

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, 2017 to December 31, 2017



FILED
08/01/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
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 <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10-11
Notes to Financial Statement	12-17
Other Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	20-38
Schedule of Payables and Receivables	39
Schedule of Leases and Debt	40
Schedule of Capital Assets	41
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance	44-45
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	48
Notes to Schedule of Expenditures of Federal Awards	49
Schedule of Findings and Questioned Costs	50-53
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings	56-58
Corrective Action Plan	59-60
Other Reports	61

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	Jerry Herzog	01-01-17 to 12-31-18



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, 2017, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2017.

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, 2017, 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 June 26, 2018, 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 solely 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 effectiveness of the City's 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

June 26, 2018



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2017, and the related notes to the financial statement, and have issued our report thereon dated June 26, 2018, 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 item 2017-001, that we consider to be a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

June 26, 2018

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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, 2017

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17
General	\$ 553,788	\$ 24,764,127	\$ 26,661,084	\$ (1,343,169)
Motor Vehicle Highway	681,082	2,565,162	2,636,585	609,659
Local Road And Street	586,099	436,916	397,731	625,284
Law Enforcement Continuing Ed	65,076	62,524	57,726	69,874
Riverboat	403,848	311,070	216,297	498,621
Parks And Recreation	66,769	911,756	959,950	18,575
Economic Development Income Tax	1,123,164	1,033,632	1,454,561	702,235
LOIT Special Distribution	294,071	1,018,098	2,085,572	(773,403)
Cumulative Capital Improvement	200,538	70,669	-	271,207
Cumulative Capital Development	1,441,886	743,374	374,589	1,810,671
Police Pension	690,654	576,078	603,950	662,782
Fire Pension	388,463	316,710	337,995	367,178
Public Safety Income Tax	56,708	1,041,350	857,004	241,054
HMS Police Court Bond B Debt Svc	151,412	131,408	132,610	150,210
Redev RZ TIF Bond A & B Debt Service	269,019	554,140	545,998	277,161
Maria Reiner Senior Center	197,742	112,847	124,499	186,090
Domestic Highway Enforcement	(3,644)	34,099	33,345	(2,890)
City Donations	4,919	-	1,250	3,669
RDC Special Fund	7,025	-	-	7,025
2014 Paving Bond Debt Service	100,334	30,325	30,575	100,084
Southside Lease Bond	158,000	319,000	317,500	159,500
G.R.I.T.	5,039	20,145	-	25,184
Downtown Lease Bond	132,500	268,000	266,500	134,000
O.P.O./D.U.I. Grant Administration	-	361,318	361,318	-
2017 Park Bond Debt Service	-	89,871	12,405	77,466
Park Bond Proceeds 7 Project	-	4,101,920	1,479,243	2,622,677
Indiana American Water (Centier)	-	135,121	84,482	50,639
Nipsco (Centier)	-	139,301	133,580	5,721
Health Insurance Bank Account	242,153	2,648,480	2,735,469	155,164
City Court Bank Account	306,632	672,568	672,680	306,520
Fire Donation	5,895	4,255	3,490	6,660
Park Donation	3,533	3,930	2,500	4,963
Trust	32,374	-	4,624	27,750
Dare / Too Good for Drugs	5,854	4,207	5,633	4,428
Police Donation	6,971	9,162	9,891	6,242
County Share Court Costs	-	315,496	315,496	-
Court Records Perpetuation	60,697	25,297	1,883	84,111
Innkeeper's Tax	3,315	4,725	-	8,040
Police Seizure	274,060	438,844	422,146	290,758
Drug Task Force (Hidta)	9,631	18,698	18,313	10,016
Drug Free Communities	-	12,104	12,104	-
County Juvenile Night Light	1,287	-	-	1,287
Park Improvement	25,011	-	15,250	9,761
Park & Rec Non-Reverting	2,235	-	-	2,235
Arbor Lane Park Donation	2,150	-	-	2,150
Enhancement & Improvement	281,330	285,243	54,723	511,850
Pennsy Depot Donation	12,611	-	-	12,611
Lakefront Festival	15,195	64,402	62,680	16,917
Barrington Ridge Park Donation	66,975	-	3,600	63,375

CITY OF HOBART
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2017

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17
Pleak Fund	34,198	-	33,867	331
Water Lines	11,595	-	-	11,595
Dui Overtime Grant	(2,841)	58,769	59,367	(3,439)
Court Public Defender	9,353	2,150	-	11,503
Adult Probation	117,001	32,372	40,636	108,737
Park District Program	9,946	48,419	40,903	17,462
Hobart Entryway Triangle	6,632	-	-	6,632
Fire Dept Ems Education	1,375	-	-	1,375
Operation Pull Over	10,157	58,162	62,364	5,955
Tax Abatement	5,774	305	325	5,754
Scout Cabin	571	-	-	571
Redevelopment	2,375,115	1,764,142	1,618,236	2,521,021
Special Events	22,137	51,205	48,689	24,653
Public Works Donation	2,077	1,503	995	2,585
Assistance To Firefighters Grant	1,421	-	-	1,421
Recycling Grants	8,854	-	-	8,854
Employee Health Benefits	60,848	471,124	450,913	81,059
Redevelopment 61St Avenue	3,261,064	1,961,577	2,013,417	3,209,224
Reimburse Professional Fees	28,180	1,425	1,250	28,355
Park Bond 6 Project Debt Service	202,254	190,611	392,865	-
2007 61St Avenue Debt Service	156,350	309,775	312,275	153,850
HMS Police Court Bond A Debt Svc	467,745	1,393,389	1,404,413	456,721
61St Ave Series B Debt Service	48,177	105,304	101,404	52,077
Park Bond Proceeds 6 Projects	33,036	24,507	57,543	-
61St Avenue Reserve Fund	919,534	58	-	919,592
Fire Pension 1977	-	216,024	216,024	-
Police Pension 1977	-	276,680	276,680	-
Payroll	144,968	14,470,675	14,614,834	809
Water Escrow	52,823	184,290	237,113	-
Nipsco Escrow	16	573,086	573,102	-
Civilian Perf	103	153,465	153,568	-
Investments	60,464	30,046	36,628	53,882
HSD Stormwater	1,530,978	2,406,219	1,834,413	2,102,784
SRF Bond and Interest HSD	166,433	216,733	235,073	148,093
SRF Debt Svc. Reserve HSD	196,789	40,633	-	237,422
Sewer Lease Construction 61st Ave	1,346	868	1,495	719
Sewer Lease Bond & Interest 61st Ave.	6,689	11	-	6,700
Sewer Lease Debt Service Reserve	509,000	867	867	509,000
Downtown Lease Construction	417,961	248	418,209	-
Downtown Lease Bond & Interest	-	163	163	-
Downtown Lease Debt Service Reserve	274,205	467	487	274,185
Wastewater Operating	498,405	5,003,597	5,377,878	124,124
Wastewater Improvement	3,582,077	848,624	1,922,011	2,508,690
Wastewater Revenue	233,567	6,810,051	6,450,053	593,565
Totals	\$ 24,398,778	\$ 82,363,916	\$ 83,494,891	\$ 23,267,803

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, water, wastewater, storm water, trash, aviation, and urban redevelopment and housing.

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the 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.

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,

CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

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

Plan Description

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

CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

Indiana Public Retirement System
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 a result of reimbursable grant expenditures that were not received by December 31, 2017. The LOIT Special Distribution fund is included in the deficit funds awaiting reimbursement as this fund is used for the Community Crossings Grant awarded by the State of Indiana and not distributed until the following year. The General fund deficit was a result of a combination of a levy collection shortfall, with tax distributions coming in at just over 91 percent, and the receipt of these taxes not being realized until late December 2017. There was also a shortfall in anticipated Public Safety Income Tax funds that were earmarked to be transferred to cover Fire and Police Department overtime costs paid from the General fund.

Note 8. 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.

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OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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, 2017

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Riverboat
Cash and investments - beginning	\$ 553,788	\$ 681,082	\$ 586,099	\$ 65,076	\$ 403,848
Receipts:					
Taxes	11,032,307	1,390,017	-	-	-
Licenses and permits	894,475	-	-	15,760	-
Intergovernmental receipts	827,959	1,170,587	420,958	-	311,070
Charges for services	2,611,812	-	15,958	38,707	-
Fines and forfeits	112,886	-	-	6,093	-
Utility fees	-	-	-	-	-
Other receipts	9,284,688	4,558	-	1,964	-
Total receipts	<u>24,764,127</u>	<u>2,565,162</u>	<u>436,916</u>	<u>62,524</u>	<u>311,070</u>
Disbursements:					
Personal services	14,609,168	1,509,587	-	-	-
Supplies	527,187	443,259	3,876	9,190	-
Other services and charges	2,827,471	160,901	79,786	43,677	-
Debt service - principal and interest	5,942,245	-	-	-	-
Capital outlay	349,694	522,838	314,069	4,819	216,297
Utility operating expenses	-	-	-	-	-
Other disbursements	2,405,319	-	-	40	-
Total disbursements	<u>26,661,084</u>	<u>2,636,585</u>	<u>397,731</u>	<u>57,726</u>	<u>216,297</u>
Excess (deficiency) of receipts over disbursements	<u>(1,896,957)</u>	<u>(71,423)</u>	<u>39,185</u>	<u>4,798</u>	<u>94,773</u>
Cash and investments - ending	<u>\$ (1,343,169)</u>	<u>\$ 609,659</u>	<u>\$ 625,284</u>	<u>\$ 69,874</u>	<u>\$ 498,621</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Parks And Recreation	Economic Development Income Tax	LOIT Special Distribution	Cumulative Capital Improvement	Cumulative Capital Development
Cash and investments - beginning	\$ 66,769	\$ 1,123,164	\$ 294,071	\$ 200,538	\$ 1,441,886
Receipts:					
Taxes	698,960	879,483	-	-	707,474
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	35,311	-	1,000,000	70,669	35,740
Charges for services	111,957	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	65,528	154,149	18,098	-	160
Total receipts	<u>911,756</u>	<u>1,033,632</u>	<u>1,018,098</u>	<u>70,669</u>	<u>743,374</u>
Disbursements:					
Personal services	595,771	85,574	-	-	-
Supplies	63,563	2,323	-	-	-
Other services and charges	123,298	304,737	-	-	89,667
Debt service - principal and interest	-	-	-	-	-
Capital outlay	151,643	1,061,927	2,085,572	-	284,922
Utility operating expenses	-	-	-	-	-
Other disbursements	25,675	-	-	-	-
Total disbursements	<u>959,950</u>	<u>1,454,561</u>	<u>2,085,572</u>	<u>-</u>	<u>374,589</u>
Excess (deficiency) of receipts over disbursements	<u>(48,194)</u>	<u>(420,929)</u>	<u>(1,067,474)</u>	<u>70,669</u>	<u>368,785</u>
Cash and investments - ending	<u>\$ 18,575</u>	<u>\$ 702,235</u>	<u>\$ (773,403)</u>	<u>\$ 271,207</u>	<u>\$ 1,810,671</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Police Pension	Fire Pension	Public Safety Income Tax	HMS Police Court Bond B Debt Svc	Redev RZ TIF Bond A & B Debt Service
Cash and investments - beginning	\$ 690,654	\$ 388,463	\$ 56,708	\$ 151,412	\$ 269,019
Receipts:					
Taxes	-	-	-	125,253	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	1,041,350	6,155	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	576,078	316,710	-	-	554,140
Total receipts	576,078	316,710	1,041,350	131,408	554,140
Disbursements:					
Personal services	2,040	1,626	151,000	-	-
Supplies	-	48	940	-	-
Other services and charges	-	-	137,197	550	1,300
Debt service - principal and interest	-	-	-	132,060	544,698
Capital outlay	-	-	567,867	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	601,910	336,321	-	-	-
Total disbursements	603,950	337,995	857,004	132,610	545,998
Excess (deficiency) of receipts over disbursements	(27,872)	(21,285)	184,346	(1,202)	8,142
Cash and investments - ending	\$ 662,782	\$ 367,178	\$ 241,054	\$ 150,210	\$ 277,161

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Maria Reiner Senior Center	Domestic Highway Enforcement	City Donations	RDC Special Fund	2014 Paving Bond Debt Service
Cash and investments - beginning	\$ 197,742	\$ (3,644)	\$ 4,919	\$ 7,025	\$ 100,334
Receipts:					
Taxes	-	-	-	-	28,905
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	30,000	34,099	-	-	1,420
Charges for services	68,443	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	14,404	-	-	-	-
Total receipts	112,847	34,099	-	-	30,325
Disbursements:					
Personal services	73,251	33,345	-	-	-
Supplies	13,578	-	-	-	-
Other services and charges	8,973	-	1,250	-	500
Debt service - principal and interest	-	-	-	-	30,075
Capital outlay	11,899	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	16,798	-	-	-	-
Total disbursements	124,499	33,345	1,250	-	30,575
Excess (deficiency) of receipts over disbursements	(11,652)	754	(1,250)	-	(250)
Cash and investments - ending	\$ 186,090	\$ (2,890)	\$ 3,669	\$ 7,025	\$ 100,084

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Southside Lease Bond	G.R.I.T.	Downtown Lease Bond	O.P.O./D.U.I. Grant Administration	2017 Park Bond Debt Sevice
Cash and investments - beginning	\$ 158,000	\$ 5,039	\$ 132,500	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	20,145	-	361,318	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	319,000	-	268,000	-	89,871
Total receipts	<u>319,000</u>	<u>20,145</u>	<u>268,000</u>	<u>361,318</u>	<u>89,871</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	317,500	-	266,500	-	-
Debt service - principal and interest	-	-	-	-	12,405
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	361,318	-
Total disbursements	<u>317,500</u>	<u>-</u>	<u>266,500</u>	<u>361,318</u>	<u>12,405</u>
Excess (deficiency) of receipts over disbursements	<u>1,500</u>	<u>20,145</u>	<u>1,500</u>	<u>-</u>	<u>77,466</u>
Cash and investments - ending	<u>\$ 159,500</u>	<u>\$ 25,184</u>	<u>\$ 134,000</u>	<u>\$ -</u>	<u>\$ 77,466</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Park Bond Proceeds 7 Project	Indiana American Water (Centier)	Nipsco (Centier)	Health Insurance Bank Account	City Court Bank Account
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 242,153	\$ 306,632
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	4,101,920	135,121	139,301	2,648,480	672,568
Total receipts	4,101,920	135,121	139,301	2,648,480	672,568
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	1,479,243	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	84,482	133,580	2,735,469	672,680
Total disbursements	1,479,243	84,482	133,580	2,735,469	672,680
Excess (deficiency) of receipts over disbursements	2,622,677	50,639	5,721	(86,989)	(112)
Cash and investments - ending	\$ 2,622,677	\$ 50,639	\$ 5,721	\$ 155,164	\$ 306,520

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Fire Donation	Park Donation	Trust	Dare / Too Good for Drugs	Police Donation
Cash and investments - beginning	\$ 5,895	\$ 3,533	\$ 32,374	\$ 5,854	\$ 6,971
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	2,500	-
Charges for services	-	725	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	4,255	3,205	-	1,707	9,162
Total receipts	<u>4,255</u>	<u>3,930</u>	<u>-</u>	<u>4,207</u>	<u>9,162</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	3,490	2,500	-	4,043	9,891
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	4,624	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	1,590	-
Total disbursements	<u>3,490</u>	<u>2,500</u>	<u>4,624</u>	<u>5,633</u>	<u>9,891</u>
Excess (deficiency) of receipts over disbursements	<u>765</u>	<u>1,430</u>	<u>(4,624)</u>	<u>(1,426)</u>	<u>(729)</u>
Cash and investments - ending	<u>\$ 6,660</u>	<u>\$ 4,963</u>	<u>\$ 27,750</u>	<u>\$ 4,428</u>	<u>\$ 6,242</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	County Share Court Costs	Court Records Perpetuation	Innkeeper's Tax	Police Seizure	Drug Task Force (Hidta)
Cash and investments - beginning	\$ -	\$ 60,697	\$ 3,315	\$ 274,060	\$ 9,631
Receipts:					
Taxes	-	-	4,725	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	18,698
Charges for services	-	-	-	438,844	-
Fines and forfeits	315,496	25,297	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	-	-	-	-
Total receipts	<u>315,496</u>	<u>25,297</u>	<u>4,725</u>	<u>438,844</u>	<u>18,698</u>
Disbursements:					
Personal services	-	-	-	-	18,090
Supplies	-	-	-	-	223
Other services and charges	-	1,883	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	422,146	-
Utility operating expenses	-	-	-	-	-
Other disbursements	315,496	-	-	-	-
Total disbursements	<u>315,496</u>	<u>1,883</u>	<u>-</u>	<u>422,146</u>	<u>18,313</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>23,414</u>	<u>4,725</u>	<u>16,698</u>	<u>385</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 84,111</u>	<u>\$ 8,040</u>	<u>\$ 290,758</u>	<u>\$ 10,016</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Drug Free Communities	County Juvenile Night Light	Park Improvement	Park & Rec Non-Reverting	Arbor Lane Park Donation
Cash and investments - beginning	\$ -	\$ 1,287	\$ 25,011	\$ 2,235	\$ 2,150
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	12,104	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	-	-	-	-
Total receipts	12,104	-	-	-	-
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	15,250	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	12,104	-	-	-	-
Total disbursements	12,104	-	15,250	-	-
Excess (deficiency) of receipts over disbursements	-	-	(15,250)	-	-
Cash and investments - ending	\$ -	\$ 1,287	\$ 9,761	\$ 2,235	\$ 2,150

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Enhancement & Improvement	Penny Depot Donation	Lakefront Festival	Barrington Ridge Park Donation	Pleak Fund
Cash and investments - beginning	\$ 281,330	\$ 12,611	\$ 15,195	\$ 66,975	\$ 34,198
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	285,243	-	16,765	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	-	47,637	-	-
Total receipts	285,243	-	64,402	-	-
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	62,665	3,600	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	54,723	-	-	-	33,867
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	15	-	-
Total disbursements	54,723	-	62,680	3,600	33,867
Excess (deficiency) of receipts over disbursements	230,520	-	1,722	(3,600)	(33,867)
Cash and investments - ending	\$ 511,850	\$ 12,611	\$ 16,917	\$ 63,375	\$ 331

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Water Lines	Dui Overtime Grant	Court Public Defender	Adult Probation	Park District Program
Cash and investments - beginning	\$ 11,595	\$ (2,841)	\$ 9,353	\$ 117,001	\$ 9,946
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	58,769	-	-	-
Charges for services	-	-	-	-	39,949
Fines and forfeits	-	-	2,150	32,372	-
Utility fees	-	-	-	-	-
Other receipts	-	-	-	-	8,470
Total receipts	<u>-</u>	<u>58,769</u>	<u>2,150</u>	<u>32,372</u>	<u>48,419</u>
Disbursements:					
Personal services	-	59,367	-	37,656	32,645
Supplies	-	-	-	1,449	-
Other services and charges	-	-	-	1,531	8,258
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	<u>-</u>	<u>59,367</u>	<u>-</u>	<u>40,636</u>	<u>40,903</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(598)</u>	<u>2,150</u>	<u>(8,264)</u>	<u>7,516</u>
Cash and investments - ending	<u>\$ 11,595</u>	<u>\$ (3,439)</u>	<u>\$ 11,503</u>	<u>\$ 108,737</u>	<u>\$ 17,462</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Hobart Entryway Triangle	Fire Dept Ems Education	Operation Pull Over	Tax Abatement	Scout Cabin
Cash and investments - beginning	\$ 6,632	\$ 1,375	\$ 10,157	\$ 5,774	\$ 571
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	58,162	-	-
Charges for services	-	-	-	305	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	-	-	-	-
Total receipts	-	-	58,162	305	-
Disbursements:					
Personal services	-	-	62,364	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	325	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	-	-	62,364	325	-
Excess (deficiency) of receipts over disbursements	-	-	(4,202)	(20)	-
Cash and investments - ending	\$ 6,632	\$ 1,375	\$ 5,955	\$ 5,754	\$ 571

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Redevelopment	Special Events	Public Works Donation	Assistance To Firefighters Grant	Recycling Grants
Cash and investments - beginning	\$ 2,375,115	\$ 22,137	\$ 2,077	\$ 1,421	\$ 8,854
Receipts:					
Taxes	417,512	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	31,826	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	1,346,630	19,379	1,503	-	-
Total receipts	<u>1,764,142</u>	<u>51,205</u>	<u>1,503</u>	<u>-</u>	<u>-</u>
Disbursements:					
Personal services	9,716	3,050	-	-	-
Supplies	-	-	-	-	-
Other services and charges	201,368	45,579	995	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	1,139,152	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	268,000	60	-	-	-
Total disbursements	<u>1,618,236</u>	<u>48,689</u>	<u>995</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>145,906</u>	<u>2,516</u>	<u>508</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,521,021</u>	<u>\$ 24,653</u>	<u>\$ 2,585</u>	<u>\$ 1,421</u>	<u>\$ 8,854</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Employee Health Benefits	Redevelopment 61St Avenue	Reimburse Professional Fees	Park Bond 6 Project Debt Service	2007 61St Avenue Debt Service
Cash and investments - beginning	\$ 60,848	\$ 3,261,064	\$ 28,180	\$ 202,254	\$ 156,350
Receipts:					
Taxes	-	1,752,989	-	158,110	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	7,791	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	471,124	208,588	1,425	24,710	309,775
Total receipts	471,124	1,961,577	1,425	190,611	309,775
Disbursements:					
Personal services	450,763	9,717	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	559,474	1,250	550	825
Debt service - principal and interest	-	-	-	392,315	311,450
Capital outlay	-	210,550	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	150	1,233,676	-	-	-
Total disbursements	450,913	2,013,417	1,250	392,865	312,275
Excess (deficiency) of receipts over disbursements	20,211	(51,840)	175	(202,254)	(2,500)
Cash and investments - ending	\$ 81,059	\$ 3,209,224	\$ 28,355	\$ -	\$ 153,850

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	HMS Police Court Bond A Debt Svc	61St Ave Series B Debt Service	Park Bond Proceeds 6 Projects	61St Avenue Reserve Fund	Fire Pension 1977
Cash and investments - beginning	\$ 467,745	\$ 48,177	\$ 33,036	\$ 919,534	\$ -
Receipts:					
Taxes	1,328,126	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	65,263	-	-	-	-
Charges for services	-	-	-	58	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	105,304	24,507	-	216,024
Total receipts	<u>1,393,389</u>	<u>105,304</u>	<u>24,507</u>	<u>58</u>	<u>216,024</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	550	550	-	-	-
Debt service - principal and interest	1,403,863	100,854	-	-	-
Capital outlay	-	-	57,543	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	216,024
Total disbursements	<u>1,404,413</u>	<u>101,404</u>	<u>57,543</u>	<u>-</u>	<u>216,024</u>
Excess (deficiency) of receipts over disbursements	<u>(11,024)</u>	<u>3,900</u>	<u>(33,036)</u>	<u>58</u>	<u>-</u>
Cash and investments - ending	<u>\$ 456,721</u>	<u>\$ 52,077</u>	<u>\$ -</u>	<u>\$ 919,592</u>	<u>\$ -</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Police Pension 1977	Payroll	Water Escrow	Nipsco Escrow	Civilian Perf
Cash and investments - beginning	\$ -	\$ 144,968	\$ 52,823	\$ 16	\$ 103
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	276,680	14,470,675	184,290	573,086	153,465
Total receipts	<u>276,680</u>	<u>14,470,675</u>	<u>184,290</u>	<u>573,086</u>	<u>153,465</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	276,680	14,614,834	237,113	573,102	153,568
Total disbursements	<u>276,680</u>	<u>14,614,834</u>	<u>237,113</u>	<u>573,102</u>	<u>153,568</u>
Excess (deficiency) of receipts over disbursements	-	(144,159)	(52,823)	(16)	(103)
Cash and investments - ending	\$ -	\$ 809	\$ -	\$ -	\$ -

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Investments	HSD Stormwater	SRF Bond and Interest HSD	SRF Debt Svc. Reserve HSD	Sewer Lease Construction 61st Ave
Cash and investments - beginning	\$ 60,464	\$ 1,530,978	\$ 166,433	\$ 196,789	\$ 1,346
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	2,136,827	-	-	-
Other receipts	30,046	269,392	216,733	40,633	868
Total receipts	<u>30,046</u>	<u>2,406,219</u>	<u>216,733</u>	<u>40,633</u>	<u>868</u>
Disbursements:					
Personal services	-	17,107	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	235,073	-	-
Capital outlay	-	902,166	-	-	1,495
Utility operating expenses	-	760,523	-	-	-
Other disbursements	36,628	154,617	-	-	-
Total disbursements	<u>36,628</u>	<u>1,834,413</u>	<u>235,073</u>	<u>-</u>	<u>1,495</u>
Excess (deficiency) of receipts over disbursements	<u>(6,582)</u>	<u>571,806</u>	<u>(18,340)</u>	<u>40,633</u>	<u>(627)</u>
Cash and investments - ending	<u>\$ 53,882</u>	<u>\$ 2,102,784</u>	<u>\$ 148,093</u>	<u>\$ 237,422</u>	<u>\$ 719</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Sewer Lease Bond & Interest 61st Ave.	Sewer Lease Debt Service Reserve	Downtown Lease Construction	Downtown Lease Bond & Interest	Downtown Lease Debt Service Reserve
Cash and investments - beginning	\$ 6,689	\$ 509,000	\$ 417,961	\$ -	\$ 274,205
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	11	867	248	163	467
Total receipts	11	867	248	163	467
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	867	-	163	487
Capital outlay	-	-	418,209	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	-	867	418,209	163	487
Excess (deficiency) of receipts over disbursements	11	-	(417,961)	-	(20)
Cash and investments - ending	\$ 6,700	\$ 509,000	\$ -	\$ -	\$ 274,185

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	<u>Wastewater Operating</u>	<u>Wastewater Improvement</u>	<u>Wastewater Revenue</u>	<u>Totals</u>
Cash and investments - beginning	\$ 498,405	\$ 3,582,077	\$ 233,567	\$ 24,398,778
Receipts:				
Taxes	-	-	-	18,523,861
Licenses and permits	-	-	-	910,235
Intergovernmental receipts	-	-	-	5,577,964
Charges for services	-	-	-	3,660,592
Fines and forfeits	-	-	-	506,398
Utility fees	4,000	-	6,810,051	8,950,878
Other receipts	<u>4,999,597</u>	<u>848,624</u>	<u>-</u>	<u>44,233,988</u>
Total receipts	<u>5,003,597</u>	<u>848,624</u>	<u>6,810,051</u>	<u>82,363,916</u>
Disbursements:				
Personal services	1,190,635	-	-	18,952,472
Supplies	-	-	-	1,065,636
Other services and charges	1,500	-	-	5,274,134
Debt service - principal and interest	-	271,015	-	9,377,570
Capital outlay	13,192	876,303	-	11,200,010
Utility operating expenses	4,097,551	250,000	-	5,108,074
Other disbursements	<u>75,000</u>	<u>524,693</u>	<u>6,450,053</u>	<u>32,516,995</u>
Total disbursements	<u>5,377,878</u>	<u>1,922,011</u>	<u>6,450,053</u>	<u>83,494,891</u>
Excess (deficiency) of receipts over disbursements	<u>(374,281)</u>	<u>(1,073,387)</u>	<u>359,998</u>	<u>(1,130,975)</u>
Cash and investments - ending	<u>\$ 124,124</u>	<u>\$ 2,508,690</u>	<u>\$ 593,565</u>	<u>\$ 23,267,803</u>

CITY OF HOBART
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Storm Water	\$ 269,400	\$ -
Wastewater	-	578,121
Governmental activities	<u>416,164</u>	<u>1,544,221</u>
Totals	<u>\$ 685,564</u>	<u>\$ 2,122,342</u>

CITY OF HOBART
SCHEDULE OF LEASES AND DEBT
December 31, 2017

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
Mike Albert Leasing	2017 Electric Car (Nissan Leaf)	6,512	04/12/2017	04/12/2019
People's Bank	FireHouse #2	117,693	07/15/2016	01/15/2026
People's Bank	Public Works Maintenance Building	173,545	05/17/2017	07/15/2027
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	Fire Truck 2013 Quint	121,850	12/17/2014	12/17/2018
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
US Bankcorp	2016 Auto- Arm Garbage Truck (Freightliner)	63,265	08/15/2017	08/15/2020
US Bankcorp	2018 Auto-Arm Garbage Truck (Freightliner)	65,029	12/15/2017	12/15/2020
City of Hobart Redevelopment Authority	Public Improvements (Southside)	334,500	09/11/2014	01/15/2027
City of Hobart Redevelopment Authority	Public Improvements (Downtown)	269,500	04/23/2015	02/01/2039
Total of annual lease payments		<u>\$ 1,570,107</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2009 Police Court Reconstruction Bond A (Fund 314)	\$ 2,690,000	\$ 1,403,856
General obligation bonds	2009 Redevelopment Bond: 61st Ave. Series B (Fund 313)	955,000	108,554
General obligation bonds	2010 Police Court Reconstruction Bond B (Fund 315)	1,630,000	135,985
General obligation bonds	2010 Redevelopment Bond: 61st Ave RZ Series B (Fund 325)	2,335,000	317,344
General obligation bonds	2010 Redevelopment Bond: 61st Ave TIF Series A (Fund 325)	605,000	243,210
General obligation bonds	2014 GO Bond: Street Improvements (Fund 311)	1,005,000	225,025
General obligation bonds	2016 Redevelopment Refunding Bond: 61st Ave (Fund 324)	2,885,000	311,450
General obligation bonds	2017 Park District Bond (Fund 323)	4,135,000	147,700
Total governmental activities		<u>16,240,000</u>	<u>2,893,124</u>
Wastewater:			
Revenue bonds	2012 HSD Sanitary Sewage Revenue Bonds (SRF)	<u>3,334,000</u>	<u>235,313</u>
Totals		<u>\$ 19,574,000</u>	<u>\$ 3,128,437</u>

CITY OF HOBART
SCHEDULE OF CAPITAL ASSETS
December 31, 2017

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.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 1,637,124
Infrastructure	98,043,606
Buildings	30,529,212
Improvements other than buildings	9,770,788
Machinery, equipment, and vehicles	18,344,048
Construction in progress	4,365,305
Books and other	<u>89,356</u>
Total governmental activities	<u>162,779,439</u>
Storm Water:	
Infrastructure	<u>12,144,761</u>
Wastewater:	
Land	1,078,074
Infrastructure	26,805,258
Buildings	15,662,269
Improvements other than buildings	1,280,393
Machinery, equipment, and vehicles	3,003,085
Construction in progress	<u>3,644,137</u>
Total Wastewater	<u>51,473,216</u>
Total capital assets	<u>\$ 226,397,416</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for the Major Federal Program

We have audited the City of Hobart's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2017. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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 the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

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

Report on Internal Control over Compliance


Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 2017-002, 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.

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

June 26, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

CITY OF HOBART
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

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	Passed Through to Subrecipient	Total Federal Awards Expended
Department of Commerce					
Coastal Zone Management Administration Awards	Indiana Department of Natural Resources	11.419			
Lake George Access (Parks)			16895 / CZ517	\$ -	\$ 51,000
Water Festivals 2016 / 2017			CA 532 / CZ 543SG	-	5,000
Deep River Access Project			EDS: E16-5-MKM00420	-	10,550
Total - Department of Commerce				-	66,550
Department of Justice					
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588	EDS: D3-16-10519	-	43,407
Bulletproof Vest Partnership Program	Direct Grant	16.607	OMB1121-0235	-	4,971
Public Safety Partnership and Community Policing Grants	Direct Grant	16.710	2016UMWX0145	-	31,250
Edward Byrne Memorial Justice Assistance Grant Program	Indiana Criminal Justice Institute	16.738	EDS: D3-17-11629	-	23,579
Equitable Sharing Program	Direct Grant	16.922	FY2017	-	271,951
Total - Department of Justice				-	375,158
Department of Transportation					
Highway Planning and Construction Cluster	Indiana Department of Transportation	20.205			
Highway Planning and Construction					
Streetscape: 3rd St.			Des#0810541	-	555,286
61st Avenue			Des#0900071	-	176,290
Colorado St. Safety Improvement			EDS: A249-15-320102	-	27,655
Sign Modernization			EDS: A249-15-320103	-	10,761
Total - Highway Planning and Construction Cluster				-	769,992
Highway Safety Cluster	Indiana Criminal Justice Institute				
Alcohol Impaired Driving Countermeasures Incentive Grants I		20.601	EDS# D3-17-11171	-	184,987
National Priority Safety Programs		20.616	EDS# D3-17-11083	-	176,331
Total - Highway Safety Cluster				-	361,318
Total - Department of Transportation				-	1,131,310
Total federal awards expended				\$ -	\$ 1,573,018

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, 2017. 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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
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 Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Highway Planning and Construction 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 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2016-001 from the immediately prior audit.

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 had not implemented a system of internal controls to ensure that federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA, was accurate prior to submission. One employee prepared the federal award information without a system of oversight or review.

Context

The lack of controls over the preparation of the SEFA was a systemic issue 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 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 could have enabled material misstatements of the SEFA to go undetected.

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-002

Subject: Highway Planning and Construction - Period of Performance

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): DES#0810541, DES#0900071,
EDS: A249-15-320102,
EDS: A249-15-320103

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirement: Period of Performance

Audit Finding: Material Weakness

Condition

The City had not established an effective internal control system to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement.

The City did not have controls in place to ensure that funds were not obligated or spent prior to or after the grant period.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award 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). . . ."

Cause

The City had not developed a system of internal controls to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls to ensure compliance with the Period of Performance compliance requirement.

Views of Responsible Officials

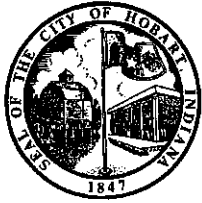
For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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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

414 Main Street • Hobart, Indiana 46342

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2016-001

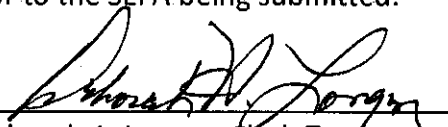
Fiscal Year in which the finding initially occurred: 2015

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 and similarly on October 13, 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). The local Internal Controls Policy Manual also outlines the procedure and the Clerk-Treasurer's office staff follows up quarterly with the various departments to assure there is some notation or update in each grant file, signed off by the ERC. Beginning with the 2018 Annual Report, the Clerk-Treasurer's office staff will be entering the information into the Gateway SEFA and this will be reviewed by the Clerk-Treasurer and the Council before and after submittal. In addition, at the end of 2017, each ERC signed off on the annual reporting prior to the SEFA being submitted.


Deborah A. Longer, Clerk-Treasurer
June 11, 2018

Deborah A. Longer
Clerk-Treasurer



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2016-002

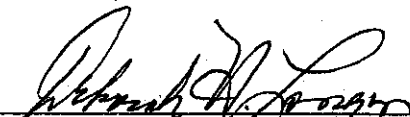
Fiscal Year in which the finding initially occurred: 2015

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 and similarly on October 13, 2017, the Clerk-Treasurer implemented internal controls within the office in early February, 2017 by having each employee to note with their initials who has prepared the daily deposits and who has taken the deposit to the bank. This activity continues and clearly documents and verifies the segregation of duties on a daily basis.



Deborah A. Longer, Clerk-Treasurer
May 29, 2018

Deborah A. Longer
Clerk-Treasurer



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2016-003

Fiscal Year in which the finding initially occurred: 2016

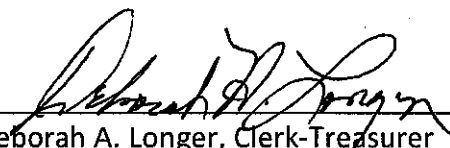
Federal Grantor Agency: Department of Transportation, Highway Planning & Construction

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 October 13, 2017, the City has implemented 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 is 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. The local Internal Controls Policy Manual also outlines the procedure. Printed status reports and findings are included in appropriate files and verification requirements are to be included in any competitive bid specifications issued by the City.


Deborah A. Longer, Clerk-Treasurer
May 29, 2018



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CORRECTIVE ACTION PLAN

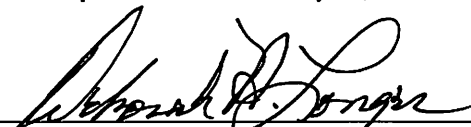
FINDING 2017-001

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

As described in the Corrective Action Plan issued on February 14, 2017 and similarly on October 13, 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). In addition, at the end of 2017, each ERC signed off on the internal reporting spreadsheet showing annual totals prior to the SEFA being submitted. The local Internal Controls Policy Manual also outlines the procedure and the Clerk-Treasurer's office staff follows up quarterly with the various departments to assure there is some notation or update in each grant file, signed off by the ERC.

Beginning with the 2018 Annual Report, the Clerk-Treasurer's office staff will be preparing and entering the information provided by the ERC for any Expenditures of Federal Awards into the Gateway SEFA and this will be reviewed by the Clerk-Treasurer and the Council before and after submittal.

Anticipated Completion Date: February 28, 2019

Signed: 
Deborah A. Longer, Clerk-Treasurer

Date: 6/26/2018

Deborah A. Longer
Clerk-Treasurer



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CORRECTIVE ACTION PLAN

FINDING 2017-002

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

The Clerk-Treasurer's office maintains files on all Federal and Local Grant Awards and the City of Hobart Internal Control Policy requires each Employee in Responsible Charge (ERC) to provide all paperwork related to the award including the grant agreement, quarterly reports and to provide regular updates on expenditures and receipts related to the award. While in many cases, the period of performance is included within the award paperwork, it has not been clearly noted on the file to permit the verification by staff to ensure that funds were not obligated or spent prior to or after the grant period. Recently the PO's issued with the award have included the period of performance on the face of the document but some of the awards reviewed during the audit process were issued prior to the revised PO information being included. The City of Hobart will include a requirement within their Internal Controls policies that the ERC is to specifically provide documentation as to the Period of Performance for each award. As each request for reimbursement is submitted, the Clerk-Treasurer's office will verify both the expenses and reimbursement request is within the period of performance of the award to ensure compliance with the award agreement.

Anticipated Completion Date: October 1, 2018

Signed: _____

Deborah A. Longer
Deborah A. Longer, Clerk-Treasurer

Date: _____

4/26/2018

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/>.