

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, 2018 to December 31, 2018



FILED
06/13/2019

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	12-18
Other Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	20-35
Schedule of Payables and Receivables	36
Schedule of Leases and Debt	37
Schedule of Capital Assets.....	38
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance	40-41
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	44
Notes to Schedule of Expenditures of Federal Awards	45
Schedule of Findings and Questioned Costs	46-49
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	52-53
Corrective Action Plan	54-55
Other Reports.....	56

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 Matthew Claussen	01-01-18 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
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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, 2018, 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, 2018.

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, 2018, 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 April 29, 2019, 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

April 29, 2019



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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, 2018, and the related notes to the financial statement, and have issued our report thereon dated April 29, 2019, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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*.

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

April 29, 2019

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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, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
General	\$ (1,343,169)	\$ 25,513,623	\$ 28,004,734	\$ (3,834,280)
Motor Vehicle Highway	609,659	3,535,807	3,126,670	1,018,796
Local Road And Street	625,284	587,884	753,686	459,482
Law Enforcement Continuing Ed	69,874	63,771	61,923	71,722
Riverboat	498,621	188,024	230,564	456,081
Parks And Recreation	18,575	1,025,035	898,062	145,548
Economic Development Income Tax	702,235	992,292	1,026,553	667,974
LOIT Special Distribution	(773,403)	773,403	-	-
Cumulative Capital Improvement	271,207	67,929	62,042	277,094
Cumulative Capital Development	1,810,671	903,910	1,556,605	1,157,976
Police Pension	662,782	609,418	590,355	681,845
Fire Pension	367,178	347,500	349,880	364,798
Public Safety Income Tax	241,054	1,172,021	1,245,450	167,625
HMS Police Court Bond B Debt Svc	150,210	135,813	135,445	150,578
Redev RZ TIF Bond A & B Debt Service	277,161	569,360	562,084	284,437
Maria Reiner Senior Center	186,090	117,044	125,962	177,172
Domestic Highway Enforcement	(2,890)	38,105	35,625	(410)
City Donations	3,669	5,421	4,432	4,658
RDC Special Fund	7,025	9,882	-	16,907
2014 Paving Bond Debt Service	100,084	420,019	418,600	101,503
Southside Lease Bond	159,500	350,000	334,500	175,000
G.R.I.T.	25,184	16,230	45,090	(3,676)
Downtown Lease Bond	134,000	271,000	269,500	135,500
O.P.O./D.U.I. Grant Administration	-	387,662	387,662	-
2017 Park Bond Debt Service	77,466	89,269	147,700	19,035
Park Bond Proceeds 7 Project	2,622,677	100,231	1,442,753	1,280,155
Indiana American Water (Centier)	50,639	332,990	329,397	54,232
Nipsco (Centier)	5,721	637,600	637,740	5,581
3rd Street Bridge Project	-	1,000,000	-	1,000,000
50/50 Sidewalk	-	18,888	-	18,888
Local Road & Bridge Matching Grant Fund	-	955,109	955,109	-
Health Insurance Bank Account	155,164	3,336,097	3,482,112	9,149
City Court Bank Account	306,520	640,880	661,378	286,022
Fire Donation	6,660	7,042	3,169	10,533
Park Donation	4,963	3,500	173	8,290
Trust	27,750	-	-	27,750
Dare/Too Good for Drugs	4,428	6,725	6,180	4,973
Police Donation	6,242	27,940	27,066	7,116
County Share Court Costs	-	302,594	302,594	-
Court Records Perpetuation	84,111	28,494	1,531	111,074
Innkeeper's Tax	8,040	4,725	-	12,765
Police Seizure	290,758	1,288,096	649,679	929,175
Drug Task Force (Hidta)	10,016	9,590	15,589	4,017
Drug Free Communities	-	11,585	11,585	-
County Juvenile Night Light	1,287	-	1,287	-
Park Improvement	9,761	415	-	10,176
Park & Rec Non-Reverting	2,235	-	-	2,235
Arbor Lane Park Donation	2,150	-	-	2,150
Enhancement & Improvement	511,850	644,423	349,280	806,993

CITY OF HOBART
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
Pennsy Depot Donation	12,611	-	-	12,611
Lakefront Festival	16,917	49,058	38,776	27,199
Barrington Ridge Park Donation	63,375	-	4,831	58,544
Pleak Fund	331	32,565	107	32,789
Water Lines	11,595	-	-	11,595
Dui Overtime Grant	(3,439)	62,394	53,870	5,085
Court Public Defender	11,503	1,065	-	12,568
Adult Probation	108,737	31,555	56,743	83,549
Park District Program	17,462	50,174	42,805	24,831
Hobart Entryway Triangle	6,632	-	-	6,632
Fire Dept Ems Education	1,375	-	1,375	-
Operation Pull Over	5,955	60,543	46,571	19,927
Tax Abatement	5,754	1,220	888	6,086
Scout Cabin	571	-	-	571
Redevelopment	2,521,021	1,038,962	798,137	2,761,846
Special Events	24,653	64,797	73,185	16,265
Public Works Donation	2,585	2,102	2,891	1,796
Assistance To Firefighters Grant	1,421	159	1,580	-
Recycling Grants	8,854	-	2,535	6,319
Employee Health Benefits	81,059	512,645	471,974	121,730
Redevelopment 61St Avenue	3,209,224	2,175,116	1,523,177	3,861,163
Reimburse Professional Fees	28,355	51,640	63,940	16,055
2007 61St Avenue Debt Service	153,850	314,400	311,950	156,300
HMS Police Court Bond A Debt Svc	456,721	1,409,628	1,403,281	463,068
61St Ave Series B Debt Service	52,077	117,804	109,104	60,777
61St Avenue Reserve Fund	919,592	71	58	919,605
Fire Pension 1977	-	238,989	238,989	-
Police Pension 1977	-	313,957	313,957	-
Payroll	809	15,254,369	15,253,142	2,036
Civilian Perf	-	165,117	165,117	-
Investments	53,882	68,511	12,842	109,551
Stormwater Bond Construction	-	14,349,223	714,554	13,634,669
Stormwater Bond Debt Service Reserve	-	1,106,988	-	1,106,988
HSD Stormwater	2,102,784	2,513,369	2,322,159	2,293,994
SRF Bond and Interest HSD	148,093	236,648	235,313	149,428
SRF Debt Svc. Reserve HSD	237,422	3,546	-	240,968
Sewer Lease Construction 61st Ave	719	6,964	7,683	-
Sewer Lease Bond & Interest 61st Ave.	6,700	2	6,702	-
Sewer Lease Debt Service Reserve	509,000	1,252	257	509,995
Downtown Lease Bond & Interest	-	14	14	-
Downtown Lease Debt Service Reserve	274,185	674	582	274,277
Wastewater Operating	124,124	21,266,249	20,812,842	577,531
Wastewater Improvement	2,508,690	545,389	1,080,685	1,973,394
Wastewater Revenue	593,565	7,327,860	7,599,342	322,083
Totals	\$ 23,267,803	\$ 116,922,365	\$ 103,021,704	\$ 37,168,464

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.

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 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.

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 a result of reimbursable expenditures that were not received by December 31, 2018, in the General, G.R.I.T., and Domestic Highway Enforcement funds. The General fund deficit was also a result of a combination of a levy collection shortfall with tax distributions coming in at just over 93 percent and the receipt of the same not being realized until late December 2018, and a shortfall in anticipated Public Safety Income Tax funds that were earmarked to be transferred to cover Fire and Police Department staffing costs paid from the General fund. That, coupled with overtime costs in the Fire and Police Department to cover staffing due to work related and other injuries, all contributed to the resulting deficit.

Note 8. Stormwater Debt

The Hobart Sanitary and Stormwater District Board of Commissioners, with approval by the Common Council, issued a 2018 Stormwater Management District Revenue Bond in the amount of \$15,455,000 for various necessary stormwater infrastructure projects throughout the City. Repayment of this bond will come from stormwater user fees billed and collected as part of the property tax notices issued by Lake County annually. The full maturity of the bond is scheduled for July 1, 2038.

CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

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 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, 2018

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Riverboat	Parks And Recreation
Cash and investments - beginning	\$ (1,343,169)	\$ 609,659	\$ 625,284	\$ 69,874	\$ 498,621	\$ 18,575
Receipts:						
Taxes	11,273,549	1,682,619	-	-	-	846,456
Licenses and permits	1,152,010	-	-	14,453	-	-
Intergovernmental receipts	823,374	1,438,519	570,069	-	188,024	41,640
Charges for services	2,722,207	-	17,815	41,853	-	97,978
Fines and forfeits	106,497	-	-	5,588	-	-
Utility fees	-	-	-	-	-	-
Other receipts	9,435,986	414,669	-	1,877	-	38,961
Total receipts	25,513,623	3,535,807	587,884	63,771	188,024	1,025,035
Disbursements:						
Personal services	15,598,802	1,704,905	-	-	-	612,749
Supplies	617,427	562,673	2,431	11,191	-	58,087
Other services and charges	2,965,801	134,118	-	44,604	10,000	113,566
Debt service - principal and interest	6,046,024	-	-	-	-	-
Capital outlay	136,553	724,974	751,255	6,128	220,564	84,815
Utility operating expenses	-	-	-	-	-	-
Other disbursements	2,640,127	-	-	-	-	28,845
Total disbursements	28,004,734	3,126,670	753,686	61,923	230,564	898,062
Excess (deficiency) of receipts over disbursements	(2,491,111)	409,137	(165,802)	1,848	(42,540)	126,973
Cash and investments - ending	\$ (3,834,280)	\$ 1,018,796	\$ 459,482	\$ 71,722	\$ 456,081	\$ 145,548

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Economic Development Income Tax	LOIT Special Distribution	Cumulative Capital Improvement	Cumulative Capital Development	Police Pension	Fire Pension
Cash and investments - beginning	\$ 702,235	\$ (773,403)	\$ 271,207	\$ 1,810,671	\$ 662,782	\$ 367,178
Receipts:						
Taxes	932,873	-	-	726,588	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	617,687	67,929	35,712	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	59,419	155,716	-	141,610	609,418	347,500
Total receipts	992,292	773,403	67,929	903,910	609,418	347,500
Disbursements:						
Personal services	114,901	-	-	-	1,577	1,456
Supplies	1,256	-	-	-	-	86
Other services and charges	352,189	-	-	6,500	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	558,207	-	62,042	1,550,105	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	588,778	348,338
Total disbursements	1,026,553	-	62,042	1,556,605	590,355	349,880
Excess (deficiency) of receipts over disbursements	(34,261)	773,403	5,887	(652,695)	19,063	(2,380)
Cash and investments - ending	\$ 667,974	\$ -	\$ 277,094	\$ 1,157,976	\$ 681,845	\$ 364,798

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Public Safety Income Tax	HMS Police Court Bond B Debt Svc	Redev RZ TIF Bond A & B Debt Service	Maria Reiner Senior Center	Domestic Highway Enforcement	City Donations
Cash and investments - beginning	\$ 241,054	\$ 150,210	\$ 277,161	\$ 186,090	\$ (2,890)	\$ 3,669
Receipts:						
Taxes	1,071,573	129,743	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	6,070	-	-	38,105	-
Charges for services	76,900	-	-	105,724	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	23,548	-	569,360	11,320	-	5,421
Total receipts	1,172,021	135,813	569,360	117,044	38,105	5,421
Disbursements:						
Personal services	40,000	-	-	83,560	35,625	-
Supplies	42,871	-	-	14,767	-	-
Other services and charges	342,667	650	1,530	9,923	-	4,432
Debt service - principal and interest	-	134,795	560,554	-	-	-
Capital outlay	819,912	-	-	2,035	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	15,677	-	-
Total disbursements	1,245,450	135,445	562,084	125,962	35,625	4,432
Excess (deficiency) of receipts over disbursements	(73,429)	368	7,276	(8,918)	2,480	989
Cash and investments - ending	\$ 167,625	\$ 150,578	\$ 284,437	\$ 177,172	\$ (410)	\$ 4,658

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	RDC Special Fund	2014 Paving Bond Debt Service	Southside Lease Bond	G.R.I.T.	Downtown Lease Bond	O.P.O./D.U.I. Grant Administration
Cash and investments - beginning	\$ 7,025	\$ 100,084	\$ 159,500	\$ 25,184	\$ 134,000	\$ -
Receipts:						
Taxes	-	401,245	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	18,774	-	16,230	-	387,662
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	9,882	-	350,000	-	271,000	-
Total receipts	9,882	420,019	350,000	16,230	271,000	387,662
Disbursements:						
Personal services	-	-	-	45,090	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	600	334,500	-	269,500	-
Debt service - principal and interest	-	418,000	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	387,662
Total disbursements	-	418,600	334,500	45,090	269,500	387,662
Excess (deficiency) of receipts over disbursements	9,882	1,419	15,500	(28,860)	1,500	-
Cash and investments - ending	\$ 16,907	\$ 101,503	\$ 175,000	\$ (3,676)	\$ 135,500	\$ -

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	2017 Park Bond Debt Service	Park Bond Proceeds 7 Project	Indiana American Water (Centier)	Nipsco (Centier)	3rd Street Bridge Project	50/50 Sidewalk
Cash and investments - beginning	\$ 77,466	\$ 2,622,677	\$ 50,639	\$ 5,721	\$ -	\$ -
Receipts:						
Taxes	45,776	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	2,143	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	41,350	100,231	332,990	637,600	1,000,000	18,888
Total receipts	89,269	100,231	332,990	637,600	1,000,000	18,888
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	147,700	-	-	-	-	-
Capital outlay	-	1,442,753	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	329,397	637,740	-	-
Total disbursements	147,700	1,442,753	329,397	637,740	-	-
Excess (deficiency) of receipts over disbursements	(58,431)	(1,342,522)	3,593	(140)	1,000,000	18,888
Cash and investments - ending	\$ 19,035	\$ 1,280,155	\$ 54,232	\$ 5,581	\$ 1,000,000	\$ 18,888

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Local Road & Bridge Matching Grant Fund	Health Insurance Bank Account	City Court Bank Account	Fire Donation	Park Donation	Trust
Cash and investments - beginning	\$ -	\$ 155,164	\$ 306,520	\$ 6,660	\$ 4,963	\$ 27,750
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	955,109	-	-	-	-	-
Charges for services	-	-	-	-	400	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	3,336,097	640,880	7,042	3,100	-
Total receipts	955,109	3,336,097	640,880	7,042	3,500	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	3,169	173	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	955,109	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	3,482,112	661,378	-	-	-
Total disbursements	955,109	3,482,112	661,378	3,169	173	-
Excess (deficiency) of receipts over disbursements	-	(146,015)	(20,498)	3,873	3,327	-
Cash and investments - ending	\$ -	\$ 9,149	\$ 286,022	\$ 10,533	\$ 8,290	\$ 27,750

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Dare/Too Good for Drugs	Police Donation	County Share Court Costs	Court Records Perpetuation	Innkeeper's Tax	Police Seizure
Cash and investments - beginning	\$ 4,428	\$ 6,242	\$ -	\$ 84,111	\$ 8,040	\$ 290,758
Receipts:						
Taxes	-	-	-	-	4,725	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	4,500	-	-	-	-	-
Fines and forfeits	-	-	302,594	28,494	-	-
Utility fees	-	-	-	-	-	-
Other receipts	2,225	27,940	-	-	-	1,288,096
Total receipts	6,725	27,940	302,594	28,494	4,725	1,288,096
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	2,534	27,066	-	1,531	-	4,000
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	645,679
Utility operating expenses	-	-	-	-	-	-
Other disbursements	3,646	-	302,594	-	-	-
Total disbursements	6,180	27,066	302,594	1,531	-	649,679
Excess (deficiency) of receipts over disbursements	545	874	-	26,963	4,725	638,417
Cash and investments - ending	\$ 4,973	\$ 7,116	\$ -	\$ 111,074	\$ 12,765	\$ 929,175

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Drug Task Force (Hidta)	Drug Free Communities	County Juvenile Night Light	Park Improvement	Park & Rec Non-Reverting	Arbor Lane Park Donation
Cash and investments - beginning	\$ 10,016	\$ -	\$ 1,287	\$ 9,761	\$ 2,235	\$ 2,150
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	9,590	-	-	-	-	-
Charges for services	-	-	-	415	-	-
Fines and forfeits	-	11,585	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	9,590	11,585	-	415	-	-
Disbursements:						
Personal services	15,589	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	11,585	1,287	-	-	-
Total disbursements	15,589	11,585	1,287	-	-	-
Excess (deficiency) of receipts over disbursements	(5,999)	-	(1,287)	415	-	-
Cash and investments - ending	\$ 4,017	\$ -	\$ -	\$ 10,176	\$ 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, 2018

	Enhancement & Improvement	Pennsy Depot Donation	Lakefront Festival	Barrington Ridge Park Donation	Pleak Fund	Water Lines
Cash and investments - beginning	\$ 511,850	\$ 12,611	\$ 16,917	\$ 63,375	\$ 331	\$ 11,595
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	644,423	-	45,980	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	3,078	-	32,565	-
Total receipts	644,423	-	49,058	-	32,565	-
Disbursements:						
Personal services	-	-	1,575	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	37,201	4,831	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	349,280	-	-	-	107	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	349,280	-	38,776	4,831	107	-
Excess (deficiency) of receipts over disbursements	295,143	-	10,282	(4,831)	32,458	-
Cash and investments - ending	\$ 806,993	\$ 12,611	\$ 27,199	\$ 58,544	\$ 32,789	\$ 11,595

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Dui Overtime Grant	Court Public Defender	Adult Probation	Park District Program	Hobart Entryway Triangle	Fire Dept Ems Education
Cash and investments - beginning	\$ (3,439)	\$ 11,503	\$ 108,737	\$ 17,462	\$ 6,632	\$ 1,375
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	62,394	-	-	-	-	-
Charges for services	-	-	-	37,724	-	-
Fines and forfeits	-	1,065	31,555	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	12,450	-	-
Total receipts	62,394	1,065	31,555	50,174	-	-
Disbursements:						
Personal services	53,870	-	53,014	32,002	-	-
Supplies	-	-	590	-	-	-
Other services and charges	-	-	255	10,803	-	1,375
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	2,884	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	53,870	-	56,743	42,805	-	1,375
Excess (deficiency) of receipts over disbursements	8,524	1,065	(25,188)	7,369	-	(1,375)
Cash and investments - ending	\$ 5,085	\$ 12,568	\$ 83,549	\$ 24,831	\$ 6,632	\$ -

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Operation Pull Over	Tax Abatement	Scout Cabin	Redevelopment	Special Events	Public Works Donation
Cash and investments - beginning	\$ 5,955	\$ 5,754	\$ 571	\$ 2,521,021	\$ 24,653	\$ 2,585
Receipts:						
Taxes	-	-	-	520,984	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	60,543	-	-	-	-	-
Charges for services	-	1,220	-	-	44,452	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	517,978	20,345	2,102
Total receipts	60,543	1,220	-	1,038,962	64,797	2,102
Disbursements:						
Personal services	46,571	-	-	9,730	1,125	-
Supplies	-	-	-	-	-	-
Other services and charges	-	888	-	359,108	72,060	2,891
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	158,299	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	271,000	-	-
Total disbursements	46,571	888	-	798,137	73,185	2,891
Excess (deficiency) of receipts over disbursements	13,972	332	-	240,825	(8,388)	(789)
Cash and investments - ending	\$ 19,927	\$ 6,086	\$ 571	\$ 2,761,846	\$ 16,265	\$ 1,796

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Assistance To Firefighters Grant	Recycling Grants	Employee Health Benefits	Redevelopment 61St Avenue	Reimburse Professional Fees	2007 61St Avenue Debt Service
Cash and investments - beginning	\$ 1,421	\$ 8,854	\$ 81,059	\$ 3,209,224	\$ 28,355	\$ 153,850
Receipts:						
Taxes	-	-	-	2,076,315	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	159	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	512,645	98,801	51,640	314,400
Total receipts	159	-	512,645	2,175,116	51,640	314,400
Disbursements:						
Personal services	-	-	469,924	9,730	-	-
Supplies	-	-	-	-	-	-
Other services and charges	1,580	2,535	-	183,021	63,940	500
Debt service - principal and interest	-	-	-	-	-	311,450
Capital outlay	-	-	-	30,343	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	2,050	1,300,083	-	-
Total disbursements	1,580	2,535	471,974	1,523,177	63,940	311,950
Excess (deficiency) of receipts over disbursements	(1,421)	(2,535)	40,671	651,939	(12,300)	2,450
Cash and investments - ending	\$ -	\$ 6,319	\$ 121,730	\$ 3,861,163	\$ 16,055	\$ 156,300

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	HMS Police Court Bond A Debt Svc	61St Ave Series B Debt Service	61St Avenue Reserve Fund	Fire Pension 1977	Police Pension 1977	Payroll
Cash and investments - beginning	\$ 456,721	\$ 52,077	\$ 919,592	\$ -	\$ -	\$ 809
Receipts:						
Taxes	1,346,621	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	63,007	-	-	-	-	-
Charges for services	-	-	71	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	117,804	-	238,989	313,957	15,254,369
Total receipts	<u>1,409,628</u>	<u>117,804</u>	<u>71</u>	<u>238,989</u>	<u>313,957</u>	<u>15,254,369</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	550	550	-	-	-	-
Debt service - principal and interest	1,402,731	108,554	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	58	238,989	313,957	15,253,142
Total disbursements	<u>1,403,281</u>	<u>109,104</u>	<u>58</u>	<u>238,989</u>	<u>313,957</u>	<u>15,253,142</u>
Excess (deficiency) of receipts over disbursements	<u>6,347</u>	<u>8,700</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>1,227</u>
Cash and investments - ending	<u>\$ 463,068</u>	<u>\$ 60,777</u>	<u>\$ 919,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,036</u>

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Civilian Perf	Investments	Stormwater Bond Construction	Stormwater Bond Debt Service Reserve	HSD Stormwater	SRF Bond and Interest HSD
Cash and investments - beginning	\$ -	\$ 53,882	\$ -	\$ -	\$ 2,102,784	\$ 148,093
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	2,250,078	-
Other receipts	165,117	68,511	14,349,223	1,106,988	263,291	236,648
Total receipts	165,117	68,511	14,349,223	1,106,988	2,513,369	236,648
Disbursements:						
Personal services	-	-	-	-	18,883	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	235,313
Capital outlay	-	-	714,554	-	2,019,106	-
Utility operating expenses	-	-	-	-	284,170	-
Other disbursements	165,117	12,842	-	-	-	-
Total disbursements	165,117	12,842	714,554	-	2,322,159	235,313
Excess (deficiency) of receipts over disbursements	-	55,669	13,634,669	1,106,988	191,210	1,335
Cash and investments - ending	\$ -	\$ 109,551	\$ 13,634,669	\$ 1,106,988	\$ 2,293,994	\$ 149,428

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	SRF Debt Svc. Reserve HSD	Sewer Lease Construction 61st Ave	Sewer Lease Bond & Interest 61st Ave.	Sewer Lease Debt Service Reserve	Downtown Lease Bond & Interest	Downtown Lease Debt Service Reserve
Cash and investments - beginning	\$ 237,422	\$ 719	\$ 6,700	\$ 509,000	\$ -	\$ 274,185
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	3,546	6,964	2	1,252	14	674
Total receipts	3,546	6,964	2	1,252	14	674
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	6,702	257	14	582
Capital outlay	-	7,683	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	7,683	6,702	257	14	582
Excess (deficiency) of receipts over disbursements	3,546	(719)	(6,700)	995	-	92
Cash and investments - ending	\$ 240,968	\$ -	\$ -	\$ 509,995	\$ -	\$ 274,277

CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Wastewater Operating	Wastewater Improvement	Wastewater Revenue	Totals
Cash and investments - beginning	\$ 124,124	\$ 2,508,690	\$ 593,565	\$ 23,267,803
Receipts:				
Taxes	-	-	-	21,059,067
Licenses and permits	-	-	-	1,166,463
Intergovernmental receipts	-	-	-	5,402,740
Charges for services	-	-	-	3,841,662
Fines and forfeits	-	-	-	487,378
Utility fees	1,300	-	7,327,860	9,579,238
Other receipts	21,264,949	545,389	-	75,385,817
Total receipts	<u>21,266,249</u>	<u>545,389</u>	<u>7,327,860</u>	<u>116,922,365</u>
Disbursements:				
Personal services	1,277,582	-	-	20,228,260
Supplies	-	-	-	1,311,379
Other services and charges	-	-	-	5,371,141
Debt service - principal and interest	-	234,974	-	9,607,650
Capital outlay	49,576	386,352	-	11,678,315
Utility operating expenses	3,960,193	225,000	-	4,469,363
Other disbursements	15,525,491	234,359	7,599,342	50,355,596
Total disbursements	<u>20,812,842</u>	<u>1,080,685</u>	<u>7,599,342</u>	<u>103,021,704</u>
Excess (deficiency) of receipts over disbursements	<u>453,407</u>	<u>(535,296)</u>	<u>(271,482)</u>	<u>13,900,661</u>
Cash and investments - ending	<u>\$ 577,531</u>	<u>\$ 1,973,394</u>	<u>\$ 322,083</u>	<u>\$ 37,168,464</u>

CITY OF HOBART
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2018

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 61,113	\$ 533,863
Governmental activities	<u>225,901</u>	<u>1,654,590</u>
Totals	<u>\$ 287,014</u>	<u>\$ 2,188,453</u>

CITY OF HOBART
SCHEDULE OF LEASES AND DEBT
December 31, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
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	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 2014 E-One Typhoon	53,194	01/15/2015	01/15/2019
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
Us Bankcorp	2017 Braun Chief XL Ambulance	46,018	03/30/2018	03/30/2021
US Bankcorp	2017 Chevy Silverado Dump Truck(Parks)	<u>10,641</u>	08/15/2018	08/15/2021
Total of annual lease payments		<u>\$ 638,012</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)	\$ 1,370,000	\$ 1,405,450
General obligation bonds	2009 Redevelopment Bond: 61st Ave. Series B (Fund 313)	890,000	125,754
General obligation bonds	2010 Police Court Reconstruction Bond B (Fund 315)	1,560,000	133,570
General obligation bonds	2010 Redevelopment Bond: 61st Ave RZ Series B (Fund 325)	2,140,000	313,385
General obligation bonds	2010 Redevelopment Bond: 61st Ave TIF Series A (Fund 325)	380,000	256,040
General obligation bonds	2014 GO Bond: Street Improvements (Fund 311)	800,000	414,000
General obligation bonds	2016 Redevelopment Refunding Bond: 61st Ave (Fund 324)	2,630,000	321,300
General obligation bonds	2017 Park District Bond (Fund 323)	4,070,000	215,700
Revenue bonds	2014 Lease Rental Revenue Bonds (Southside)	4,595,000	358,000
Revenue bonds	2015 Lease Rental Revenue Bonds (Downtown)	<u>3,390,000</u>	<u>272,500</u>
Total governmental activities		<u>21,825,000</u>	<u>3,815,699</u>
Wastewater:			
Revenue bonds	2018 Storm Water Management District Bond	15,455,000	890,414
Revenue bonds	2012 HSD Sanitary Sewage Revenue Bonds (SRF)	<u>3,148,000</u>	<u>235,515</u>
Total Wastewater		<u>18,603,000</u>	<u>1,125,929</u>
Totals		<u>\$ 40,428,000</u>	<u>\$ 4,941,628</u>

CITY OF HOBART
SCHEDULE OF CAPITAL ASSETS
December 31, 2018

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	\$ 2,056,282
Infrastructure	98,043,606
Buildings	32,639,880
Improvements other than buildings	10,456,410
Machinery, equipment, and vehicles	19,741,438
Construction in progress	7,970,297
Books and other	<u>89,356</u>
Total governmental activities	<u>170,997,269</u>
Storm Water:	
Infrastructure	13,618,193
Machinery, equipment, and vehicles	<u>228,860</u>
Total Storm Water	<u>13,847,053</u>
Wastewater:	
Land	1,100,650
Infrastructure	26,933,873
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>51,624,407</u>
Total capital assets	<u>\$ 236,468,729</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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, 2018. 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, 2018.

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 2018-001. 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 items 2018-001 and 2018-002, that we consider to be material weaknesses.

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

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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 prepared 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, 2018

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			
Lake George Access (Parks)			16895/CZ517	\$ -	\$ 9,000
Water Festival 2017			CZ 543SG	-	3,037
Gilliana Property			CZ643	-	16,700
Stormwater Master Plan Ross Township			CZ645	-	44,110
Tree Inventory			CZ646	-	15,000
Total - Coastal Zone Management Administration Awards				-	87,847
Total - Department of Commerce				-	87,847
<u>Department of Justice</u>					
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588			
			EDS: D3-18-12210	-	85,652
Bulletproof Vest Partnership Program	Direct Grant	16.607			
			OMB1121-0235	-	5,401
Public Safety Partnership and Community Policing Grants	Direct Grant	16.710			
			2016JMWX0145	-	52,083
Equitable Sharing Program	Direct Grant	16.922			
			FY2018	-	601,041
Total - Department of Justice				-	744,177
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Safe Routes to Schools			A249-16-L150188	-	27,583
CNG Alt Fuel Infrastructure (Station)			A249-17-L170015	-	541,373
CNG Alternative Fuel Purchase			A249-17-L170017	-	14,070
Streetscape: 3rd St.			Des#0810541	-	61,378
61st Avenue			Des#0900071	-	72,188
Colorado St. Safety Improvement			EDS: A249-15-320102	-	30,427
Sign Modernization			EDS: A249-15-320103	-	28,714
Deep River Stormwater Outfall			DES#1592275	-	5,818
Total - Highway Planning and Construction				-	781,551
Total - Highway Planning and Construction Cluster				-	781,551
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
			EDS: D3-18-11886	-	193,211
Total - Highway Safety Cluster				-	193,211
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Indiana Criminal Justice Institute	20.608			
			EDS: D3-18-12049	-	193,964
Total - Department of Transportation				-	1,168,726
<u>Environmental Protection Agency</u>					
Great Lakes Program	Northwestern Indiana Regional Planning Commission	66.469			
City Hall Green Infrastructure			A305-3-125	-	106,000
North Lake Park Swale and Bank Stabilization			A305-3-125	-	31,038
Total - Great Lakes Program				-	137,038
Total - Environmental Protection Agency				-	137,038
Total federal awards expended				\$ -	\$ 2,137,788

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, 2018. 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?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings 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>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
16.922	Equitable Sharing Program Highway Planning and Construction Cluster	Unmodified 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

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-001

Subject: Equitable Sharing Program - Special Tests and Provisions
 Federal Agency: Department of Justice
 Federal Program: Equitable Sharing Program
 CFDA Number: 16.922
 Federal Award Number and Year (or Other Identifying Number): FY2018
 Compliance Requirement: Special Tests and Provisions - Commingling of Funds
 Audit Findings: Material Weakness, Other Matters

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

Condition

The City had not established an effective internal control system to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Commingling of Funds compliance requirement.

The City established the Police Seizure fund for the receipt of all federal, state, and local forfeiture proceeds, and the related disbursements. The Police Seizure fund also included non-grant activity from other sources. Although the sources of the receipts into the fund and the related disbursements were tracked separately outside of the financial system, the City did not comply with the requirement that federal equity sharing funds not be commingled with other funds.

Context

The lack of controls and noncompliance were systemic issues 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). . . ."

The City accepted and agreed to abide by the Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies. The *Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies* VI.A states in part:

"The state or local participating . . . agency must:

1. Maintain equitable sharing funds with the same entity that maintains the agency's appropriated funds and administers procurement actions. Bank accounts, check-books, purchase cards, and other financial instruments or documents must be maintained in the same manner as appropriated funds.
2. Establish separate Department of Justice and Department of the Treasury accounts or accounting codes to track both revenues and expenditures for each respective Program. No other funds may be commingled in these accounts or with these accounting codes. . . ."

The City accepted and agreed to abide by the *Equitable Sharing Agreement and Certification*. The *Equitable Sharing Agreement and Certification* states in part:

- ". . . **.5. Internal Controls.** The Agency agrees to account separately for federal equitable sharing funds received from the Department of Justice and the Department of the Treasury. Funds from state and local forfeitures and other sources must not be commingled with federal equitable sharing funds. . . ."

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

Cause

The City's management had not designed or implemented an effective system of internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Commingling of Funds 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 the loss of federal funds to the City.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish effective controls to ensure compliance with the grant agreement, and comply with the Special Tests and Provisions - Commingling of Funds compliance requirement.

Views of Responsible Officials

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

FINDING 2018-002

Subject: Highway Planning and Construction Cluster - 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): A249-16-L150188,
A249-17-L170015,
A249-17-L170017,
Des#0810541,
Des#0900071,
EDS: A249-15-320102,
EDS: A249-15-320103,
DES#1592275

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirement: Period of Performance

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-002.

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

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.

Reports were completed quarterly which were intended to list the period of performance of each grant so it could be monitored in conjunction with expenditures made from the grant. This was meant to ensure that funds were not obligated or spent prior to or after the grant period. Although the reports were completed, some did not list the period of performance, and in one instance, listed an incorrect period of performance. As such, the control was not properly implemented.

Context

The lack of properly implemented 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's management had not implemented an effective system of internal controls to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

Effect

The failure to properly implement 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 also 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management properly implement effective 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"

Telephone:
(219) 942-1940

Fax:
(219) 942-0505



The City of Hobart

414 Main Street • Hobart, Indiana 46342

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS


FINDING 2017-001

Fiscal year in which the finding initially occurred: 2016
Preparation of the Schedule of Expenditures of Federal Awards
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, and June 26, 2018, 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 prepared and entered the information provided by the ERC for any Expenditures of Federal Awards into the Gateway SEFA. This information was then reviewed by the ERC, the Clerk-Treasurer and the Council prior to submittal and a final copy of the report was also provided to all once submitted to the State. In October, 2018, the City of Hobart Internal Controls Manual was updated and re-distributed to all departments and employees outlining this procedure under Grant Administration: Reporting (Tab 16).


DEBORAH A. LONGER
Clerk-Treasurer, City of Hobart
March 28, 2019

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity: Indiana Department of Transportation (INDOT)
Contact Person Responsible for Corrective Action: Deborah A. Longer, Clerk-Treasurer
Contact Phone Number: (219) 942-1940

Status of Audit Finding:

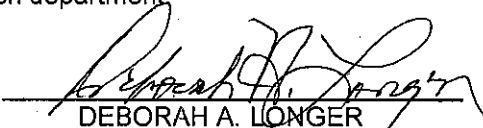
The Clerk-Treasurer's office maintains files on all Federal and Local Grant Awards and the City of Hobart Internal Control Policy requires each Employee in Responsible Charge (ERC) to provide all paperwork related to the award including the grant agreement, quarterly reports and to provide regular updates 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 Clerk-Treasurer's office worked with the State Board of Accounts and the Indiana Department of Transportation and implemented written Internal Controls Policies regarding this issue. The City's Internal Controls Manual was updated and distributed to all departments and employees in early October, 2018 (Tab 16: Grant Administration: Reporting) requiring the Period of Performance information to be listed by the ERC for each grant. An updated Corrective Action Plan with supporting documentation of the steps taken to address the issue was provided to the State Board of Accounts and INDOT and on October 26, 2018 a certified letter was received from INDOT stating (in part):

"INDOT concurs with this finding by the Auditor and with the City of Hobart's corrective actions that have been implemented. INDOT will continue to perform reviews of future A-133 audits to ensure continued compliance with the referenced CFR.

INDOT appreciates the City of Hobart's attention to the finding identified in the Single Audit, the internal coordination to address deficiencies, and the continued effort to improve processes and procedures."

The entire communication from INDOT is on file in the Clerk-Treasurer's Office and available for review and the updated Internal Controls Manual is available in each department


DEBORAH A. LONGER
Clerk-Treasurer, City of Hobart
March 28, 2019

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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CORRECTIVE ACTION PLAN

FINDING 2018-001

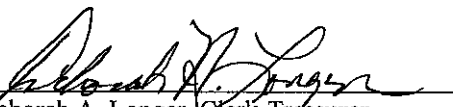
Contact Person Responsible for Corrective Action: Deborah Longer, Clerk-Treasurer
Contact Phone Number: (219) 942-1940

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Upon the Police Department and the City being made aware of the issue of commingled funds within the Police Seizure Fund during the Audit for 2018 being completed in April 2019, a separate fund was created specifically for Department of Justice funds received to separate the funds from those received from the Department of the Treasury. The Police Department and the Clerk-Treasurer reviewed the past reports of all Department of Justice funds previously received and expended and moved the balance of funds specifically pertaining to the Department of Justice into the new fund on April 18, 2019. These funds are no longer commingled and will now be tracked in both revenue and expenditures for each respective program in the future.

Completion Date: April 18, 2019

Signed: 
Deborah A. Longer, Clerk-Treasurer

Date: 4/23/2019

Deborah A. Longer
Clerk-Treasurer



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CORRECTIVE ACTION PLAN

FINDING 2018-002

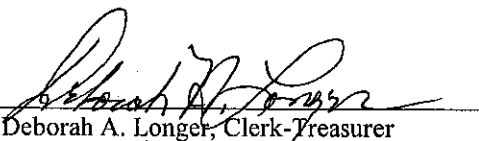
Contact Person Responsible for Corrective Action: Deborah Longer, Clerk-Treasurer
Contact Phone Number: (219) 942-1940

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

As described in the Corrective Action Plan issued on June 26, 2018, 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. The City of Hobart has, as of October 2018, included a requirement within their Internal Controls policies that the ERC is to specifically provide documentation as to the Period of Performance for each award. While this policy was put in place last year, there were errors made by some ERCs for certain grants in not supplying the necessary documentation for the period of performance. This was pointed out to the ERCs but requests for reimbursement had been submitted electronically prior to the Clerk-Treasurer receiving the information regarding the period of performance. The ERCs have been reminded of this requirement repeatedly and have been made aware of their error and as of April 23, 2019, the current active grant files all have the Period of Performance dates provided and noted by the ERCs so the internal controls policies in place are complied with.

Completion Date: April 23, 2019

Signed: 
Deborah A. Longer, Clerk-Treasurer

Date: 4/23/19

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/>.