARE07000	-	9,695
Total - Department of Commerce				-	100,695
<u>Department of Justice</u>					
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588	EDS#D3-16-10519	-	42,000
Bulletproof Vest Partnership Program	Direct Grant	16.607	OMB1121-0235	-	3,900
Equitable Sharing Program	Direct Grant	16.922	FY2016	-	207,064
Total - Department of Justice				-	252,964
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction		20.205			
Streetscape - 3rd Street	Indiana Department of Transportation		Des#0810541	-	13,778
E-85 Police Fuel	Indiana Department of Transportation		Des #1173714	-	2,463
Colorado Street Safety Improvement	Indiana Department of Transportation		EDS: A249-15-320102	-	70,811
Sign Replacement	Indiana Department of Transportation		EDS: A249-15-320103	-	3,915
61st Avenue	Indiana Department of Transportation		DES #0900071	-	1,195
Diesel Wise	Indiana Department of Environmental Management		EDS #A305-5-203	-	300,000
Total - Highway Planning and Construction				-	392,162
Total - Highway Planning and Construction Cluster				-	392,162
Highway Safety Cluster	Indiana Criminal Justice Institute				
Alcohol Impaired Driving Countermeasures Incentive Grants I		20.601	EDS# D3-16-10240	-	157,589
National Priority Safety Programs		20.616	EDS# D3-16-10186 EDS# D3-17-11083	-	16,500 170,754
Total - National Priority Safety Programs				-	187,254
Total - Highway Safety Cluster				-	344,843
Total - Department of Transportation				-	737,005
<u>Department of Homeland Security</u>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036			
2008 Flood Gate Damage			DR1795	-	91,120
Assistance to Firefighters Grant	Direct Grant	97.044			
Fire Prevention and Safety Grant			EMW-2014-FP-00419	-	7,375
Staffing for Adequate Fire and Emergency Response (SAFER)	Direct Grant	97.083			
SAFER			EDS: EMW-2013-FH-00533	-	291,694
Total - Department of Homeland Security				-	390,189
Total federal awards expended				\$ -	\$ 1,480,853

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, 2016. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the Uniform Guidance, 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. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Any audit finding disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Highway Planning and Construction Cluster	Unmodified
Highway Safety Cluster	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat of Finding 2015-001 from the immediate prior year.

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).

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

The City failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which is the source for the SEFA. One employee prepared the grant information for the federal awards with no review in order to detect and correct errors before submission.

Context

Due to the lack of controls, the following errors resulted in the understatement of the SEFA by \$293,956:

1. The Equitable Sharing Program was omitted, resulting in the federal expenditures being understated by \$207,064.
2. The Disaster Grants - Public Assistance (Presidentially Declared Disasters) program was omitted, resulting in the federal expenditures being understated by \$91,120.
3. The Highway Safety Cluster grant federal expenditures were overstated by \$228. In addition, the Highway Safety Cluster grant federal expenditures incorrectly listed \$345,701 as Passed-Through to Subrecipients.
4. An expenditure for a thermal imaging camera that was funded by local sources was erroneously included resulting in the federal expenditures being overstated by \$4,000.
5. Seven federal programs did not have the correct program title.

Audit adjustments were proposed, approved 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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; . . .

- Accurate and timely recording of transactions. . . ."

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

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Context*.

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

Recommendation

We recommended that the City's management establish controls to ensure accurate reporting of the SEFA.

Views of Responsible Officials

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

FINDING 2016-002

Subject: Receipts
Audit Finding: Material Weakness

Repeat Finding

This is a partial repeat of Finding 2015-002 from the immediate prior year.

Condition

There was a deficiency in the internal control system of the City related to receipts. Duties of preparing the deposit and taking the deposit to the bank were performed by separate employees; however, written documentation to verify the segregation of these procedures was not provided.

Context

The lack of controls over receipt was a systemic issue, which occurred throughout the audit period.

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. . . ."

Cause

Management of the City had not established a proper system of internal controls.

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

Effect

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

Recommendation

We recommended that the City implement a system of internal controls to ensure that adequate documentation of the segregation of duties over the receipt process is maintained.

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

FINDING 2016-003

Subject: Highway Planning and Construction - Suspension and Debarment
Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205
Federal Award Number and Year (or Other Identifying Number): EDS #A305-5-203
Pass-Through Entity: Indiana Department of Environmental Management
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is not a repeat finding from the immediate prior year.

Condition

The City had not established an effective internal control system related to the grant agreement and the Suspension and Debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

The City did not have a Suspension and Debarment policy or procedures in place in order to ensure compliance with requirements regarding verification that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

This is a systemic problem as the City did not have a Suspension and Debarment policy in place. Neither of the two vendors paid from the grant were verified.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed a system of internal controls to ensure compliance with the Suspension and Debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in loss of federal funds to the City.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

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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"

The City of Hobart

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2015-001

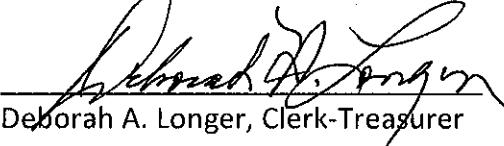
Fiscal Year in which the finding initially occurred: 2015

Contact Person Responsible for Corrective Action: Deborah A. Longer, Clerk-Treasurer

Contact Phone Number: (219) 942-1940

Status of Audit Finding:

As described in the Corrective Action Plan issued on February 14, 2017 the City Executive and the Clerk-Treasurer met with the Department Heads and instituted a new internal control specifically requiring each Employee in Responsible Charge (ERC) of any federal awards or grants of any kind, 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. To date, two (2) quarters have elapsed in 2017 and the ERC's were reminded to submit their quarterly reports in April and July. Using the records submitted, the Clerk-Treasurer staff has reviewed and updated activities for each grant, noting them on spreadsheets that will be used to prepare the SEFA for review by each of the ERC's prior to annual submittal. Due to the timing of the 2015 Audit, there was insufficient time to implement any corrective action plan until the middle of the 1st quarter of 2017 for the FY 2017 reporting year.


Deborah A. Longer, Clerk-Treasurer
August 28, 2017

Deborah A. Longer
Clerk-Treasurer

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2015-002

Fiscal Year in which the finding initially occurred: 2015

Contact Person Responsible for Corrective Action: Deborah A. Longer, Clerk-Treasurer

Contact Phone Number: (219) 942-1940

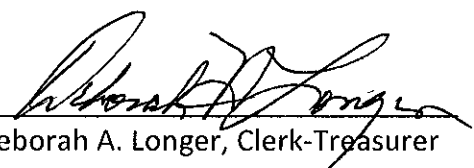
Status of Audit Finding:

As described in the Corrective Action Plan issued on February 14, 2017 the Clerk-Treasurer has implemented internal controls within the office, having each employee to note with their initials who has prepared the daily deposits and who has taken the deposit to the bank.

In addition, the 2017 Annual Financial report has become a collective effort of numerous employees supplying information and documentation for the report and included the training of an employee other than the Clerk-Treasurer to prepare certain sections of the report in Gateway. The report, prior to submission, will be reviewed for accuracy by appropriate staff relative to their areas of specialization and reviewed by the City Executive and the Common Council President.

Due to the timing of the 2015 Audit, there was insufficient time to implement all of the corrective action plan activities related to the Annual Financial Report until the beginning of 2017 for the FY 2016 reporting year. In early 2017, the itemized appropriations and receipts were entered into Gateway by staff of the Clerk-Treasurer's office and checked for accuracy by the Clerk-Treasurer, prior to submission. Additional staff members will be trained on other aspects of Gateway reporting for the FY 2017.

In 2015 a Corrective Action Plan was put in place to address the review oversight of each bank account reconciliation, documenting the review by the Clerk-Treasurer placing her initials in the corner of each reconciliation. This review process began in October 2015 and continues as an internal control.


Deborah A. Longer, Clerk-Treasurer
August 28, 2017

Deborah A. Longer
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CORRECTIVE ACTION PLAN

FINDING 2016-001

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 2016 Annual Report was prepared and issued, 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. The audit adjustments proposed by the State Board of Accounts and approved by the City have been made to the SEFA for 2016.

Anticipated Completion Date: October 13, 2017

Signed: _____

Deborah A. Longer, Clerk-Treasurer

Date: _____

10/13/17

Deborah A. Longer
Clerk-Treasurer

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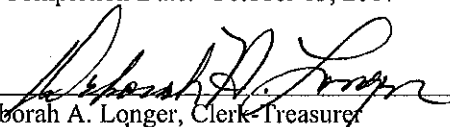
CORRECTIVE ACTION PLAN

FINDING 2016-002

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

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 2016 Audit was being conducted, there was insufficient time to implement any correction to this Finding on the prior year records. In early February, 2017, the Clerk-Treasurer's employees began to note with their initials who has prepared each deposit and who takes the deposit to the bank on the daily revenue reports as documentation to verify the segregation of these procedures.

Anticipated Completion Date: October 13, 2017

Signed: 
Deborah A. Longer, Clerk-Treasurer

Date: 10/13/17

Deborah A. Longer
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CORRECTIVE ACTION PLAN

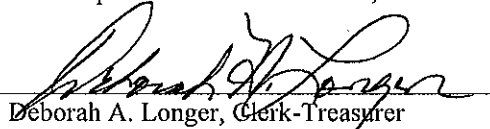
FINDING 2016-003

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

Procurement and Suspension and Debarment

At the time the 2016 Audit was being conducted, there was insufficient time to implement any correction to this Finding on the prior year procurements. The City will implement a procedure to verify that vendors are not suspended or debarred from participation in federal programs before entering into a contract. Included in this procedure will be an internal review of exclusions through the Excluded Parties List System (EPLS) via the System for Award Management website (SAM.gov) to verify current vendor status. Printed status reports and findings will be included in appropriate grant files and provided for consideration by the appropriate Board prior to execution of contracts. Additionally, vendors will be requested to provide verification of their current status when presenting contracts for consideration.

Anticipated Completion Date: October 13, 2017

Signed: 
Deborah A. Longer, Clerk-Treasurer

Date: 10/13/17

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/>.