

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF HOBART

LAKE COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
07/13/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Result and Comment:	
Overdrawn Cash Balance	6
Official Response.....	7
Exit Conference	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah Longer	01-01-19 to 12-31-20
Mayor	Brian Snedecor	01-01-19 to 12-31-20
President of the Board of Public Works and Safety	Brian Snedecor	01-01-19 to 12-31-20
President Pro Tempore of the Common Council	Matthew Claussen	01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the City of Hobart (City), for the period from January 1, 2019 to December 31, 2019. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

May 28, 2020

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CLERK-TREASURER
CITY OF HOBART

CLERK-TREASURER
CITY OF HOBART
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCE

The same comment appeared in the prior Reports B50580 and B52858.

Condition and Context

The financial statement presented included the General fund with an overdrawn cash balance of \$5,054,065, at December 31, 2019.

Those funds with overdrawn cash balances due to the timing of reimbursements for expenditures were not included in this comment.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Deborah A. Longer
Clerk-Treasurer

"The Friendly City"

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(219)942-1940

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The City of Hobart

414 Main Street • Hobart, Indiana 46342

OFFICIAL RESPONSE

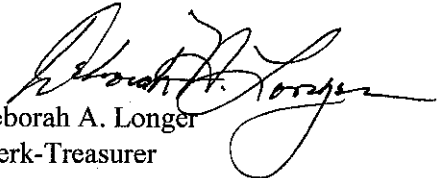
May 28, 2020

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

RE: City of Hobart 2019 Audit Result and Comment / Overdrawn Cash Balance

The audit report lists the General Fund with an overdrawn cash balance as of December 31, 2019. This is partially a result of some reimbursable General Fund expenditures that were not received by December 31, 2019, in addition to a combination of a levy collection shortfall with tax distributions coming in at just over 94% which is not realized until late December when distributions are received from Lake County, coupled with the previous shortfalls that are not made up from past years. Additionally, the Public Safety Income Tax funds that were earmarked to be transferred to cover Fire and Police Department staffing costs paid from the General Fund were not available due to other unanticipated costs paid from the Public Safety Fund through the year. In addition, early in the year the City was made aware that a new charge for recycling services was being required due to the federal government breaking ties with China who had been under contract for taking the recycling from our subcontractor at no cost to the City. What was once a "free" service to the City was now being charged by the tonnage received and this additional cost was passed on to the City with very limited notice to allow adjustments to budgets and expenses. In late 2019, the Common Council addressed some of this ongoing deficit in the General Fund by increasing the cost of garbage pick-up services, effective January 1, 2020. Plans are being formulated over the next 2-3 budget years to address the remaining deficit as it was carried over from prior years.

The City of Hobart utilizes inter-fund borrowing as needed to meet the obligations for all funds. At the end of the fiscal year, the inter-fund borrowing is paid back to the appropriate funds as required which results in the possibility that certain funds will end the year with a negative cash balance, showing a true picture of funds not received. Additionally, the City uses a "pooled cash" approach so that it will not overdraw individual funds while waiting for reimbursements or tax distributions. The overdrawn fund noted in the audit are neither an indicator of serious financial problems nor of any inappropriate diversion of funds. The Administration is addressing the shortfall by limiting spending from the General Fund and shifting some operational costs to other funds appropriate for this use and exploring other funding opportunities and cost-saving measures in the future.


Deborah A. Longer
Clerk-Treasurer
City of Hobart, Indiana

CLERK-TREASURER
CITY OF HOBART
EXIT CONFERENCE

The contents of this report were discussed on May 28, 2020, with Deborah Longer, Clerk-Treasurer; Brian Snedecor, Mayor; Matthew Claussen, President Pro Tempore of the Common Council; Dan Waldrop, Common Council member; Josh Huddlestun, Common Council member; Robert Fulton, President of the Sanitary and Stormwater District Board of Commissioners; Stella McDaniels, Deputy Clerk-Treasurer; Heather McCarthy, City Attorney; Denarie Kane, Director of Development; and Anthony DeBonis, Redevelopment Commission Attorney.