

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

ANNUAL FINANCIAL REPORT

2009

CITY OF HAMMOND

LAKE COUNTY, INDIANA



**FILED**  
09/30/2010



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	3
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	4-5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....	6-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds .....	9
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	10
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds .....	11
Notes to Financial Statements .....	12-35
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	36-46
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Internal Service Funds .....	47
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds .....	48
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds.....	49
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Discrete Component Unit – Port Authority .....	50
Schedule of Capital Assets.....	51
Schedule of Long-Term Debt .....	52

TABLE OF CONTENTS  
(Continued)

<u>Description</u>	<u>Page</u>
Other Reports.....	53
Audit Results and Comments:	
Internal Controls Over Bank Reconcilements .....	54-55
Schedule of Expenditures of Federal Awards .....	55-56
Overdrawn Cash Balances.....	56
Disbursements Exceed Appropriations .....	57
Annual Report.....	57
Capital Assets.....	58
Disbursements Not Council Approved .....	58
Accounts Payable Vouchers.....	58-59
Employee Service Records .....	60
Crime Insurance Policies.....	60
Festival of the Lakes.....	61
Traffic School.....	61-62
Prior Year Questioned Costs Paid From TIF Funds.....	62-63
Federal Taxes .....	63-64
County's Share of Court Cost.....	64
Redevelopment Authority .....	64
Unclaimed Property – Clerk.....	64-65
Construction in Progress Internal Controls – Sanitary District .....	65
Capital Asset Records – Recycling Utility .....	66
Credit Card Expenditures – Port Authority .....	66
Wellness Program Policy – Port Authority.....	66-67
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	70-71
Schedule of Expenditures of Federal Awards .....	72-73
Notes to Schedule of Expenditures of Federal Awards.....	74
Schedule of Findings and Questioned Costs .....	75-82
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings .....	83-85
Corrective Action Plan.....	86-90
Exit Conference.....	91
Official Response .....	92

## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Robert Lendi, CPA	01-01-09 to 12-31-10
Mayor	Thomas M. McDermott, Jr.	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	William J. O'Connor	01-01-09 to 12-31-10
President of the Common Council	Homero Hinojosa Anthony Higgs	01-01-09 to 12-31-09 01-01-10 to 12-31-10
Chief Executive Operator of Water Utility	Edward Krusa	01-01-09 to 12-31-10
President of Utility Service Board	Sharon Daniels	01-01-09 to 12-31-10
Water Utility Office Manager	Deborah VanMeter	01-01-09 to 12-31-10
Sanitary District Manager	Michael T. Unger, Ph.D.	01-01-09 to 12-31-10
President of the Sanitary District Board of Commissioners	Stanley J. Dostatni	01-01-09 to 12-31-10
Sanitary District Business Manager	William E. Biller Alan M. Arendt, CPA	01-01-09 to 09-30-09 10-01-09 to 12-31-10
Director of the Port Authority	Milan Kruszynski	01-01-09 to 12-31-10
Chairman of the Port Authority Board of Directors	Thomas E. Kuhn Diane Kaminsky	01-01-09 to 12-31-09 01-01-10 to 12-31-10
Administrative Director of the Port Authority	Richard Szany	01-01-09 to 12-31-10



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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hammond (City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2009, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated May 27, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City provides postemployment health insurance benefits to eligible retirees. The City has not provided an actuarial study to determine the City's annual post employment benefit costs in accordance with GASB Statement 45.

The City has not presented Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The City's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

May 27, 2010



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hammond (City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 27, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in items 2009-1 and 2009-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2009-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are 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.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 27, 2010

CITY OF HAMMOND  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2009

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Totals	Port Authority
Primary government:								
Governmental activities:								
General government	\$ 60,549,425	\$ 4,207,384	\$ 2,034,220	\$ -	\$ (54,307,821)	\$ -	\$ (54,307,821)	\$ -
Public safety	35,398,836	1,189,068	140,784	537,804	(33,531,180)	-	(33,531,180)	-
Highways and streets	5,308,325	-	-	-	(5,308,325)	-	(5,308,325)	-
Health and welfare	590,096	1,415,594	99,160	-	924,658	-	924,658	-
Economic development	4,588,539	-	-	206,211	(4,382,328)	-	(4,382,328)	-
Culture and recreation	12,467,663	1,009,932	-	-	(11,457,731)	-	(11,457,731)	-
Urban redevelopment and housing	3,183,169	-	2,127,492	-	(1,055,677)	-	(1,055,677)	-
Principal and interest on indebtedness	8,155,212	-	-	-	(8,155,212)	-	(8,155,212)	-
Total governmental activities	<u>130,241,265</u>	<u>7,821,978</u>	<u>4,401,656</u>	<u>744,015</u>	<u>(117,273,616)</u>	<u>-</u>	<u>(117,273,616)</u>	<u>-</u>
Business-type activities:								
Sanitary District	33,319,333	14,489,610	-	-	-	(18,829,723)	(18,829,723)	-
Storm Water Utility	130,006	307,471	-	-	-	177,465	177,465	-
Sanitation Utility	3,965,700	3,960,064	-	-	-	(5,636)	(5,636)	-
Recycling Utility	1,054,162	-	-	-	-	(1,054,162)	(1,054,162)	-
Water Utility	11,583,287	8,035,717	-	-	-	(3,547,570)	(3,547,570)	-
Total business-type activities	<u>50,052,488</u>	<u>26,792,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,259,626)</u>	<u>(23,259,626)</u>	<u>-</u>
Total primary government	<u>\$ 180,293,753</u>	<u>\$ 34,614,840</u>	<u>\$ 4,401,656</u>	<u>\$ 744,015</u>	<u>(117,273,616)</u>	<u>(23,259,626)</u>	<u>(140,533,242)</u>	<u>-</u>
Component unit:								
Port Authority	<u>\$ 16,478,477</u>	<u>\$ 3,114,328</u>	<u>\$ 7,011,187</u>	<u>\$ 665,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,686,966)</u>
General receipts:								
Property taxes					57,912,366	8,657,983	66,570,349	-
Intergovernmental					4,656,523	1,300,000	5,956,523	-
Other local sources					49,031,072	3,837,364	52,868,436	2,319,559
Net proceeds from borrowings					-	(1,268,136)	(1,268,136)	-
Grants and contributions not restricted to specific programs					101,644	-	101,644	-
Investment earnings					585,696	384,050	969,746	13,538
Transfers					1,214,229	(1,214,229)	-	-
Special item:								
Redemption of 1999 defeased debt (Note II.D.)					(7,206,083)	-	(7,206,083)	-
Total general receipts, transfers and special item					<u>106,295,447</u>	<u>11,697,032</u>	<u>117,992,479</u>	<u>2,333,097</u>
Change in net assets					(10,978,169)	(11,562,594)	(22,540,763)	(3,353,869)
Net assets - beginning					<u>44,957,924</u>	<u>32,270,553</u>	<u>77,228,477</u>	<u>4,502,568</u>
Net assets - ending					<u>\$ 33,979,755</u>	<u>\$ 20,707,959</u>	<u>\$ 54,687,714</u>	<u>\$ 1,148,699</u>
<u>Assets</u>								
Cash and investments					\$ (2,237,718)	\$ 4,596,143	\$ 2,358,425	\$ 498,205
Cash with fiscal agent					-	199,620	199,620	-
Restricted assets:								
Cash and investments					25,625,785	7,405,120	33,030,905	650,494
Cash with fiscal agent					10,591,688	8,507,076	19,098,764	-
Total assets					<u>\$ 33,979,755</u>	<u>\$ 20,707,959</u>	<u>\$ 54,687,714</u>	<u>\$ 1,148,699</u>
<u>Net Assets</u>								
Restricted for:								
General government					\$ 247,021	\$ -	\$ 247,021	\$ -
Public safety					68,110	-	68,110	-
Highways and streets					512,227	-	512,227	-
Health and welfare					3,126,073	-	3,126,073	-
Economic development					15,970,085	-	15,970,085	-
Urban redevelopment and housing					328,660	-	328,660	-
Debt service					11,477,301	1,522,648	12,999,949	-
Capital outlay					4,487,996	13,592,006	18,080,002	-
Other purposes					-	797,542	797,542	650,494
Unrestricted					(2,237,718)	4,795,763	2,558,045	498,205
Total net assets					<u>\$ 33,979,755</u>	<u>\$ 20,707,959</u>	<u>\$ 54,687,714</u>	<u>\$ 1,148,699</u>

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

CITY OF HAMMOND  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2009

	General	Gaming Revenues	TIF Allocation Northend	Redevelopment Authority Marina	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 35,668,717	\$ -	\$ 5,305,302	\$ -	\$ 16,949,256	\$ 57,923,275
Licenses and permits	1,098,676	-	-	-	91,815	1,190,491
Intergovernmental	731,391	-	-	-	9,147,255	9,878,646
Charges for services	2,683,925	-	-	-	1,588,801	4,272,726
Fines and forfeits	516,176	-	-	-	1,357,269	1,873,445
Other	219,606	41,169,276	-	314,180	2,032,835	43,735,897
<b>Total receipts</b>	<b>40,918,491</b>	<b>41,169,276</b>	<b>5,305,302</b>	<b>314,180</b>	<b>31,167,231</b>	<b>118,874,480</b>
<b>Disbursements:</b>						
General government	14,914,468	28,449,161	-	50	4,988,010	48,351,689
Public safety	35,670,899	-	-	-	5,077,140	40,748,039
Highways and streets	908,072	-	-	-	4,717,303	5,625,375
Health and welfare	4,918	-	-	-	720,887	725,805
Economic development	-	-	3,417,776	-	1,170,763	4,588,539
Culture and recreation	-	-	-	-	8,382,570	8,382,570
Urban redevelopment and housing	-	-	-	-	3,294,114	3,294,114
<b>Debt service:</b>						
Principal	-	507,300	-	-	5,007,990	5,515,290
Interest	-	108,683	-	-	2,531,239	2,639,922
<b>Capital outlay:</b>						
General government	5,629	337,546	-	-	460,501	803,676
Public safety	-	-	-	-	306,797	306,797
Highways and streets	950	-	-	-	-	950
Health and welfare	-	-	-	-	7,391	7,391
Culture and recreation	-	-	-	-	4,577,513	4,577,513
<b>Total disbursements</b>	<b>51,504,936</b>	<b>29,402,690</b>	<b>3,417,776</b>	<b>50</b>	<b>41,242,218</b>	<b>125,567,670</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(10,586,445)</b>	<b>11,766,586</b>	<b>1,887,526</b>	<b>314,130</b>	<b>(10,074,987)</b>	<b>(6,693,190)</b>
<b>Other financing sources (uses):</b>						
Redemption of 1999 defeased debt (Note II.D.)	-	-	-	(7,206,083)	-	(7,206,083)
Transfers in	9,678,595	-	-	-	15,926,277	25,604,872
Transfers out	(3,550,103)	(10,213,142)	-	-	(14,027,501)	(27,790,746)
Other receipts	465,571	2,861	-	-	4,651,732	5,120,164
<b>Total other financing sources (uses)</b>	<b>6,594,063</b>	<b>(10,210,281)</b>	<b>-</b>	<b>(7,206,083)</b>	<b>6,550,508</b>	<b>(4,271,793)</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(3,992,382)</b>	<b>1,556,305</b>	<b>1,887,526</b>	<b>(6,891,953)</b>	<b>(3,524,479)</b>	<b>(10,964,983)</b>
Cash and investment fund balance - beginning	(17,269,299)	17,926,614	5,408,179	6,891,953	31,828,459	44,785,906
Cash and investment fund balance - ending	\$ (21,261,681)	\$ 19,482,919	\$ 7,295,705	\$ -	\$ 28,303,980	33,820,923
<b>Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:</b>						
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						158,832
<b>Net assets of governmental activities</b>						<b>\$ 33,979,755</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ (21,261,681)	\$ 19,482,919	\$ -	\$ -	\$ (831,917)	\$ (2,610,679)
<b>Restricted assets:</b>						
Cash and investments	-	-	7,295,705	-	18,544,209	25,839,914
Cash with fiscal agent	-	-	-	-	10,591,688	10,591,688
<b>Total cash and investment assets - ending</b>	<b>\$ (21,261,681)</b>	<b>\$ 19,482,919</b>	<b>\$ 7,295,705</b>	<b>\$ -</b>	<b>\$ 28,303,980</b>	<b>\$ 33,820,923</b>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
General government	\$ -	\$ -	\$ -	\$ -	\$ 247,021	\$ 247,021
Public safety	-	-	-	-	68,110	68,110
Highways and streets	-	-	-	-	726,356	726,356
Health and welfare	-	-	-	-	3,126,073	3,126,073
Economic development	-	-	7,295,705	-	8,674,380	15,970,085
Urban redevelopment and housing	-	-	-	-	328,660	328,660
Debt service	-	-	-	-	11,477,301	11,477,301
Capital outlay	-	-	-	-	4,487,996	4,487,996
Unrestricted	(21,261,681)	19,482,919	-	-	(831,917)	(2,610,679)
<b>Total cash and investment fund balance - ending</b>	<b>\$ (21,261,681)</b>	<b>\$ 19,482,919</b>	<b>\$ 7,295,705</b>	<b>\$ -</b>	<b>\$ 28,303,980</b>	<b>\$ 33,820,923</b>

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

CITY OF HAMMOND  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As Of And For The Year Ended December 31, 2009

	Sanitary District	Storm Water Utility	Sanitation Utility	Recycling Utility	Water Utility	Totals	Internal Service Funds
<b>Operating receipts:</b>							
Unmetered/flat rate	\$ -	\$ 307,471	\$ 3,960,064	\$ -	\$ -	\$ 4,267,535	\$ -
Metered/measured	11,980,301	-	-	-	8,035,717	20,016,018	-
Local tax distributions for sewer maintenance	3,018,152	-	-	-	-	3,018,152	-
Charges for services	2,509,309	-	-	-	-	2,509,309	-
Sales of materials	-	-	-	109,941	-	109,941	-
Interfund loans received	800,000	250,000	-	275,000	-	1,325,000	-
Employer contributions	-	-	-	-	-	-	12,471,177
Employee contributions	-	-	-	-	-	-	212,871
Retiree contributions	-	-	-	-	-	-	272,445
Miscellaneous	2,367,774	-	21,058	882,820	455,771	3,727,423	774,990
<b>Total operating receipts</b>	<b>20,675,536</b>	<b>557,471</b>	<b>3,981,122</b>	<b>1,267,761</b>	<b>8,491,488</b>	<b>34,973,378</b>	<b>13,731,483</b>
<b>Operating disbursements:</b>							
Sewer maintenance	4,876,517	-	-	-	-	4,876,517	-
Pretreatment	241,294	-	-	-	-	241,294	-
Plant maintenance and operations	8,506,905	130,006	3,756,690	1,046,728	-	13,440,329	-
Collection system	1,834,546	-	-	-	-	1,834,546	-
Water treatment	-	-	-	-	4,020,551	4,020,551	-
Transmission and distribution	-	-	-	-	2,562,397	2,562,397	-
Customer accounts	-	-	-	-	1,066,100	1,066,100	-
Administration and general	2,371,807	-	-	-	1,699,328	4,071,135	1,127,318
Equipment and capital improvements	9,924,034	-	-	7,434	2,150,064	12,081,532	-
Insurance claims and expense	-	-	-	-	-	-	16,017,454
Interfund loans made/repaid	275,000	800,000	-	250,000	-	1,325,000	-
<b>Total operating disbursements</b>	<b>28,030,103</b>	<b>930,006</b>	<b>3,756,690</b>	<b>1,304,162</b>	<b>11,498,440</b>	<b>45,519,401</b>	<b>17,144,772</b>
<b>Excess (deficiency) of operating receipts over operating disbursements</b>	<b>(7,354,567)</b>	<b>(372,535)</b>	<b>224,432</b>	<b>(36,401)</b>	<b>(3,006,952)</b>	<b>(10,546,023)</b>	<b>(3,413,289)</b>
<b>Nonoperating receipts (disbursements):</b>							
Property taxes	5,639,831	-	-	-	-	5,639,831	-
Intergovernmental	-	-	-	-	1,300,000	1,300,000	-
Investment income	160,722	-	-	-	223,328	384,050	-
Net proceeds from borrowings	(2,768,136)	-	-	-	1,500,000	(1,268,136)	-
Debt service of principal	(3,440,000)	-	(191,962)	-	(84,847)	(3,716,809)	-
Interest disbursements	(2,124,230)	-	(17,048)	-	-	(2,141,278)	-
<b>Total nonoperating receipts (disbursements)</b>	<b>(2,531,813)</b>	<b>-</b>	<b>(209,010)</b>	<b>-</b>	<b>2,938,481</b>	<b>197,658</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)</b>	<b>(9,886,380)</b>	<b>(372,535)</b>	<b>15,422</b>	<b>(36,401)</b>	<b>(68,471)</b>	<b>(10,348,365)</b>	<b>(3,413,289)</b>
Transfers in	-	-	-	-	-	-	3,400,103
Transfers out	(599,229)	-	-	-	(615,000)	(1,214,229)	-
<b>Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out</b>	<b>(10,485,609)</b>	<b>(372,535)</b>	<b>15,422</b>	<b>(36,401)</b>	<b>(683,471)</b>	<b>(11,562,594)</b>	<b>(13,186)</b>
Cash and investment fund balance - beginning	22,481,857	561,820	293,475	41,935	8,891,466	32,270,553	172,018
Cash and investment fund balance - ending	<u>\$ 11,996,248</u>	<u>\$ 189,285</u>	<u>\$ 308,897</u>	<u>\$ 5,534</u>	<u>\$ 8,207,995</u>	<u>\$ 20,707,959</u>	<u>\$ 158,832</u>
<b>Cash and Investment Assets - December 31</b>							
Cash and investments	\$ 312,745	\$ 187,163	\$ 278,776	\$ 5,534	\$ 3,811,925	\$ 4,596,143	\$ 158,832
Cash with fiscal agent	167,377	2,122	30,121	-	-	199,620	-
Restricted assets:							
Cash and investments	3,009,050	-	-	-	4,396,070	7,405,120	-
Cash with fiscal agent	8,507,076	-	-	-	-	8,507,076	-
<b>Total cash and investment assets - December 31</b>	<b>\$ 11,996,248</b>	<b>\$ 189,285</b>	<b>\$ 308,897</b>	<b>\$ 5,534</b>	<b>\$ 8,207,995</b>	<b>\$ 20,707,959</b>	<b>\$ 158,832</b>
<b>Cash and Investment Fund Balance - December 31</b>							
Restricted for:							
Debt service	\$ 1,522,648	\$ -	\$ -	\$ -	\$ -	\$ 1,522,648	\$ -
Capital outlay	9,993,478	-	-	-	3,598,528	13,592,006	-
Other purposes	-	-	-	-	797,542	797,542	-
Unrestricted	480,122	189,285	308,897	5,534	3,811,925	4,795,763	158,832
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 11,996,248</b>	<b>\$ 189,285</b>	<b>\$ 308,897</b>	<b>\$ 5,534</b>	<b>\$ 8,207,995</b>	<b>\$ 20,707,959</b>	<b>\$ 158,832</b>

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

CITY OF HAMMOND  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2009

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	\$ 1,983,337	
State	10,533,101	
Total additions	12,516,438	
Deductions:		
Benefits	10,274,161	
Administrative and general	31,825	
Total deductions	10,305,986	
Excess (deficiency) of total additions over total deductions	2,210,452	
Cash and investment fund balance - beginning	(2,388,406)	
Cash and investment fund balance - ending	\$ (177,954)	\$ 1,897,456

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

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS

I. 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 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, sanitation, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government:	City of Hammond
Blended Component Unit:	Hammond Redevelopment Authority
Discretely Presented Component Unit:	Hammond Port Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Blended Component Unit

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City's governing body or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

Hammond Redevelopment Authority: The City appoints a voting majority of the Hammond Redevelopment Authority's board and is able to impose its will. Although it is legally separate from the City, the Hammond Redevelopment Authority is reported as if it were a part of the City because it provides services entirely or almost entirely to the City.

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The discretely presented component units are presented below:

Hammond Port Authority: The Hammond Port Authority is a significant discretely presented component unit of the City. The City appoints a voting majority of the Hammond Port Authority's board and a financial benefit/burden relationship exists between the City and the Hammond Port Authority.

Related Organizations

The City's officials are also responsible for appointing the voting majority of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints the voting majority of the Hammond Housing Authority and the Hammond Development Corporation.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Jointly Governed Organization

The City, in conjunction with several other governmental entities in Lake, Porter, and LaPorte Counties, participates in the operation of the Northwestern Indiana Regional Planning Commission (NIRPC) which was created as a multipurpose area wide planning agency. NIRPC assists with planning economic development, transportation, environmental protection, and comprehensive planning. NIRPC enabling legislation, Indiana Code 36-7-7, provides that participating counties must provide an annual appropriation at a minimum level of thirty cents per capita. Complete financial statements for NIRPC can be obtained from the Northwestern Indiana Regional Planning Commission's administrative office at 6100 Southport Road, Portage, Indiana, 46368.

The City, in conjunction with the Cities of East Chicago and Gary, participates in the operation of the Gary/Hammond/East Chicago Empowerment Zone (Empowerment Zone) which was created to provide new jobs empowering low-income persons and families to become economically self-sufficient. The Empowerment Zone uses its surplus resources to undertake special projects for the City. The Empowerment Zone's continued existence depends on the Empowerment Zone's ability to be awarded continued federal funding. Complete financial statements for the Empowerment Zone can be obtained from the Gary/Hammond/East Chicago Empowerment Zone's administrative office at 839 Broadway, Gary, Indiana, 46402.

The City is a participant with the State of Indiana, Lake and Porter Counties, certain cities in Lake and Porter Counties and federal agencies in a joint venture to operate the Regional Development Authority (RDA) which was created to assist in funding and developing transportation services including the Gary/Chicago International Airport expansion and other airport authority projects, commuter transportation districts, rail projects and services, bus projects and services, shoreline development projects and activities, and economic development projects. The RDA uses its resources to undertake special projects for the City. Complete financial statements for the RDA can be obtained from the Regional Development Authority's administrative office at 9800 Connecticut Drive, Crown Point, Indiana, 46307.

The City, in conjunction with several other governmental entities in Lake and Porter Counties, participate in the operation of the Northwest Indiana Regional Bus Authority (RBA), which was created to enhance the quality of life in Northwest Indiana by assuring the availability of a customer responsive regional bus transportation system. Complete financial statements for the RBA can be obtained from the Northwest Indiana Regional Bus Authority's administrative office at 6100 Southport Road, Portage, Indiana, 46368.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Gaming Revenues Fund accounts for the financial resources received from the State of Indiana as gaming admissions and resources received directly from the gaming boat based upon an agreement between the City and the gaming proprietors. The resources, which are locally appropriated, may be used for debt retirement infrastructure and improvements, economic development and general government.

The TIF Allocation Northend Fund accounts for property taxes from the tax increment financing (TIF) district restricted for improvements or retirement of debt related to improvements in the marina district.

The Redevelopment Authority Marina Fund accounts for the financial resources from the 2006 Taxable Lease Rental Revenue Refunding Bonds. The resources are used to pay the costs of the refunding and defeasing all of the outstanding Hammond Redevelopment Authority Lease Rental Bonds of 1999.

The City reports the following major enterprise funds:

The Sanitary District Fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The Storm Water Utility Fund accounts for the operation of the storm water collection system.

The Sanitation Utility Fund accounts for the operation of the trash collection system.

The Recycling Utility Fund accounts for the operation of the recycling center.

The Water Utility Fund accounts for the operation of the water distribution system.

Additionally, the City reports the following fund types:

The internal service funds account for group health insurance, workman's compensation, general liability, a central telephone communications system, diesel fuel taxes, and unemployment benefits provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police officers' and 1937 fire-fighters' pension plans, which accumulate resources for pension benefit payments.



CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Agency funds account for assets held by the City as an agent for federal and state revenue agencies and serve as control of accounts for cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Cash and Investments

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

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. 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. Taxable property is assessed at 100% 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 may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Property tax rates and levies were not established by the Indiana Department of Local Government Finance as of February 15, 2009, as required by statute due to the continued delay caused in the completion of the trending process of Lake County. The 2008 payable 2009 property tax rates were approved on July 31, 2009. The County sent the bills in October 2009, which were due in two installments, on October 28 and November 30, 2009. The City received partial collections in November 2009. Final settlement of tax collections were received in January 2010.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the proprietary discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Primary government and component unit activity – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2009, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2009
General	\$ 4,566,828
Motor Vehicle Highway	1,249,875
Redevelopment Commission Operating	88,471
Water Hydrant Rental	195,888
Police Pension	191,533
Fire Pension	239,540
	\$ 6,532,135
Total	\$ 6,532,135

These disbursements were funded by available cash balances in other funds.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Cash and Investment Balance Deficits

At December 31, 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by State statute:

Fund	2009
Major Fund:	
General	\$ 21,261,681
Other Governmental Funds:	
Motor Vehicle Highway	214,129
Transit	704,227
Parks and Recreation	1,439,229
Vehicle Release	848
Task Force	232,633
Redevelopment Commission Operating	294,191
Water Hydrant Rental	196,444
Title V Permits	4
Homelessness Prevention and Rapid Re-Housing Program (HPRP)	65,456
Neighborhood Stabilization Program (NSP)	44,903
Corporation Bond	124,073
Lost Marsh Golf Course	244,270
Internal Service Funds:	
Centrex	13,034
Unemployment	154,625
Pension Trust Fund:	
1925 Police Pension	316,331

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements and delayed distribution of property taxes; these deficits are to be repaid from future receipts.

D. Special Item

In 2006, the City defeased the Hammond Redevelopment Authority Lease Rental Revenue Bonds of 1999 by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. The City reported the activity of the trust in the Redevelopment Authority Marina Fund. On August 1, 2009, the remaining balance of the 1999 bonds was redeemed for \$7,206,083 and the trust account was closed.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The City does not have a deposit policy for custodial credit risk. At December 31, 2009, the City had deposit balances in the amount of \$41,800,423.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

As of December 31, 2009, the City had the following investments:

Investment Type	Primary Government Market Value
U.S. treasuries and securities	\$ 13,555,492
Mutual bond funds	<u>2,200,000</u>
Total	<u><u>\$ 15,755,492</u></u>

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust has a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency,

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

The following investments held by the City were exposed to custodial credit risks because they are uninsured and unregistered with securities held by the counterparty, or the counterparty's trust department or agent, either in the government's name or not in the government's name:

Primary Government:

Investment Type	2009 In the Government's Name
U.S. treasuries and securities	\$ 13,555,492
Mutual bond funds	2,200,000
Total	\$ 15,755,492

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years. The City does not have a formal investment policy for interest rate risk for investments.

Investment Type	Investment Maturities (in Years)	
	Less Than 1	More Than 2
U.S. treasuries and securities	\$ 13,555,492	\$ -
Mutual bond funds	-	2,200,000
Totals	\$ 13,555,492	\$ 2,200,000

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The City does not have a formal investment policy for credit risk for investments.

Standard and Poor's Rating	City's Investments Mutual Bond Funds
AAA	\$ <u>2,200,000</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

The City held the following investments that were exposed to concentration of credit risk:

Primary Government:

Issuer	2009
MBIA, Inc.	\$ <u>2,200,000</u>

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, were as follows:

Transfer From	Transfer To	2009
General	Other governmental funds	\$ 150,000
	Internal Service Fund	3,400,103
Gaming Revenues	General	600,000
	Other governmental funds	9,613,142
Other governmental funds	General	7,864,366
	Other governmental funds	6,163,135
All others	General	<u>1,214,229</u>
Total		<u>\$ 29,004,975</u>

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.



CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

IV. Other Information

A. Risk Management

The City is 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.

The risks of theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. In addition, the risks of loss related to torts; job related illnesses or injuries to employees; and medical benefits to employees, retirees, and dependents for the Sanitary District, Storm Water, Sanitation, Recycling, and Water Utilities are covered by commercial insurance from independent third parties.

The City has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries, medical benefits and loss related to torts (general liability). The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. The City purchases commercial insurance for claims in excess of coverage provided by the fund. Amounts are paid into the fund by all insured funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is included in each insured funds appropriations and are reported as quasi-external interfund transactions.

The City has chosen to establish a risk financing fund for risks associated with unemployment compensation. The risk financing fund is accounted for in the Unemployment Fund, an internal service fund, where assets are set aside for claim settlements. The total charged allocated to each fund is based upon each fund's actual number of employees which have had claims.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Cash with Fiscal Agent

For the property acquisition, redevelopment, and economic development in or serving of a certain allocation area, the City sold Redevelopment District Taxable Tax Increment Revenue Bonds of 2002, Series C (Unilever Project) for \$2,500,000. Per the trust indenture, U.S. Bank National Association agreed to keep and maintain a bond principal and interest, debt service reserve, excess and capital account. The activity of the Unilever TIF 2002 debt service and capital improvement accounts are reflected in the City's financial statements and had a balance of \$28,077 at December 31, 2009.

On May 13, 1999, the Port Authority conveyed the Hammond Marina to the Redevelopment Authority. The Redevelopment Authority then leased the Hammond Marina to the Redevelopment Commission. The Redevelopment Commission then entered into an operating agreement with the Port Authority to operate and maintain the Hammond Marina and pledge all net revenues to the Redevelopment Commission. Net revenues consist of all regular fees and charges collected by the Port Authority, less payment of operating and maintenance expenses, plus all passenger embarkation fees received from the gaming casino. The net revenues are to be deposited into a trust account.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

In the event that the Port Authority's net revenues are insufficient to make timely lease rental payments, the Redevelopment Commission has agreed in the lease to levy an unlimited ad valorem tax on all property within the redevelopment district sufficient to pay the lease rental payments when due.

In October 2006, the Redevelopment Authority issued \$6,420,000 taxable Marina Project Revenue Refunding Bonds. On October 26, 2006, a new lease rental agreement was entered into between the Redevelopment Commission and Port Authority. The trustee changed to the Bank of New York Mellon Trust Company, N.A.

Distributions are to be made by the trustee to the Redevelopment Commission trust accounts as follows:

1. To the "Lease Payment" account, an amount equal to the amount required to be paid by the Redevelopment Commission to the Redevelopment Authority under the lease, after taking into account funds then on deposit in the marina project account, on the lease payment date. On or before each July and January 15<sup>th</sup>, the trustee will use monies in the lease payment account to make the semiannual rental payments to the Redevelopment Authority. The money in this account is transferred to the Redevelopment Authority Bond and Interest Fund. At December 31, 2009, the balance of the Redevelopment Commission Lease Payment fund was \$1,384,363.
2. To the "Lease Reserve" account, an amount not less than one-sixtieth (1/60) of the lease payment reserve requirement. The lease payment reserve requirement is established at the maximum sum of any two consecutive semiannual lease rental payments. At December 31, 2009, the balance of the Redevelopment Commission Lease Payment fund for the reserve account was \$1,430,500.
3. To the "Repair and Replacement Reserve" account, an amount equal to \$25,000 each month to accumulate a balance of not less than \$500,000. At December 31, 2009, the balance of the Redevelopment Commission Repair and Replacement fund was \$1,866,243.
4. Two "Custody Accounts" shall be used solely in the event of a cessation of gaming activities at the Marina for a period of not less than thirty (30) days, as evidenced by a written notice from the Redevelopment Commission and Port Authority. Upon cessation of gaming activities, amounts in the custody accounts shall be used first for the transfer to the "Lease Reserve" if amounts on deposit in the "Lease Reserve" are less than the lease payment reserve requirement. Thereafter, funds may be used upon request of the Port Authority to supplement revenues in order to make operation and maintenance expenses or for deposit to the Lease Payment account if funds in that account are insufficient to make the deposits and transfers required by the Trust Agreement. At December 31, 2009, the balances of the Redevelopment Commission Custody Rental and Reinstallation funds were \$1,257,897 and \$1,196,712, respectively.

The Redevelopment Authority trust accounts created under the Indenture of Trust is a Bond and Interest Fund which receives the lease payments from the Redevelopment Commission Lease Payment account to pay the principal and interest due on the 2006 Marina Project Revenue Refunding Bonds.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

To facilitate the construction of the Lost Marsh Golf Course and Club House the Redevelopment Commission issued Redevelopment District Revenue Bonds of 2003 for \$2,950,000 and Redevelopment District Revenue Bonds of 2008 for \$12,500,000. Per the registrar and paying agent agreement, the Bank of New York Mellon Trust Company N.A. agreed to keep and maintain a bond principal and interest account and a reserve account for the repayment of the bonds. Pursuant to the operating agreements for the revenue bonds, the Hammond Port Authority agreed to transfer net revenues to the bond principal and interest account to the aggregate amount of the principal and interest due during each bond year. At December 31, 2009, the Redevelopment Commission 2003 Revenue Bond Debt Service and the Redevelopment Commission 2008 Revenue Bond Debt Service funds had balances of \$842,375 and \$1,250,000, respectively.

For the property acquisition, redevelopment, and economic development in or serving of a certain allocation area, the Redevelopment Commission sold Taxable Economic Development Revenue Bonds, Series 2007 (Cabela's Project) for \$25,930,000. Per the trust indenture, the Bank of New York Mellon Trust Company, N.A. agreed to keep and maintain a Bond Fund. The Bond Fund receives on or before January and July 15<sup>th</sup> the tax increment financing (TIF) revenues received by the City in the TIF Allocation Woodmar Gateways Fund. At December 31, 2009, the Cabela's Bond Fund had a balance of \$774,853.

The Hammond and Munster Water Utilities serve as billing and collection agents for the Sanitary District user charge system. The Hammond Water Utility deposits daily collections directly to the Sanitary District's bank accounts. Thus, the amount reported as Cash with Fiscal Agent represents collections by the Munster Water Utility not yet remitted to the Sanitary District, as well as cash held by the Hammond Water Utility, but not recognized by the Sanitary District as having been received.

In 2007, the Sanitary District obtained a State Revolving Fund loan from the State of Indiana's State Revolving Loan Fund. The State placed the \$17,225,000 loan proceeds into a trust account in the Sanitary District's name. The Sanitary District will earn the interest from the trust account. Before any disbursements can be made from this trust account, the State must approved the draw down in accordance with the loan agreement. Thus, the amount reported as Cash with Fiscal Agent – Restricted represents the balance in this trust account.

C. Casino Expansion

In February 2006, an agreement became effective among the City, Port Authority, Redevelopment Commission, Redevelopment Authority, and Horseshoe (Horseshoe) Hammond, LLC, for casino expansion at the Hammond Marina. The remaining in progress terms of that agreement are:

The Port Authority and the City shall ensure the complete repair of the Hammond Marina break wall on or before December 31, 2011. On October 4, 2006, Horseshoe made a one-time payment of \$750,000 to the Port Authority to be used for this purpose.

Any obligation of Horseshoe to make a payment to the Port Authority based on casino admissions is hereby eliminated. In lieu of such obligations, Horseshoe shall pay to the Port Authority a flat annual fee of \$7,000,000, which shall be paid in equal monthly installments. This payment shall commence as of the date the new casino is open to the public for gaming.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Horseshoe shall advance to the City the amount of \$15,000,000 which shall be memorialized in a written document within 90 days following the effective date. The advance shall bear interest at a commercially reasonable rate to be determined by Horseshoe and the City and shall be satisfied through Horseshoe's deduction of any and all amounts which become due the City from Horseshoe in accordance with Section 5.01 of the Project Agreement, in excess of \$18,266,979 for any calendar year beginning with calendar year 2006. The City received \$7,500,000 on October 6, 2006. As of December 31, 2009, no additional loans have been made with the Horseshoe and the remaining balance of the loan was \$1,621,550.

As part of the agreement Horseshoe Casino was to pay the Port Authority boat slip rental for slips that could not be rented during the construction period. The Casino was originally invoiced for the 2008 boat slips totaling \$748,995 on January 10, 2008, and invoiced repeated during 2008; however, the Casino has not paid. Some other items per the agreement that were to be reimbursed by the Casino have not been reimbursed. The attorney for the Port Authority is currently negotiating with the Casino for these items.

D. Interlocal Governmental Agreement Between the City of Hammond and Town of Highland

The City of Hammond and the Town of Highland, through their respective Redevelopment Commissions, approved an interlocal cooperation agreement on April 3, 2006, to burden share on a Redevelopment Project that involved the recovery, razing, rehabilitation and redevelopment of an under-maintained apartment complex in great need of redevelopment. The parcels are located on an area of land that is contiguous to the common borders of the City of Hammond and the Town of Highland.

The Hammond and Highland Redevelopment Commissions determined that the project had a common and positive impact for both communities. The project was also aligned with the general redevelopment goals and objectives that both communities had for the area. In this context, the Highland Redevelopment Commission consented to participate and burden share with the City on the costs of demolition of the apartments. The City issued \$22 million 2005A & B River Park General Obligation Bonds as its share of the project. The Town of Highland issued \$1,750,000 of special taxing district bonds and loaned the proceeds to the City of Hammond to support its share of the costs associated with the razing.

Further, under the terms of the interlocal agreement, in consideration for this burden sharing, the City of Hammond would repay the Town of Highland the principal amount of its bonds sold to support the project (\$1,750,000) and the actual interest costs which may be incurred after the first 18 months that the debt is in repayment. The source of the repayment would come from the sale of the redeveloped property to a private developer. During 2009, the City paid the Town of Highland \$95,484 for the actual interest costs incurred.

E. Intergovernmental Agreement Between Water Utility and Discrete Component Unit

The Water Utility entered into an intergovernmental Agreement dated June 20, 1996, with the Port Authority, to which the Port Authority agreed to distribute embarkation fees to the Water Utility. The Port Authority agreed to distribute the lesser of (a) one-third of the embarkation fee received by the Port Authority in the most recent ended prior calendar quarter, or (b) \$375,000 quarterly to a maximum of \$12,000,000. In 2009, the Port Authority disbursed and the Water Utility received \$1,300,000. As of December 31, 2009, the Port Authority had distributed a total of \$12,000,000 to the Water Utility which resulted in the completion of the agreement.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Port Authority – Wind Turbines

In 2009, the Port Authority received a grant from the U.S. Department of Interior – Office of Energy and Defense in the amount of \$24,250. This was used to offset the cost of installing two wind turbines. One of the wind turbines was installed at Wolf Lake Park and the other at Forsythe Park. Both are currently running and generating enough electricity to support each of the parks. Additionally, excess electricity generated is being credited to the City's electric bills. The total cost of the two wind turbines was \$224,665. It has not yet been determined as to the City's savings in electricity from use of the wind power.

G. Filtration Plant Exterior Envelope Repair Project Financing

In 2008, the Water Utility started the Filtration Plant Envelope Repair Project with an estimated total cost of \$3,558,607. To assist in the financing of the filtration plant upgrade, the Hammond Redevelopment Commission awarded the Water Utility a \$1,000,000 grant in 2008. On April 27, 2009, the Hammond Redevelopment Commission approved a \$1,500,000 interest free loan to the Water Utility from the TIF Allocation Northend Fund that has been extended to mature on April 27, 2011. The Water Utility anticipates making a \$500,000 payment in 2010.

The Water Utility was also awarded a State Revolving Fund Forgivable Loan, financed with American Recovery and Reinvestment Act (ARRA) funds for \$1,072,682. A stipulation of the forgivable loan (grant) is that local funds will be used for project costs before the State Drinking Water Revolving Funds can be used. At December 31, 2009, the project costs paid from Water Utility funds totaled \$166,423.

H. Penalties Received

The City and the Indiana Department of Environmental Management (IDEM) filed suit against Jupiter Aluminum Corporation for violating state environmental laws. The City and IDEM were awarded a total \$2,590,000 in civil penalties for the violations. The City and the IDEM split the penalty. The City received \$485,625 in 2008 and \$647,500 in 2009. The remaining balance of \$161,875 was received on February 1, 2010.

In 2007, the United States of America and the City's Department of Environmental Management, as plaintiff-intervenor, entered into a Consent Decree with Jupiter Aluminum Corporation (Corporation) to bring the Corporation into and maintain compliance with 40 C.F.R. Part 63, Subpart RRR, the National Emission Standards for Hazardous Air Pollutant (NESHAP) for secondary aluminum production facilities. Per the Consent Decree, the Corporation was assessed a \$2,000,000 civil penalty, half payable to the United States and half payable to the City. The Corporation was to make five \$200,000 payments over a two year period with the final payment on or before June 30, 2009. The City previously received \$600,000 and in 2009 received the remaining \$400,000.

In addition to the civil penalty noted above, the Consent Decree included stipulated penalties if the Corporation violates the terms of the Consent Decree. In 2009, the Corporation was assessed \$3,365,000 of stipulated penalties, with half payable to the United States and half payable to the City. The penalties are to be paid in installments every 6 months starting in November 2009 and ending November 2012. The City received \$240,357 plus interest of the \$1,682,500 stipulated penalties during 2009. The Corporation has challenged the stipulated penalties.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

I. Subsequent Events

Circuit Breaker Tax Credit

In 2008, the Indiana General Assembly passed House Enrolled Act 1001 (HEA 1001) which provides a property tax credit (the Circuit Breaker Tax Credit) when the taxes on any property exceed a certain percentage of the property's assessed value. The credit is phased in over two years. For taxes payable in 2010, the applicable percentages for homestead (owner-occupied) residential property, other residential property, and commercial/industrial property are 1%, 2%, and 3%, respectively. The Circuit Breaker Tax Credit will result in a reduction of property tax collections for each political subdivision in which the Circuit Breaker Tax Credit is applied. A political subdivision may not increase its property tax levy or borrow funds to offset the effects of the Circuit Breaker Tax Credit.

Budget Reductions

The City has not received the 2010 certified budget order from the Indiana Department of Local Government Finance (DLGF) as of May 20, 2010. The City estimates a reduction in the 2010 budget due to estimated shortfalls in property tax collections, as well as estimated declines in assessed valuations. In order to ensure that the public welfare is not compromised, proposed ordinance 10-18 was passed by the Common Council on May 10, 2010, which sets aside up to \$11.25 million of gaming dollars to gap any potential shortfall that might occur upon receipt of a certified 2010 budget from the DLGF. On May 12, 2010, the City transferred \$11,250,000 from the Gaming Revenue Fund to the General Fund.

Transfer of Bus Service or Discontinuation of Transit Services

On September 21, 2009, the Common Council passed a resolution to transfer the administration of the Hammond transit to the Regional Bus Authority (RBA) as of January 1, 2010. In November and December 2009, the Board of Public Works and Safety approved to assign the City's contracts for fixed route and paratransit bus services to the RBA through June 30, 2010. Furthermore, the City agreed to pay the RBA \$900,000 in each of the next two years (2010 and 2011) from gaming funds to help subsidize the cost of operations. On March 18, 2010, the Board of Public Works and Safety approved a lease with the RBA to lease the Rabin Plaza from the City for \$12,000 per year for a two year period.

New Debt

On January 11, 2010, the Common Council approved Ordinance 9041 authorizing the issuance of Economic Development Revenue Bonds (Hammond Urban Academy, Inc. Project). On April 20, 2010, the City issued \$13,160,000 of revenue bonds with the bond proceeds to be used for the financing of a portion of a new charter school within the City. The principal and interest of the bonds are payable from gaming revenues, but only to the extent that the charter school payments are insufficient.

On January 28, 2010, the City received \$7,500,000 loan proceeds from the Horseshoe Hammond, LLC, in accordance with Ordinance 8795 authorizing the issuance of a note for economic development projects for education and capital improvements for education within the City. The loan does not constitute a general obligation of the City but will be payable solely out of the payments to be received by the City pursuant to Section 5.01 of the Project Agreement with

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Horseshoe Hammond in excess of \$18,266,979. Use of the proceeds by the City for any other purpose shall constitute a default. As of May 21, 2010, the City has paid \$800,000 to the Hammond Urban Academy, Inc., for the development of a new charter school within the City.

In March 2010, the Sanitary District issued \$9,605,000 Special Taxing District Bonds for the acquisition, construction, installation and equipping of various improvement projects.

Hammond Lakes RDA Projects

The City, in conjunction with the Port Authority and Park Board, has requested a three year funding grant package from the RDA (Regional Development Authority) for the Hammond Lakes' Area Marquette Plan Improvements, Lake Michigan Shoreline Enhancement, Wolf Lake Recreational Area Development, and George Lake Trail Bridge. The \$31,480,000 funding grant package is divided as follows:

- Year One: Wolf Lake Amphitheater, paths and trail connections, greenway enhancements, water quality activities, and erosion and sediment control for \$16,800,000.
- Year Two: Wolf Lake Aquatic Play Center and Bathhouse, formal gardens and conservatory, road and playground improvements, shoreline enhancements for \$7,630,000.
- Year Three: Shoreline enhancements, marina and street improvements, landscaping and seeding activities for \$7,050,000.

Prior to 2009, the City had invested \$22,782,700 for the design and engineering of this project, for a total project cost of \$54,262,700. In December 2009, the Port Authority awarded the construction contract for the Wolf Lake Memorial Park Pavilion to Gough Inc., for \$3,901,970 and a contract for the Forsythe Park little league field to Berglund Inc. for \$1,392,527.

Rental Registration Fees

Ordinance No. 9060 approved by the Common Council on April 26, 2010, increased the annual rental registration fee per rental unit from \$10 to \$80 if registered by April 15 of every year. The late fee assessed increased from \$100 to \$500 per rental unit if registered after April 15. The City expects to collect approximately \$800,000 from the rental registration fee increase.

Early Retiree Reinsurance Program

The City plans on applying for the U.S. Department of Health and Human Services Early Retiree Reinsurance Program. If accepted to the program, the City will receive reinsurance reimbursement for medical claims for retirees age 55 or older who are not eligible for Medicare, and their spouses, surviving spouses, and dependents. The amount of this reimbursement to the employer plan is up to 80% of claims costs for health benefits between \$15,000 and \$90,000. Claims incurred between the start of the plan year and June 1, 2010, are credited towards the \$15,000 threshold for reimbursement. However, only medical expenses incurred after June 1, 2010, are eligible for reimbursement. The program ends on January 1, 2014, when early retirees will be able to choose from the additional coverage options that will be available in the health insurance exchanges.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

J. Contingent Liabilities

Several pending lawsuits are outstanding against the City for which the outcome and resulting potential liabilities cannot be reasonably estimated.

Several pending lawsuits are outstanding against the Sanitary District for which liability cannot be reasonably estimated; however, it is expected that no pending claim has the potential to exceed the Sanitary District's insurance coverage.

As a result of heavy storms during 2006, 2007 and 2008, property owners within the Sanitary District have alleged damages by unspecified acts of negligence by the Sanitary District and Sanitary District employees. Additionally, several lawsuits seeking damages have been filed against the Sanitary District. The Sanitary District denies that any negligence of its personnel caused or contributed to any injuries or damages. The Sanitary District also believes that it is immune from liability for this kind of event under the terms of the Indianan Tort Claims Act and case law interpreting that Act. The extent of the Sanitary District's exposure is not known; however, the Sanitary District believes that all claims arising out of storm events can be resolved within the limits of the Sanitary District's insurance coverage.

K. Noncompliance – Legal/Contractual Provisions

A Consent Decree resolving the case of the United States of America, on behalf of the U.S. Environmental Protection Agency vs. The Sanitary District of Hammond, et al. Civil No. 2:93CV 225 JM was approved and entered by the District Judge on June 17, 1999. The Consent Decree contains both specific and general tasks and obligations and goals which are to be accomplished within prescribed deadlines. The Consent Decree provides for the payment of stipulated penalties in the event of the District's failure to comply with specified wastewater treatment plant performance standards or to achieve facility improvement programs within the time limits imposed. The District is currently in negotiations with representatives of U.S. EPA Region 5, the United States Department of Justice and the Indiana Department of Environmental Management. The subject of the negotiations is generally to modify the terms of the above Consent Decree so as to contain additional obligations of the District with regard to the District's Long Term Combined Sewer Overflow Control Plan. It is believed that the amended Consent Decree will incorporate a long term CSO control plan, with deadlines for the implementation of the plan's components. The scope of the long term CSO control plan will be determined in part by a financial capability assessment designed to determine the economic and social impact of such a substantial public works project along with a use attainability analysis established pursuant to state and federal regulations. The total cost of this project could be as high as \$80,000,000 over 20 years.

The Department of Justice, the U.S. EPA Region 5 and the Indiana Department of Environmental Management are seeking civil penalties as provided in the existing Consent Decree for certain NPDES Permit pollutant parameter violations alleged to have occurred over the last five years in the sum of \$473,000. The District denies the existence and/or the extent of most of these violations. The District's liability is estimated to be less than \$300,000 for such civil penalties.

L. Termination Benefits

On August 10, 2009, the Common Council approved Ordinance No. 9016 creating a voluntary retirement program for certain eligible employees. To be eligible, the employee was required to have been a full time employee who was (A) 65 years of age and 10 years of City service, or (B) 60 years of age and 15 years of City services, or (C) Rule of "85" employees as defined by PERF. Employees were required to register by September 1, 2009, and actually complete the



CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

retirement process before September 15, 2009. The eligible employee was entitled to receive a one-time voluntary retirement program award of \$1,000 for each year of employment completed and continue to be covered as a retiree under the City's health insurance. The City's health insurance is to be secondary insurance to Medicare or other employers' health plan, if applicable. Employees were offered a similar program in 2008 being awarded \$750 for each year of employment completed with the City. In 2009, the City paid \$141,750 to 9 employees under the 2008 plan and \$487,000 to 22 employees under the 2009 plan. One employee was paid \$31,000 in 2010 under the 2009 plan.

M. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Descriptions

The City's self insured medical benefit plan is a single-employer defined benefit healthcare plan. The plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses who are not eligible for Medicare. An eligible retiree is an active employee at least 50 years of age with at least 15 years of continuous service. Ordinance 7056, passed on July 11, 1988, assigns the authority to establish and amend benefit provisions to the City.

The Sanitary District, Storm Water, Sanitation, Recycling, and Water Utilities provide postemployment medical, dental, vision and life insurance benefits for retirees and their spouses who are not eligible for Medicare from their respective commercial insurance from independent third parties.

Seniors Choice Healthcare Plan is a single-employer defined benefit healthcare plan administered by Gilsbar, Incorporated. The plan provides Medicare supplemental insurance coverage to eligible City and Water Utility retirees and their spouses. Senior healthcare plan is a single-employer defined benefit healthcare plan administered by Guardian and Anthem Insurance Companies. The plans provide Medicare supplemental insurance coverage to eligible Sanitary District, Storm Water, Sanitation, and Recycling Utilities retirees and their spouses. Indiana Code 5-10-8 assigns the authority to establish and amend benefit provisions to the City.

Discrete Component Unit - Port Authority

Senior healthcare plan is single-employer defined benefit healthcare plan administered by Blue Cross Blue Shield of Illinois Insurance Company. The plan provides Medicare supplemental insurance coverage to eligible retirees and their spouses. Indiana Code 5-10-8 assigns the authority to establish and amend benefit provisions to the Port Authority.

The Port Authority also provides dental, vision, disability, and life insurance coverage through a plan administered by United Healthcare Company.

Funding Policy

The contribution requirements of plan members for the City's Self Insurance Healthcare Plan are established by the Common Council. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2009, the City's and plan members receiving benefits amounts contributed cannot be determined. Plan members receiving benefits required contributions are \$40 for civil retirees and \$10 (additional \$20 for dental) for

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

police and fire retirees per month for retiree-only coverage and \$105 for civil retirees and \$70 (additional \$20 for dental) for police and fire retirees for retiree and spouse coverage. As of December 2009, the City had 31 civil, 98 police, and 67 fire retirees on the City's self-insurance plan.

The contribution requirements of plan members for the Seniors Choice Healthcare Plan are established by the Common Council. The required contribution is based on projected pay-as-you-go financing requirements. The employer's monthly contribution per participant is based upon a sliding scale based upon the participant's age and ranges from \$202 to \$374. For the year ended December 31, 2009, the City contributed \$1,183,863 to the plan for current premiums, which included plan member contributions. (Information is not available to separate the City's contributions from the member contributions.) Plan members receiving benefits required contributions are \$25 for civil retirees and \$1 (additional \$20 for dental) for police and fire retirees for retiree-only coverage and \$52 for civil retirees and \$20 (additional \$20 for dental) for police and fire retirees for retiree and spouse coverage. As of December 2009, the City had 367 participants in the Seniors Choice Healthcare Plan.

The contribution requirements of plan members for the Water Utility's Seniors Choice Healthcare Plan are established by the Water Utility Board of Directors. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2009, the Water Utility contributed \$78,114, to the plan. Plan members receiving benefits contributed \$12,633, or approximately 16% of the total premiums through their required contribution of \$20 to \$104 per month based upon a sliding scale based upon a participant's age and whether coverage is for the retiree only or for retiree and spouse.

The contribution requirements of plan members for the Sanitary District's health insurance plan and Medicare supplemental plans are established by the Sanitary District Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2009, the Sanitary District contributed \$120,556 to the plan for premiums, which included plan members contributions. Plan members required contributions are \$100 per month per plan member for early retirees, \$25 or \$50 per month for Medicare supplement coverage.

Discrete Component Unit - Port Authority

The contribution requirements of plan members for the Port Authority's health insurance plan are established by the Port Authority Board of Directors. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2009, the Port Authority contributed \$4,688 to the plan. Plan members receiving benefits contributed \$600 or approximately 15% of the total premiums through their required contribution of \$150 per quarter.

The contribution requirements of the plan members for the Port Authority's dental, vision, life and disability insurance plans are established by the Port Authority Board of Directors. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2009, the Port Authority contributed approximately \$1,200 to the plan.

N. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on June 18, 1985.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Sanitary District's Wastewater Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on January 4, 2008.

Storm Water Utility

The current rate structure was approved by the Common Council on January 23, 2006.

Sanitation Utility

The current rate structure was approved by the Sanitary District Board of Commissioners on December 11, 2007.

O. Receipts Pledged

Tax Increment Receipts Pledged

The City has pledged a portion of tax increment financing receipts to repay \$2,500,000 in tax increment bonds issued in 2002 to finance the property acquisition, redevelopment and economic development in or serving of a certain allocation area for the Unilever Project. The bonds are payable solely from the tax increment financing receipts generated by the allocation area. Incremental tax increment financing receipts were projected to produce 100 percent of the debt service requirements over the life of the bonds.

P. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF 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 member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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. The report may be obtained by contacting:

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the City, Sanitary District, Water Utility and Port Authority during the period was \$993,764, \$557,239, \$191,559, and \$42,589, respectively.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which 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 Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$4,963,625 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which 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.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$5,569,476 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) 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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan during the period were \$4,169,357.

CITY OF HAMMOND  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009

	Motor Vehicle Highway	Local Road And Street	Transit	Clerk's Records Perpetuation	Parks And Recreation	Ambulance User Fees For Equipment	Hazardous Materials	Police Donations
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,109,005	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	2,271,054	734,308	1,995,523	-	-	-	-	-
Charges for services	-	-	116,216	29,274	370,759	-	3,000	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	10,525
<b>Total receipts</b>	<b>2,271,054</b>	<b>734,308</b>	<b>2,111,739</b>	<b>29,274</b>	<b>3,479,764</b>	<b>-</b>	<b>3,000</b>	<b>10,525</b>
Disbursements:								
General government	-	-	2,385,464	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	17,787
Highways and streets	3,757,516	859,939	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	3,623,085	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	15,265	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>3,757,516</b>	<b>859,939</b>	<b>2,385,464</b>	<b>15,265</b>	<b>3,623,085</b>	<b>-</b>	<b>-</b>	<b>17,787</b>
Excess (deficiency) of receipts over disbursements	(1,486,462)	(125,631)	(273,725)	14,009	(143,321)	-	3,000	(7,262)
Other financing sources (uses):								
Transfers in	270,000	-	-	-	-	-	-	6,555
Transfers out	-	-	-	-	-	-	-	-
Other receipts	646,907	287,448	924	-	5,144	-	-	-
<b>Total other financing sources (uses)</b>	<b>916,907</b>	<b>287,448</b>	<b>924</b>	<b>-</b>	<b>5,144</b>	<b>-</b>	<b>-</b>	<b>6,555</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(569,555)	161,817	(272,801)	14,009	(138,177)	-	3,000	(707)
Cash and investment fund balance - beginning	355,426	564,539	(431,426)	107,922	(1,301,052)	28,120	25,974	24,103
Cash and investment fund balance - ending	<u>\$ (214,129)</u>	<u>\$ 726,356</u>	<u>\$ (704,227)</u>	<u>\$ 121,931</u>	<u>\$ (1,439,229)</u>	<u>\$ 28,120</u>	<u>\$ 28,974</u>	<u>\$ 23,396</u>
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ (214,129)	\$ -	\$ (704,227)	\$ -	\$ (1,439,229)	\$ 28,120	\$ 28,974	\$ 23,396
Restricted assets:								
Cash and investments	-	726,356	-	121,931	-	-	-	-
Cash with fiscal agent	-	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ (214,129)</b>	<b>\$ 726,356</b>	<b>\$ (704,227)</b>	<b>\$ 121,931</b>	<b>\$ (1,439,229)</b>	<b>\$ 28,120</b>	<b>\$ 28,974</b>	<b>\$ 23,396</b>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
General government	\$ -	\$ -	\$ -	\$ 121,931	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	726,356	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Unrestricted	(214,129)	-	(704,227)	-	(1,439,229)	28,120	28,974	23,396
<b>Total cash and investment fund balance - ending</b>	<b>\$ (214,129)</b>	<b>\$ 726,356</b>	<b>\$ (704,227)</b>	<b>\$ 121,931</b>	<b>\$ (1,439,229)</b>	<b>\$ 28,120</b>	<b>\$ 28,974</b>	<b>\$ 23,396</b>

CITY OF HAMMOND  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009  
 (Continued)

	Hammers For Hearts	College Bound	Demolition	Federal Forfeited Property	Park Activities Nonreverting	Public Safety	Vehicle Release	Park Gaming 2
<b>Receipts:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	76,452	-	714,246	-	-
Charges for services	-	-	-	-	109,127	-	66,480	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	3,025	-	569	145	751,871	-	195,000
<b>Total receipts</b>	<b>-</b>	<b>3,025</b>	<b>-</b>	<b>77,021</b>	<b>109,272</b>	<b>1,466,117</b>	<b>66,480</b>	<b>195,000</b>
<b>Disbursements:</b>								
General government	-	2,134,451	-	-	-	-	-	-
Public safety	-	-	599,843	77,394	-	1,862,653	89,236	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	119,470	-	-	2,457,527
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	217,990	-	-
Interest	-	-	-	-	-	69,648	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	306,797	-	-
Health and welfare	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>2,134,451</b>	<b>599,843</b>	<b>77,394</b>	<b>119,470</b>	<b>2,457,088</b>	<b>89,236</b>	<b>2,457,527</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>-</b>	<b>(2,131,426)</b>	<b>(599,843)</b>	<b>(373)</b>	<b>(10,198)</b>	<b>(990,971)</b>	<b>(22,756)</b>	<b>(2,262,527)</b>
<b>Other financing sources (uses):</b>								
Transfers in	-	1,165,771	858,819	-	-	1,500,000	-	2,513,867
Transfers out	(577)	-	-	-	-	-	-	-
Other receipts	-	6,501	5,000	-	-	-	-	28,620
<b>Total other financing sources (uses)</b>	<b>(577)</b>	<b>1,172,272</b>	<b>863,819</b>	<b>-</b>	<b>-</b>	<b>1,500,000</b>	<b>-</b>	<b>2,542,487</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(577)</b>	<b>(959,154)</b>	<b>263,976</b>	<b>(373)</b>	<b>(10,198)</b>	<b>509,029</b>	<b>(22,756)</b>	<b>279,960</b>
<b>Cash and investment fund balance - beginning</b>	<b>577</b>	<b>984,389</b>	<b>31,199</b>	<b>33,912</b>	<b>49,210</b>	<b>-</b>	<b>21,908</b>	<b>243,689</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 25,235</b>	<b>\$ 295,175</b>	<b>\$ 33,539</b>	<b>\$ 39,012</b>	<b>\$ 509,029</b>	<b>\$ (848)</b>	<b>\$ 523,649</b>
<b><u>Cash and Investment Assets - Ending</u></b>								
Cash and investments	\$ -	\$ 25,235	\$ 295,175	\$ -	\$ 39,012	\$ 509,029	\$ (848)	\$ 523,649
Restricted assets:								
Cash and investments	-	-	-	33,539	-	-	-	-
Cash with fiscal agent	-	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 25,235</b>	<b>\$ 295,175</b>	<b>\$ 33,539</b>	<b>\$ 39,012</b>	<b>\$ 509,029</b>	<b>\$ (848)</b>	<b>\$ 523,649</b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>								
<b>Restricted for:</b>								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	33,539	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Unrestricted	-	25,235	295,175	-	39,012	509,029	(848)	523,649
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 25,235</b>	<b>\$ 295,175</b>	<b>\$ 33,539</b>	<b>\$ 39,012</b>	<b>\$ 509,029</b>	<b>\$ (848)</b>	<b>\$ 523,649</b>

CITY OF HAMMOND  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009  
 (Continued)

	Adult Probation	Tobacco Education	Local Law Enforcement Continuing Education	Task Force	Festival Of The Lakes	TIF Allocation Marina Expansion	TIF Allocation Robertsdale	TIF Allocation Lakefront
<b>Receipts:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 597,137	\$ 1,417,302	\$ 7,864,366
Licenses and permits	-	-	33,490	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	182,604	4,025	55,788	-	530,046	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	-	450,000	200	-	-	-
<b>Total receipts</b>	<b>182,604</b>	<b>4,025</b>	<b>89,278</b>	<b>450,000</b>	<b>530,246</b>	<b>597,137</b>	<b>1,417,302</b>	<b>7,864,366</b>
<b>Disbursements:</b>								
General government	149,859	2,600	-	-	-	-	-	-
Public safety	-	-	58,117	1,427,026	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	800,596	-	-
Culture and recreation	-	-	-	-	665,269	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>149,859</b>	<b>2,600</b>	<b>58,117</b>	<b>1,427,026</b>	<b>665,269</b>	<b>800,596</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>32,745</b>	<b>1,425</b>	<b>31,161</b>	<b>(977,026)</b>	<b>(135,023)</b>	<b>(203,459)</b>	<b>1,417,302</b>	<b>7,864,366</b>
<b>Other financing sources (uses):</b>								
Transfers in	-	-	-	654,800	165,000	-	-	-
Transfers out	-	-	-	-	-	-	(677,040)	(7,864,366)
Other receipts	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>654,800</b>	<b>165,000</b>	<b>-</b>	<b>(677,040)</b>	<b>(7,864,366)</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>32,745</b>	<b>1,425</b>	<b>31,161</b>	<b>(322,226)</b>	<b>29,977</b>	<b>(203,459)</b>	<b>740,262</b>	<b>-</b>
<b>Cash and investment fund balance - beginning</b>	<b>76,626</b>	<b>14,294</b>	<b>2,805</b>	<b>89,593</b>	<b>59,402</b>	<b>2,669,197</b>	<b>861,290</b>	<b>-</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 109,371</b>	<b>\$ 15,719</b>	<b>\$ 33,966</b>	<b>\$ (232,633)</b>	<b>\$ 89,379</b>	<b>\$ 2,465,738</b>	<b>\$ 1,601,552</b>	<b>\$ -</b>
<b><u>Cash and Investment Assets - Ending</u></b>								
Cash and investments	\$ -	\$ -	\$ -	\$ (232,633)	\$ 89,379	\$ -	\$ -	\$ -
Restricted assets:								
Cash and investments	109,371	15,719	33,966	-	-	2,465,738	1,601,552	-
Cash with fiscal agent	-	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 109,371</b>	<b>\$ 15,719</b>	<b>\$ 33,966</b>	<b>\$ (232,633)</b>	<b>\$ 89,379</b>	<b>\$ 2,465,738</b>	<b>\$ 1,601,552</b>	<b>\$ -</b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>								
Restricted for:								
General government	\$ 109,371	\$ 15,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	33,966	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	2,465,738	1,601,552	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	(232,633)	89,379	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 109,371</b>	<b>\$ 15,719</b>	<b>\$ 33,966</b>	<b>\$ (232,633)</b>	<b>\$ 89,379</b>	<b>\$ 2,465,738</b>	<b>\$ 1,601,552</b>	<b>\$ -</b>



CITY OF HAMMOND  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009  
 (Continued)

	Affordable Housing	Emergency CDBG	Section 108	Technology Park Grant	Homebound	Police Tech Grant	Façade Rebate Program	Human Relations Fund
<b>Receipts:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	496,067	140,554	-	206,211	-	353,062	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	2,550
<b>Total receipts</b>	<b>496,067</b>	<b>140,554</b>	<b>-</b>	<b>206,211</b>	<b>-</b>	<b>353,062</b>	<b>-</b>	<b>2,550</b>
<b>Disbursements:</b>								
General government	-	-	-	-	-	-	-	5,731
Public safety	-	-	-	-	-	353,062	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	112,556	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Urban redevelopment and housing	777,214	104,432	-	-	156,888	-	108,022	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>777,214</b>	<b>104,432</b>	<b>-</b>	<b>112,556</b>	<b>156,888</b>	<b>353,062</b>	<b>108,022</b>	<b>5,731</b>
Excess (deficiency) of receipts over disbursements	(281,147)	36,122	-	93,655	(156,888)	-	(108,022)	(3,181)
<b>Other financing sources (uses):</b>								
Transfers in	-	-	-	-	150,250	-	577	-
Transfers out	-	-	-	-	-	-	(577)	-
Other receipts	175,487	-	-	-	2,500	-	-	-
<b>Total other financing sources (uses)</b>	<b>175,487</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>152,750</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(105,660)	36,122	-	93,655	(4,138)	-	(108,022)	(3,181)
Cash and investment fund balance - beginning	196,043	31,368	81,486	(540)	33,729	-	151,016	8,366
Cash and investment fund balance - ending	\$ 90,383	\$ 67,490	\$ 81,486	\$ 93,115	\$ 29,591	\$ -	\$ 42,994	\$ 5,185
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 29,591	\$ -	\$ 42,994	\$ 5,185
Restricted assets:								
Cash and investments	90,383	67,490	81,486	93,115	-	-	-	-
Cash with fiscal agent	-	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 90,383</b>	<b>\$ 67,490</b>	<b>\$ 81,486</b>	<b>\$ 93,115</b>	<b>\$ 29,591</b>	<b>\$ -</b>	<b>\$ 42,994</b>	<b>\$ 5,185</b>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	93,115	-	-	-	-
Urban redevelopment and housing	90,383	67,490	81,486	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	29,591	-	42,994	5,185
<b>Total cash and investment fund balance - ending</b>	<b>\$ 90,383</b>	<b>\$ 67,490</b>	<b>\$ 81,486</b>	<b>\$ 93,115</b>	<b>\$ 29,591</b>	<b>\$ -</b>	<b>\$ 42,994</b>	<b>\$ 5,185</b>

CITY OF HAMMOND  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009  
 (Continued)

	Cut and Clean	Graffiti Removal	Background Checks	State Forfeiture Property	Federal Prisoners	Impaired Driver	Redevelopment Commission Operating	TIF Allocation Columbia Plaza
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 547,642	\$ 259,010
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	33,495	-	58,160	-	-
Charges for services	-	-	405	-	121,077	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>405</b>	<b>33,495</b>	<b>121,077</b>	<b>58,160</b>	<b>547,642</b>	<b>259,010</b>
Disbursements:								
General government	123,420	8,426	2,500	-	-	-	-	-
Public safety	-	-	-	-	150,399	58,160	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	1,440
Culture and recreation	-	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	539,728	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>123,420</b>	<b>8,426</b>	<b>2,500</b>	<b>-</b>	<b>150,399</b>	<b>58,160</b>	<b>539,728</b>	<b>1,440</b>
Excess (deficiency) of receipts over disbursements	(123,420)	(8,426)	(2,095)	33,495	(29,322)	-	7,914	257,570
Other financing sources (uses):								
Transfers in	150,000	10,000	-	-	-	-	4,137	-
Transfers out	-	-	-	-	-	-	(4,522)	-
Other receipts	77,560	-	-	-	-	-	1,511	-
<b>Total other financing sources (uses)</b>	<b>227,560</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,126</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	104,140	1,574	(2,095)	33,495	(29,322)	-	9,040	257,570
Cash and investment fund balance - beginning	58,253	-	2,715	61,773	164,390	-	(303,231)	687,351
Cash and investment fund balance - ending	<u>\$ 162,393</u>	<u>\$ 1,574</u>	<u>\$ 620</u>	<u>\$ 95,268</u>	<u>\$ 135,068</u>	<u>\$ -</u>	<u>\$ (294,191)</u>	<u>\$ 944,921</u>
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ 162,393	\$ 1,574	\$ 620	\$ 95,268	\$ 135,068	\$ -	\$ (294,191)	\$ -
Restricted assets:								
Cash and investments	-	-	-	-	-	-	-	944,921
Cash with fiscal agent	-	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 162,393</u>	<u>\$ 1,574</u>	<u>\$ 620</u>	<u>\$ 95,268</u>	<u>\$ 135,068</u>	<u>\$ -</u>	<u>\$ (294,191)</u>	<u>\$ 944,921</u>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	944,921
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Unrestricted	162,393	1,574	620	95,268	135,068	-	(294,191)	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 162,393</u>	<u>\$ 1,574</u>	<u>\$ 620</u>	<u>\$ 95,268</u>	<u>\$ 135,068</u>	<u>\$ -</u>	<u>\$ (294,191)</u>	<u>\$ 944,921</u>

CITY OF HAMMOND  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009  
 (Continued)

	TIF Allocation Lear	Park Tourism	Economic Development Tourism	TIF Allocation Downtown	Redevelopment Commission Grant	Asbestos Program	Water Hydrant Rental	Penalties
<b>Receipts:</b>								
Taxes	\$ 294,841	\$ 16,020	\$ 10,909	\$ 636,656	\$ -	\$ -	\$ 70,950	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	10,279	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	1,357,269
Other	-	375	-	-	2,696	-	-	-
<b>Total receipts</b>	<b>294,841</b>	<b>16,395</b>	<b>10,909</b>	<b>636,656</b>	<b>2,696</b>	<b>10,279</b>	<b>70,950</b>	<b>1,357,269</b>
<b>Disbursements:</b>								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	195,888	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	10,940	-	361,428
Economic development	-	-	4,165	156,145	-	-	-	-
Culture and recreation	-	17,219	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	75,840	-	-	-
<b>Debt service:</b>								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
<b>Capital outlay:</b>								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	4,016
Culture and recreation	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>17,219</b>	<b>4,165</b>	<b>156,145</b>	<b>75,840</b>	<b>10,940</b>	<b>195,888</b>	<b>365,444</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>294,841</b>	<b>(824)</b>	<b>6,744</b>	<b>480,511</b>	<b>(73,144)</b>	<b>(661)</b>	<b>(124,938)</b>	<b>991,825</b>
<b>Other financing sources (uses):</b>								
Transfers in	-	-	-	-	-	6,207	-	-
Transfers out	-	-	-	-	-	-	-	(209,122)
Other receipts	-	-	-	175	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>175</b>	<b>-</b>	<b>6,207</b>	<b>-</b>	<b>(209,122)</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>294,841</b>	<b>(824)</b>	<b>6,744</b>	<b>480,686</b>	<b>(73,144)</b>	<b>5,546</b>	<b>(124,938)</b>	<b>782,703</b>
<b>Cash and investment fund balance - beginning</b>	<b>1,330,258</b>	<b>956</b>	<b>8,752</b>	<b>175,079</b>	<b>312,790</b>	<b>(1,284)</b>	<b>(71,506)</b>	<b>2,343,370</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 1,625,099</b>	<b>\$ 132</b>	<b>\$ 15,496</b>	<b>\$ 655,765</b>	<b>\$ 239,646</b>	<b>\$ 4,262</b>	<b>\$ (196,444)</b>	<b>\$ 3,126,073</b>
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ -	\$ 132	\$ -	\$ -	\$ 239,646	\$ 4,262	\$ (196,444)	\$ -
<b>Restricted assets:</b>								
Cash and investments	1,625,099	-	15,496	655,765	-	-	-	3,126,073
Cash with fiscal agent	-	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 1,625,099</b>	<b>\$ 132</b>	<b>\$ 15,496</b>	<b>\$ 655,765</b>	<b>\$ 239,646</b>	<b>\$ 4,262</b>	<b>\$ (196,444)</b>	<b>\$ 3,126,073</b>
<b>Cash and Investment Fund Balance - Ending</b>								
<b>Restricted for:</b>								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	3,126,073
Economic development	1,625,099	-	15,496	655,765	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Unrestricted	-	132	-	-	239,646	4,262	(196,444)	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 1,625,099</b>	<b>\$ 132</b>	<b>\$ 15,496</b>	<b>\$ 655,765</b>	<b>\$ 239,646</b>	<b>\$ 4,262</b>	<b>\$ (196,444)</b>	<b>\$ 3,126,073</b>

CITY OF HAMMOND  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009  
 (Continued)

	Title V Permits	EPA Grant	Human Relations Federal	Local Seizure	SEMA Grant	Park Gaming	Community Development Block Grant	CDBG Donations
<b>Receipts:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	58,325	-	-	-	-	-	-	-
Intergovernmental	-	72,025	38,697	-	184,742	-	1,440,229	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	179	-	1,100	-	-	-	1,118	10,080
<b>Total receipts</b>	<b>58,504</b>	<b>72,025</b>	<b>39,797</b>	<b>-</b>	<b>184,742</b>	<b>-</b>	<b>1,441,347</b>	<b>10,080</b>
<b>Disbursements:</b>								
General government	-	-	36,131	-	-	-	-	-
Public safety	-	-	-	2,240	184,137	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	250,818	97,701	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	1,335,786	16,280
Debt service:								
Principal	-	-	-	-	-	-	325,000	-
Interest	-	-	-	-	-	-	167,891	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	3,375	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>254,193</b>	<b>97,701</b>	<b>36,131</b>	<b>2,240</b>	<b>184,137</b>	<b>-</b>	<b>1,828,677</b>	<b>16,280</b>
Excess (deficiency) of receipts over disbursements	(195,689)	(25,676)	3,666	(2,240)	605	-	(387,330)	(6,200)
<b>Other financing sources (uses):</b>								
Transfers in	128,848	74,067	-	-	-	-	-	4,137
Transfers out	-	-	-	-	-	(4,467)	(250)	(4,137)
Other receipts	-	-	-	-	-	-	71,863	-
<b>Total other financing sources (uses)</b>	<b>128,848</b>	<b>74,067</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,467)</b>	<b>71,613</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(66,841)	48,391	3,666	(2,240)	605	(4,467)	(315,717)	(6,200)
Cash and investment fund balance - beginning	66,837	(45,179)	79,887	35,133	-	4,467	405,018	15,525
Cash and investment fund balance - ending	<u>\$ (4)</u>	<u>\$ 3,212</u>	<u>\$ 83,553</u>	<u>\$ 32,893</u>	<u>\$ 605</u>	<u>\$ -</u>	<u>\$ 89,301</u>	<u>\$ 9,325</u>
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ (4)	\$ 3,212	\$ 83,553	\$ 32,893	\$ -	\$ -	\$ -	\$ 9,325
Restricted assets:								
Cash and investments	-	-	-	-	605	-	89,301	-
Cash with fiscal agent	-	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ (4)</u>	<u>\$ 3,212</u>	<u>\$ 83,553</u>	<u>\$ 32,893</u>	<u>\$ 605</u>	<u>\$ -</u>	<u>\$ 89,301</u>	<u>\$ 9,325</u>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	605	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	89,301	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Unrestricted	(4)	3,212	83,553	32,893	-	-	-	9,325
<b>Total cash and investment fund balance - ending</b>	<u>\$ (4)</u>	<u>\$ 3,212</u>	<u>\$ 83,553</u>	<u>\$ 32,893</u>	<u>\$ 605</u>	<u>\$ -</u>	<u>\$ 89,301</u>	<u>\$ 9,325</u>

CITY OF HAMMOND  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009  
 (Continued)

	TIF Allocation Home Depot	TIF Allocation Woodmar	TIF Allocation Woodmar Gateways	Home Depot Bond	Animal Control Donations	Community And Economic Development	Homelessness Prevention and Rapid Re-Housing Program HPRP	Neighborhood Stabilization Program NSP
Receipts:								
Taxes	\$ 404,217	\$ 636,589	\$ 247,899	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	34,044	16,598
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	-	-	2,087	83,400	-	-
<b>Total receipts</b>	<b>404,217</b>	<b>636,589</b>	<b>247,899</b>	<b>-</b>	<b>2,087</b>	<b>83,400</b>	<b>34,044</b>	<b>16,598</b>
Disbursements:								
General government	-	-	-	20	-	-	-	-
Public safety	-	-	-	-	1,198	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	2,500	3,995	-	-	-	89,366	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	99,500	61,501
Debt service:								
Principal	60,000	-	-	-	-	-	-	-
Interest	56,333	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>118,833</b>	<b>3,995</b>	<b>-</b>	<b>20</b>	<b>1,198</b>	<b>89,366</b>	<b>99,500</b>	<b>61,501</b>
Excess (deficiency) of receipts over disbursements	285,384	632,594	247,899	(20)	889	(5,966)	(65,456)	(44,903)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	52,701	-	-
Transfers out	-	-	(774,851)	-	-	(577)	-	-
Other receipts	-	-	-	-	-	17,788	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(774,851)</b>	<b>-</b>	<b>-</b>	<b>69,912</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	285,384	632,594	(526,952)	(20)	889	63,946	(65,456)	(44,903)
Cash and investment fund balance - beginning	142,245	212,471	526,952	21	1,316	-	-	-
Cash and investment fund balance - ending	\$ 427,629	\$ 845,065	\$ -	\$ 1	\$ 2,205	\$ 63,946	\$ (65,456)	\$ (44,903)
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ -	\$ -	\$ -	\$ 1	\$ 2,205	\$ 63,946	\$ (65,456)	\$ (44,903)
Restricted assets:								
Cash and investments	427,629	845,065	-	-	-	-	-	-
Cash with fiscal agent	-	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 427,629</b>	<b>\$ 845,065</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 2,205</b>	<b>\$ 63,946</b>	<b>\$ (65,456)</b>	<b>\$ (44,903)</b>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	427,629	845,065	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	1	2,205	63,946	(65,456)	(44,903)
<b>Total cash and investment fund balance - ending</b>	<b>\$ 427,629</b>	<b>\$ 845,065</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 2,205</b>	<b>\$ 63,946</b>	<b>\$ (65,456)</b>	<b>\$ (44,903)</b>

CITY OF HAMMOND  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009  
 (Continued)

	Corporation Bond	Judgment Bond Project	River Park Debt Service Reserve	River Park Debt Service Bond & Interest	2006 Judgment Bond	Redevelopment Commission 2002 Revenue Bond Debt Service	Redevelopment Commission 2002 Revenue Bond Debt Service Reserve	Cumulative Capital Development
<b>Receipts:</b>								
Taxes	\$ 472,512	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 364,201
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	102,161	412,784	1	-	-	-
<b>Total receipts</b>	<b>472,512</b>	<b>-</b>	<b>102,161</b>	<b>412,784</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>364,201</b>
<b>Disbursements:</b>								
General government	-	-	-	-	-	2,501	124	136,783
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	265,000	-	-	-
Interest	100,995	-	15	98	108,881	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	445,236
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>100,995</b>	<b>-</b>	<b>15</b>	<b>98</b>	<b>373,881</b>	<b>2,501</b>	<b>124</b>	<b>582,019</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>371,517</b>	<b>-</b>	<b>102,146</b>	<b>412,686</b>	<b>(373,880)</b>	<b>(2,501)</b>	<b>(124)</b>	<b>(217,818)</b>
<b>Other financing sources (uses):</b>								
Transfers in	-	-	-	2,271,635	373,580	-	-	-
Transfers out	(373,580)	-	(15)	(2,475,616)	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(373,580)</b>	<b>-</b>	<b>(15)</b>	<b>(203,981)</b>	<b>373,580</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(2,063)</b>	<b>-</b>	<b>102,131</b>	<b>208,705</b>	<b>(300)</b>	<b>(2,501)</b>	<b>(124)</b>	<b>(217,818)</b>
<b>Cash and investment fund balance - beginning</b>	<b>(122,010)</b>	<b>5,401</b>	<b>2,456,314</b>	<b>1,750,419</b>	<b>14,643</b>	<b>2,501</b>	<b>124</b>	<b>379,015</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ (124,073)</b>	<b>\$ 5,401</b>	<b>\$ 2,558,445</b>	<b>\$ 1,959,124</b>	<b>\$ 14,343</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 161,197</b>
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ (124,073)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:								
Cash and investments	-	5,401	2,558,445	1,959,124	14,343	-	-	161,197
Cash with fiscal agent	-	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ (124,073)</b>	<b>\$ 5,401</b>	<b>\$ 2,558,445</b>	<b>\$ 1,959,124</b>	<b>\$ 14,343</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 161,197</b>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Debt service	-	5,401	2,558,445	1,959,124	14,343	-	-	-
Capital outlay	-	-	-	-	-	-	-	161,197
Unrestricted	(124,073)	-	-	-	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ (124,073)</b>	<b>\$ 5,401</b>	<b>\$ 2,558,445</b>	<b>\$ 1,959,124</b>	<b>\$ 14,343</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 161,197</b>

CITY OF HAMMOND  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009  
 (Continued)

	Cumulative Capital Improvement	VOC Detector	River Park Capital	Major Moves	Lost Marsh Golf Course	Lost Marsh Clubhouse Construction	Redevelopment Authority Debt Service	Redevelopment Commission Lease Payment
<b>Receipts:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	254,653	16,856	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	43	-	-	2,902	-	2
<b>Total receipts</b>	<b>254,653</b>	<b>16,856</b>	<b>43</b>	<b>-</b>	<b>-</b>	<b>2,902</b>	<b>-</b>	<b>2</b>
<b>Disbursements:</b>								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	99,848	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	18,923	-	-	-	-	-
Debt service:								
Principal	-	-	1,755,000	-	-	-	345,000	-
Interest	-	-	811,976	-	-	-	342,549	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	4,577,513	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>2,585,899</b>	<b>99,848</b>	<b>-</b>	<b>4,577,513</b>	<b>687,549</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>254,653</b>	<b>16,856</b>	<b>(2,585,856)</b>	<b>(99,848)</b>	<b>-</b>	<b>(4,574,611)</b>	<b>(687,549)</b>	<b>2</b>
<b>Other financing sources (uses):</b>								
Transfers in	-	-	2,475,631	-	-	-	687,549	-
Transfers out	-	-	-	-	-	(650,255)	-	(987,549)
Other receipts	-	-	-	-	250,000	-	-	1,728,500
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>2,475,631</b>	<b>-</b>	<b>250,000</b>	<b>(650,255)</b>	<b>687,549</b>	<b>740,951</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>254,653</b>	<b>16,856</b>	<b>(110,225)</b>	<b>(99,848)</b>	<b>250,000</b>	<b>(5,224,866)</b>	<b>-</b>	<b>740,953</b>
<b>Cash and investment fund balance - beginning</b>	<b>-</b>	<b>(16,856)</b>	<b>764,796</b>	<b>120,376</b>	<b>(494,270)</b>	<b>5,785,534</b>	<b>-</b>	<b>2,073,910</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 254,653</b>	<b>\$ -</b>	<b>\$ 654,571</b>	<b>\$ 20,528</b>	<b>\$ (244,270)</b>	<b>\$ 560,668</b>	<b>\$ -</b>	<b>\$ 2,814,863</b>
<b><u>Cash and Investment Assets - Ending</u></b>								
Cash and investments	\$ 254,653	\$ -	\$ -	\$ -	\$ (244,270)	\$ -	\$ -	\$ -
Restricted assets:								
Cash and investments	-	-	654,571	20,528	-	-	-	-
Cash with fiscal agent	-	-	-	-	-	560,668	-	2,814,863
<b>Total cash and investment assets - ending</b>	<b>\$ 254,653</b>	<b>\$ -</b>	<b>\$ 654,571</b>	<b>\$ 20,528</b>	<b>\$ (244,270)</b>	<b>\$ 560,668</b>	<b>\$ -</b>	<b>\$ 2,814,863</b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>								
Restricted for:								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	2,814,863
Capital outlay	-	-	654,571	20,528	-	560,668	-	-
Unrestricted	254,653	-	-	-	(244,270)	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 254,653</b>	<b>\$ -</b>	<b>\$ 654,571</b>	<b>\$ 20,528</b>	<b>\$ (244,270)</b>	<b>\$ 560,668</b>	<b>\$ -</b>	<b>\$ 2,814,863</b>

CITY OF HAMMOND  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009  
 (Continued)

	Redevelopment Commission Custody Rental	Redevelopment Commission 2003 Revenue Bond Debt Service	Redevelopment Commission 2008 Revenue Bond Debt Service	Redevelopment Commission Repair and Replacement	Redevelopment Commission Reinstallation	Unilever TIF 2002 Debt Service	Unilever TIF 2002 Capital Improvement	Cabela's Bond Fund	Totals
<b>Receipts:</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,949,256
Licenses and permits	-	-	-	-	-	-	-	-	91,815
Intergovernmental	-	-	-	-	-	-	-	-	9,147,255
Charges for services	-	-	-	-	-	-	-	-	1,588,801
Fines and forfeits	-	-	-	-	-	-	-	-	1,357,269
Other	1	-	-	-	1	-	18	2	2,032,835
<b>Total receipts</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>18</b>	<b>2</b>	<b>31,167,231</b>
<b>Disbursements:</b>									
General government	-	-	-	-	-	-	-	-	4,988,010
Public safety	-	-	-	-	-	-	-	-	5,077,140
Highways and streets	-	-	-	-	-	-	-	-	4,717,303
Health and welfare	-	-	-	-	-	-	-	-	720,887
Economic development	-	-	-	-	-	-	-	-	1,170,763
Culture and recreation	-	-	-	1,500,000	-	-	-	-	8,382,570
Urban redevelopment and housing	-	-	-	-	-	-	-	-	3,294,114
<b>Debt service:</b>									
Principal	-	1,440,000	-	-	-	600,000	-	-	5,007,990
Interest	-	97,726	698,087	-	-	77,040	-	-	2,531,239
<b>Capital outlay:</b>									
General government	-	-	-	-	-	-	-	-	460,501
Public safety	-	-	-	-	-	-	-	-	306,797
Health and welfare	-	-	-	-	-	-	-	-	7,391
Culture and recreation	-	-	-	-	-	-	-	-	4,577,513
<b>Total disbursements</b>	<b>-</b>	<b>1,537,726</b>	<b>698,087</b>	<b>1,500,000</b>	<b>-</b>	<b>677,040</b>	<b>-</b>	<b>-</b>	<b>41,242,218</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>1</b>	<b>(1,537,726)</b>	<b>(698,087)</b>	<b>(1,500,000)</b>	<b>1</b>	<b>(677,040)</b>	<b>18</b>	<b>2</b>	<b>(10,074,987)</b>
<b>Other financing sources (uses):</b>									
Transfers in	-	-	650,255	300,000	-	677,040	-	774,851	15,926,277
Transfers out	-	-	-	-	-	-	-	-	(14,027,501)
Other receipts	-	1,309,452	36,352	-	-	-	-	-	4,651,732
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>1,309,452</b>	<b>686,607</b>	<b>300,000</b>	<b>-</b>	<b>677,040</b>	<b>-</b>	<b>774,851</b>	<b>6,550,508</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>1</b>	<b>(228,274)</b>	<b>(11,480)</b>	<b>(1,200,000)</b>	<b>1</b>	<b>-</b>	<b>18</b>	<b>774,853</b>	<b>(3,524,479)</b>
Cash and investment fund balance - beginning	1,257,896	1,070,649	1,261,480	3,066,243	1,196,711	-	28,059	-	31,828,459
Cash and investment fund balance - ending	<u>\$ 1,257,897</u>	<u>\$ 842,375</u>	<u>\$ 1,250,000</u>	<u>\$ 1,866,243</u>	<u>\$ 1,196,712</u>	<u>\$ -</u>	<u>\$ 28,077</u>	<u>\$ 774,853</u>	<u>\$ 28,303,980</u>
<b>Cash and Investment Assets - Ending</b>									
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (831,917)
<b>Restricted assets:</b>									
Cash and investments	-	-	-	-	-	-	-	-	18,544,209
Cash with fiscal agent	1,257,897	842,375	1,250,000	1,866,243	1,196,712	-	28,077	774,853	10,591,688
<b>Total cash and investment assets - ending</b>	<b>\$ 1,257,897</b>	<b>\$ 842,375</b>	<b>\$ 1,250,000</b>	<b>\$ 1,866,243</b>	<b>\$ 1,196,712</b>	<b>\$ -</b>	<b>\$ 28,077</b>	<b>\$ 774,853</b>	<b>\$ 28,303,980</b>
<b>Cash and Investment Fund Balance - Ending</b>									
<b>Restricted for:</b>									
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 247,021
Public safety	-	-	-	-	-	-	-	-	68,110
Highways and streets	-	-	-	-	-	-	-	-	726,356
Health and welfare	-	-	-	-	-	-	-	-	3,126,073
Economic development	-	-	-	-	-	-	-	-	8,674,380
Urban redevelopment and housing	-	-	-	-	-	-	-	-	328,660
Debt service	1,257,897	842,375	1,250,000	-	-	-	-	774,853	11,477,301
Capital outlay	-	-	-	1,866,243	1,196,712	-	28,077	-	4,487,996
Unrestricted	-	-	-	-	-	-	-	-	(831,917)
<b>Total cash and investment fund balance - ending</b>	<b>\$ 1,257,897</b>	<b>\$ 842,375</b>	<b>\$ 1,250,000</b>	<b>\$ 1,866,243</b>	<b>\$ 1,196,712</b>	<b>\$ -</b>	<b>\$ 28,077</b>	<b>\$ 774,853</b>	<b>\$ 28,303,980</b>



CITY OF HAMMOND  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 INTERNAL SERVICE FUNDS  
 As Of And For The Year Ended December 31, 2009

	Self-Insurance	Centrex	Diesel Fuel Tax	Unemployment	Totals
Operating receipts:					
Employer contributions	\$ 12,437,500	\$ 2,945	\$ 3,372	\$ 27,360	\$ 12,471,177
Employee contributions	212,871	-	-	-	212,871
Retiree contributions	272,445	-	-	-	272,445
Miscellaneous	<u>744,437</u>	<u>9,341</u>	<u>21,212</u>	<u>-</u>	<u>774,990</u>
 Total operating receipts	 <u>13,667,253</u>	 <u>12,286</u>	 <u>24,584</u>	 <u>27,360</u>	 <u>13,731,483</u>
Operating disbursements:					
Insurance claims and expense	15,834,555	-	-	182,899	16,017,454
Administration and general	<u>1,083,718</u>	<u>26,647</u>	<u>16,953</u>	<u>-</u>	<u>1,127,318</u>
 Total operating disbursements	 <u>16,918,273</u>	 <u>26,647</u>	 <u>16,953</u>	 <u>182,899</u>	 <u>17,144,772</u>
 Excess (deficiency) of receipts over disbursements	 <u>(3,251,020)</u>	 <u>(14,361)</u>	 <u>7,631</u>	 <u>(155,539)</u>	 <u>(3,413,289)</u>
Transfers in	<u>3,400,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,400,103</u>
Excess (deficiency) of receipts and transfers in over disbursements	149,083	(14,361)	7,631	(155,539)	(13,186)
Cash and investment fund balance - beginning	<u>172,293</u>	<u>1,327</u>	<u>(2,516)</u>	<u>914</u>	<u>172,018</u>
Cash and investment fund balance - ending	<u>\$ 321,376</u>	<u>\$ (13,034)</u>	<u>\$ 5,115</u>	<u>\$ (154,625)</u>	<u>\$ 158,832</u>
 <u>Cash and Investment Assets - December 31</u>					
Cash and investments	<u>\$ 321,376</u>	<u>\$ (13,034)</u>	<u>\$ 5,115</u>	<u>\$ (154,625)</u>	<u>\$ 158,832</u>
 <u>Cash and Investment Fund Balance - December 31</u>					
Unrestricted cash and investment fund balance	<u>\$ 321,376</u>	<u>\$ (13,034)</u>	<u>\$ 5,115</u>	<u>\$ (154,625)</u>	<u>\$ 158,832</u>

CITY OF HAMMOND  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For The Year Ended December 31, 2009

	1925 Police Pension	1937 Firefighters' Pension	Totals
Additions:			
Contributions:			
Employer	\$ 1,010,185	\$ 973,152	\$ 1,983,337
State	4,963,625	5,569,476	10,533,101
Total additions	5,973,810	6,542,628	12,516,438
Deductions:			
Benefits	5,128,882	5,145,279	10,274,161
Administrative and general	12,785	19,040	31,825
Total deductions	5,141,667	5,164,319	10,305,986
Excess (deficiency) of total additions over total deductions	832,143	1,378,309	2,210,452
Cash and investment fund balance - beginning	(1,148,474)	(1,239,932)	(2,388,406)
Cash and investment fund balance - ending	\$ (316,331)	\$ 138,377	\$ (177,954)

CITY OF HAMMOND  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2009

	<u>Payroll Withholdings</u>	<u>Court Costs Due County</u>	<u>Deferral Program</u>	<u>Pretrial Deferral</u>	<u>Evidence Money</u>	<u>Public Defender</u>	<u>City Clerk</u>	<u>Totals</u>
Additions:								
Agency fund additions	\$ 10,945,356	\$ 159,028	\$ 19,148	\$ 57,170	\$ 90,687	\$ 400	\$ 5,016,700	\$ 16,288,489
Deductions:								
Agency fund deductions	<u>10,944,592</u>	<u>180,509</u>	<u>-</u>	<u>68,322</u>	<u>92,586</u>	<u>-</u>	<u>4,922,648</u>	<u>16,208,657</u>
Excess (deficiency) of total additions over total deductions	764	(21,481)	19,148	(11,152)	(1,899)	400	94,052	79,832
Cash and investment fund balance - beginning	<u>-</u>	<u>32,471</u>	<u>-</u>	<u>11,652</u>	<u>19,596</u>	<u>-</u>	<u>1,753,905</u>	<u>1,817,624</u>
Cash and investment fund balance - ending	<u>\$ 764</u>	<u>\$ 10,990</u>	<u>\$ 19,148</u>	<u>\$ 500</u>	<u>\$ 17,697</u>	<u>\$ 400</u>	<u>\$ 1,847,957</u>	<u>\$ 1,897,456</u>

CITY OF HAMMOND  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
DISCRETE COMPONENT UNIT - PORT AUTHORITY  
As Of And For The Year Ended December 31, 2009

	Marina Operations	Marina Construction	Gaming	Lakefront Management	Lost Marsh Golf Course	Wolf Lake Operations	1st Tee Program	Totals
Operating receipts:								
Casino gaming revenue sharing	\$ -	\$ 23,722	\$ 6,987,465	\$ -	\$ -	\$ -	\$ -	\$ 7,011,187
Slip rentals	1,314,477	-	-	-	-	-	-	1,314,477
Store, deli & restaurant	72,637	-	-	-	51,344	-	-	123,981
Fuel dock sales	622,590	-	-	-	-	-	-	622,590
Charges for services	181,774	-	-	-	856,448	15,058	-	1,053,280
Miscellaneous	204,335	113,517	460,037	230	32,577	600	8,263	819,559
<b>Total operating receipts</b>	<b>2,395,813</b>	<b>137,239</b>	<b>7,447,502</b>	<b>230</b>	<b>940,369</b>	<b>15,658</b>	<b>8,263</b>	<b>10,945,074</b>
Operating disbursements:								
Salaries and wages	756,440	-	-	56,678	513,477	59,626	84,287	1,470,508
Employee pensions and benefits	245,782	-	-	4,336	131,702	18,712	24,021	424,553
Fuel purchases	458,864	-	-	-	-	-	-	458,864
Operating disbursements:	81,760	-	-	-	102,316	-	14,355	198,431
Repair and maintenance supplies	76,817	-	-	-	157,743	11,471	-	246,031
Inventory purchases for resale	91,032	-	-	-	68,280	-	-	159,312
Utilities	119,999	-	-	-	227,896	9,888	-	357,783
Communications & transportation	41,252	-	-	-	20,354	-	-	61,606
Insurance	196,867	-	-	-	17,908	-	-	214,775
Other services & charges	231,283	-	4,500	-	69,288	24,255	20,310	349,636
Professional services	135,275	-	-	-	28,829	-	-	164,104
Repair and maintenance services	102,326	-	-	-	40,258	-	-	142,584
Contractual services	102,608	-	11,945	-	85,857	-	-	200,410
Payment in lieu of taxes	-	-	500,000	-	-	-	-	500,000
Miscellaneous	28,616	-	-	-	121,903	-	-	150,519
<b>Total operating disbursements</b>	<b>2,668,921</b>	<b>-</b>	<b>516,445</b>	<b>61,014</b>	<b>1,585,811</b>	<b>123,952</b>	<b>142,973</b>	<b>5,099,116</b>
Excess (deficiency) of operating receipts over operating disbursements	(273,108)	137,239	6,931,057	(60,784)	(645,442)	(108,294)	(134,710)	5,845,958
Nonoperating receipts (disbursements):								
Intergovernmental	75,000	24,250	-	-	-	-	-	99,250
Grant - Regional Development Authority Wolf Lake	-	566,746	-	-	-	-	-	566,746
Investment income	5,341	8,197	-	-	-	-	-	13,538
Redevelopment Commission Repair and Replacement	1,500,000	-	-	-	-	-	-	1,500,000
Acquisition of capital assets	(272,916)	(4,470,430)	(84,939)	(2,175)	(181,322)	(3,232)	-	(5,015,014)
Hammond Water Utility - intergovernmental agreement	-	-	(1,300,000)	-	-	-	-	(1,300,000)
Hammond Redevelopment Commission	(1,728,500)	-	(1,345,804)	-	-	-	-	(3,074,304)
Reimburse City for golf course disbursements	-	-	(250,000)	-	-	-	-	(250,000)
City projects	-	-	(1,399,631)	-	-	-	-	(1,399,631)
Debt service of principal	-	-	(311,916)	-	-	-	-	(311,916)
Interest disbursements	-	-	(28,496)	-	-	-	-	(28,496)
<b>Total nonoperating receipts (disbursements)</b>	<b>(421,075)</b>	<b>(3,871,237)</b>	<b>(4,720,786)</b>	<b>(2,175)</b>	<b>(181,322)</b>	<b>(3,232)</b>	<b>-</b>	<b>(9,199,827)</b>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(694,183)	(3,733,998)	2,210,271	(62,959)	(826,764)	(111,526)	(134,710)	(3,353,869)
Transfers in	850,000	1,000,000	-	-	950,000	75,000	251,060	3,126,060
Transfers out	(75,000)	-	(3,050,000)	-	(1,060)	-	-	(3,126,060)
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	80,817	(2,733,998)	(839,729)	(62,959)	122,176	(36,526)	116,350	(3,353,869)
Cash and investment fund balance - beginning	12,641	2,842,138	1,490,223	65,840	-	91,726	-	4,502,568
Cash and investment fund balance - ending	\$ 93,458	\$ 108,140	\$ 650,494	\$ 2,881	\$ 122,176	\$ 55,200	\$ 116,350	\$ 1,148,699
<b>Cash and Investment Assets - December 31</b>								
Cash and investments	\$ 93,458	\$ 108,140	\$ -	\$ 2,881	\$ 122,176	\$ 55,200	\$ 116,350	\$ 498,205
Restricted assets:								
Cash and investments	-	-	650,494	-	-	-	-	650,494
Total cash and investment assets - December 31	\$ 93,458	\$ 108,140	\$ 650,494	\$ 2,881	\$ 122,176	\$ 55,200	\$ 116,350	\$ 1,148,699
<b>Cash and Investment Fund Balance - December 31</b>								
Restricted for:								
Other purposes	\$ -	\$ -	\$ 650,494	\$ -	\$ -	\$ -	\$ -	\$ 650,494
Unrestricted	93,458	108,140	-	2,881	122,176	55,200	116,350	498,205
Total cash and investment fund balance - December 31	\$ 93,458	\$ 108,140	\$ 650,494	\$ 2,881	\$ 122,176	\$ 55,200	\$ 116,350	\$ 1,148,699

CITY OF HAMMOND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
For The Year Ended December 31, 2009

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.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 78,656,552
Infrastructure	181,939,887
Buildings	48,547,713
Improvements other than buildings	157,656
Machinery and equipment	25,826,220
Construction in progress	<u>47,974,624</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 383,102,652</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 134,466
Construction in progress	5,591,098
Capital assets, net of depreciation:	
Source and supply	566,248
Distribution lines	21,727,347
General building	288,845
Pumping, treatment, and general equipment	<u>8,423,594</u>
Total Water Utility capital assets	<u>36,731,598</u>
Sanitary District:	
Capital assets, not being depreciated:	
Land	497,919
Construction in progress	19,493,279
Capital assets, net of depreciation:	
Land improvements	67,374,905
Buildings	21,522,102
Buildings improvements	2,430,239
Major equipment	21,726,249
Minor equipment	<u>1,735,398</u>
Total Sanitary District capital assets	<u>134,780,091</u>
Sanitation Utility:	
Capital assets, net of depreciation:	
Major equipment	<u>805,619</u>
Recycling Utility:	
Capital assets, net of depreciation:	
Major equipment	29,404
Minor equipment	<u>290,379</u>
Total Recycling Utility capital assets	<u>319,783</u>
Total business-type activities capital assets, net of depreciation	<u>\$ 172,637,091</u>
Discretely presented component unit:	
Port Authority:	
Capital assets, not being depreciated	<u>\$ 36,962,905</u>

CITY OF HAMMOND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
December 31, 2009

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
<b>Governmental activities:</b>		
Capital lease:		
2007 Fire truck	\$ 1,043,560	\$ 287,637
Loans payable:		
2003A HUD section 108	754,000	357,764
2006A HUD section 108	2,370,000	122,712
Advance from property tax replacement fund	129,172	130,124
Horseshoe \$7.5 million advance	1,621,550	1,621,550
2006 Town of Highland interlocal cooperative agreement*	1,750,000	84,328
Bonds payable:		
General obligation bonds:		
2005A & B River Park bond bank	16,955,000	2,571,414
2006 Judgment	2,595,000	378,833
2008A Judgment	4,810,000	590,571
Revenue bonds:		
2002C Unilever tax increment financing	770,000	797,720
2003 Redevelopment district lost project	820,000	842,375
2006 Redevelopment authority marina project refunding	6,075,000	1,393,746
2006 Economic Development Commission Home Depot	1,160,000	127,800
2007 Cabela's project economic development	25,930,000	-
2008 Lost Marsh Clubhouse project	<u>12,500,000</u>	<u>1,088,087</u>
<b>Total governmental activities debt</b>	<b><u>\$ 79,283,282</u></b>	<b><u>\$ 10,394,661</u></b>
<b>Business-type activities:</b>		
Sanitary District:		
Loans payable:		
State revolving fund loans (SRF)	\$ 43,179,900	\$ 4,573,513
General obligation bonds:		
2003 special taxing district refunding for capital improvements	1,140,000	321,812
2007 special taxing district for capital improvements	<u>3,900,000</u>	<u>761,207</u>
<b>Total Sanitary District</b>	<b><u>48,219,900</u></b>	<b><u>5,656,532</u></b>
Sanitation Utility:		
Capital leases:		
2007 sanitation trucks	<u>201,081</u>	<u>209,010</u>
Water Utility:		
Loan payable:		
2009 redevelopment loan	<u>1,415,153</u>	<u>1,415,153</u>
<b>Total business-type activities debt</b>	<b><u>\$ 49,836,134</u></b>	<b><u>\$ 7,280,695</u></b>
<b>Discretely presented component unit:</b>		
Port Authority:		
Capital leases:		
Golf course mowing equipment	<u>\$ 327,909</u>	<u>\$ 340,412</u>

\*The Town of Highland contributed \$1,750,000 to the City of Hammond to recover, raze, rehabilitate, and redevelop an area of land that is contiguous to the common borders of the communities. Under the terms of the interlocal agreement, the City of Hammond would repay the Town of Highland the \$1,750,000 from the sale of the redeveloped property to a private developer.

CITY OF HAMMOND  
OTHER REPORTS

The annual report presented herein was prepared in addition to other official reports prepared for the individual City offices listed below:

Hammond Sanitary District  
Hammond Water Utility

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER BANK RECONCILEMENTS

A review of the December 2009 bank reconcilements prepared by the City noted the following items:

1. The City did not reconcile the Redevelopment Authority Marina (Fund 409), Redevelopment Commission 2002 Revenue Bond Debt Service (Fund 406), or the Redevelopment Commission 2002 Revenue Bond Debt Service Reserve (Fund 407) reported fund balances of \$6,891,952.76, \$2,501.51, and \$123.90, respectively, to the related bank statements. A review of the bank statements noted that the Redevelopment Authority Marina fund earned \$314,179.74 of interest and disbursed \$7,206,082.50 for the pay-off of the defaced 1999 Lease Rental Revenue Bonds and \$50 reimbursed back to the Hammond Port Authority before the account was closed in August 2009. The \$2,501.51 and \$123.90 were disbursed to the Hammond Port Authority as reimbursements and the accounts were closed as of May 2009. Since proper reconcilements were not performed, the City understated receipts and disbursements and overstated the cash balances at year end by the amounts noted above. Subsequently, the City has posted the appropriate entries to the City's financial system to close the funds. In addition, the City Controller has approved an adjustment to the financial statements presented herein to reflect the activity and closing of the bank statements.
2. The City's checking bank account activity included deposits and/or electronic fund transfers (EFTs) received between May and December 2009 totaling \$3,260,477.59 which was not posted to the City's ledger as of December 31, 2009. Upon auditor's verification of the reconciliation, \$2,500,000 of the total was determined to be an actual bank to bank transfer from September 2009 between the City's checking and investment bank accounts not posted to the City's financial system. The auditor then determined that a \$2,500,000 bank to bank transfer out posted to the financial system for the City's investment account in June 2009 was not actually transferred between bank accounts. In December 2009, the City did post an entry to the investment bank account to adjust \$500,000; however, the year end reconciliation for the City's investment account did not identify the September \$2,500,000 transfer out not posted or the \$2,000,000 transfer out posted in error as reconciling items. Also, the checking accounting reconciliation misrepresented the \$2,500,000 as an outstanding deposit at year end. Subsequently, the City has either posted receipts to the ledger for the \$760,477.59 of outstanding deposits or the appropriate adjusting entries for the bank to bank transfers. The City Controller also approved an adjustment to the financial statements presented herein to reflect the outstanding deposits in the correct accounting period.
3. A new payroll bank account that was opened in October 2009 was not properly reconciled as of December 31, 2009, and did not include all reconciling items.
4. Another payroll bank account reconciliation noted monthly differences between the bank activity and the City's ledger balance without further research. The reconciliation did not include the bank's account analysis charge, totaling \$4,452.93 for the year, as a reconciling item nor were the charges posted to the City's ledger.

Controls are not in place to ensure that all funds are reconciled, that all reconciling items are properly identified, and that all reconciling items noted on monthly bank reconcilements are timely posted to the City's detail of receipts and disbursements ledgers so that material over or under statements of receipts or disbursements does not occur.



CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City prepared a Schedule of Federal Grant Receipts and Disbursements for 2009 that was materially inaccurate. We found 6 additional grant programs with combined expenditures of \$2,920,855 that were not listed on the schedule. Three of the six not included were American Recovery and Reinvestment Act (ARRA) grants. This represents 44% of the total federal expenditures detailed on the Schedule of Expenditures of Federal Awards. The City's grant schedule also did not include all of the required information necessary to properly identify all federal programs and expenditures including: CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

The City did not ensure that employees had the adequate training, nor did they take advantage of available opportunities to seek the guidance necessary, to prepare an accurate schedule of expenditures of Federal awards. In addition, there was a lack of management oversight or approval of the schedule before it was filed with the state. Adequate internal control over reporting of Federal awards requires that employees be aware of the applicable requirements and that they have the requisite knowledge and skills to prepare accurate schedules. In addition, adequate internal control requires sufficient supervision and oversight by management and the governing bodies to ensure accurate reporting of Federal awards.

Circular No. A-133, Audit of States, Local Governments, and Non-Profit Organizations, Subpart C, has the following requirements for grantees:

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § \_\_\_\_.310.

CITY OF HAMMOND  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

§\_\_\_\_.310 Financial statements.

(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn as of December 31, 2009:

Fund Type/Name	Amount
Major Fund:	
General	\$ 21,261,681
Other Governmental Funds:	
Motor Vehicle Highway	214,129
Transit	704,227
Parks and Recreation	1,439,229
Vehicle Release	848
Task Force	232,633
Redevelopment Commission Operating	294,191
Water Hydrant Rental	196,444
Title V Permits	4
Homelessness Prevention and Rapid Re-Housing Program (HPRP)	65,456
Neighborhood Stabilization Program (NSP)	44,903
Corporation Bond	124,073
Lost Marsh Golf Course	244,270
Internal Service Funds:	
Centrex	13,034
Unemployment	154,625
Pension Trust Fund:	
1925 Police Pension	316,331

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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

DISBURSEMENTS EXCEED APPROPRIATIONS

The City's disbursements exceeded appropriations for the following funds:

Fund	Disbursements in Excess of Approved Appropriations
General	\$ 4,566,828
Motor Vehicle Highway	1,249,875
Redevelopment Commission Operating	88,471
Water Hydrant Rental	195,888
Police Pension	191,533
Fire Pension	239,540

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

IC 6-1.1-18-5 states in part:

"(a) If the proper officers of a political subdivision desire to appropriate more money for a particular year than the amount prescribed in the budget for that year as finally determined under this article, they shall give notice of their proposed additional appropriation. The notice shall state the time and place at which a public hearing will be held on the proposal. The notice shall be given once in accordance with IC 5-3-1-2(b).

(b) If the additional appropriation by the political subdivision is made from a fund that receives:

- (1) Distributions from the motor vehicle highway account established under IC 8-14-1-1 or the local road and street account established under IC 8-14-2-4; or
- (2) Revenue from property taxes levied under IC 6-1.1; the political subdivision must report the additional appropriation to the department of local government finance. If the additional appropriation is made from a fund described under this subsection, subsections (f), (g), (h), and (i) apply to the political subdivision."

ANNUAL REPORT

The Sanitary District and Water Utility, departments of the City, annual receipts, disbursements and balances were not included in the City's required annual report; therefore, the receipts and disbursements of the Utilities were not published as required by law.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

CAPITAL ASSETS

The capital asset detail ledger did not agree to the control ledger for 2009. The detail record was \$923,719 greater than the summary report. In addition, the City records capital asset additions for completed infrastructure projects; however, the cost of the original infrastructure that was replaced is not being deleted.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DISBURSEMENTS NOT COUNCIL APPROVED

The City budgets the Gaming Revenues Fund to allow for the Mayor and each Council Member to have "discretionary" funds. In other words, the Mayor and each Council Member can decide how to spend their specific allotment. Some of the funds are used to pay for street paving, and purchases of vehicles for the street department. In these instances, the vendor is paid directly and the claim is submitted to the Council for approval. In other instances, the Mayor or Council Member may decide to donate funds to other City departments. For example, funds are donated to the "Festival of the Lakes" or to the "Henry Unit." In these examples, a claim is prepared; however, it is not submitted to the Council for approval. These donations account for a significant dollar amount of the expenditures made from the Gaming Funds.

IC 5-11-10-1.6 (c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

ACCOUNTS PAYABLE VOUCHERS

Use of Credit Cards

Payments made by the City on the Mayor's American Express Card were not always supported by detailed receipts. For example, a credit card receipt was provided with no detail of the meal for a Redevelopment Commission dinner at the China Grill in Las Vegas for \$1,274.50. Someone handwrote on the receipt that it was an RDC dinner for 15 people, only food and water. Furthermore, credit card receipts were provided for budget meetings of four people from Giovanni's Restaurant and Lost Marsh Restaurant for \$92.63 and \$83.53, respectively, which did not provide the detail of the items ordered. Yet another receipt from Giovanni's Restaurant for \$144 was provided without an itemized receipt and did not disclose the nature of the meeting.

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

Park Accounts Payable Vouchers

The City Controller does not certify the accounts payable vouchers (claims) or a register of accounts payable vouchers for the Park Department. When a claim is paid from Park funds, the Park Board approves the claims with board members signing each claim. The City Controller is to sign certifying either the claim itself or a register of claims listing each claim approved by the Park Board to attest that the attached invoice(s), or bill(s) is(are) true and correct and that the claims were audited in accordance with IC 5-11-10-1.6. The City Controller only signs the Purchase Order to certify that there is an unobligated balance in the appropriation sufficient to pay for the order, which was believed to be sufficient.

Per Section 37.093 of the travel policy for the City:

"The Mayor, the Clerk, the Judge and the members of the Common Council may, at their option, be reimbursed for their expenses either by reimbursement, as provided above for other employees, or by a per diem rate as follows:

- (A) No more than \$60 per day for meals, when such expenses are evidenced by original receipts or bills is attached to the purchase order;
- (B) Lodging at the prevailing rate of a hotel or motel for single occupancy rooms; and
- (C) Reimbursement for travel expenses."

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed: . . .

- 7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 36-4-8-7b states:

". . . a warrant for payment of a claim against a city may be issued only if the claim is:

- (4) audited and certified by the fiscal officer before payment that each invoice is true and correct . . ."

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

EMPLOYEE SERVICE RECORDS

Employee service records are maintained on all employees of the City by each department. Many do not have proper leave balances maintained, and they do not record leave time earned or used. For example, an employee service record may show a beginning balance which includes the leave earned for that year instead of showing the leave earned in the "earn" column of the record. For personal leave, some departments are showing the leave and balances, while others are not accounting for it at all. Thus, we were unable to determine compliance with leave policies for all employees. Additionally, service records reviewed from the Fire Department were not on prescribed or approved forms.

This form (Employee Service Record No. 99A) must be kept by each office or department for each employee in order to properly prepare "Payroll Schedule and Voucher, General Form No. 99." It records the hours or days worked, sick leave, vacation and days lost. It may also be used to comply with the requirements of IC 5-11-9-4 regarding recording hours worked each day by an employee. It is suggested that these be arranged alphabetically in a binder. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CRIME INSURANCE POLICIES

The crime insurance policies have not been filed in the office of the County Recorder as required by IC 5-4-1-15.1(b).

IC 5-4-1-15.1 states:

"(a) Whenever it is necessary, the appropriate administrative officer of any department or agency of the state may cover deputies or employees of the department or agency by individual bonds, or blanket bonds, or a crime insurance policy endorsed to cover the faithful performance of duties. The administrative officer shall determine the amount of the insurance policy, individual bond, or blanket bond obtained under this section.

(b) An individual bond, or blanket bond, or crime insurance policy endorsed to include faithful performance obtained under this section shall be filed and paid for in the same manner as public official bonds.

(c) This section does not apply to officers required by law to execute and furnish individual official bonds.

(d) The commissioner of insurance shall prescribe the form of the bonds or crime policies required by this section."

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

FESTIVAL OF THE LAKES

Parking and Concessions

Tickets were sold for parking and beer concessions; however, the tickets were not retained for audit. Ticket sales reports were prepared, but report totals did not always agree to the cash collected. Furthermore, non-prescribed receipts were issued by controller's office employees for collections made at various times during the event. Subsequent to the 2009 Festival of the Lakes, officials were instructed these items were to be retained for audit. For the 2010 Festival of the Lakes, we expect officials to retain the proper documentation.

Concessions Agreement

The agreement between the Hammond Fire Fighters Association and the Hammond Parks and Recreation states in part, "The Fraternal Order of Police and the Hammond Fire Fighters Association have agreed to split 22% of the profit from the 2009 Festival of the Lakes beer concessions after product is paid for . . ." Per the summary report, the total beer concessions were \$108,275.75. The amount remitted to the Hammond Firefighters per the ledger was \$27,472.10, or approximately 25%.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRAFFIC SCHOOL

As stated in prior reports, defendants convicted of moving traffic violation who were either sentenced to or chose to attend traffic school were not required to pay the court cost or deferral fees. Instead, the City Court has an agreement with the Northwest Indiana Traffic School to provide a defensive driving program at a cost of \$75 per student. The City receives \$40 per student of the amount collected by the Northwest Indiana Traffic School. In 2009, the City collected \$145,200 from the traffic school which was receipted to the General Fund.

IC 36-1-6-3(c) states: "An ordinance defining a moving traffic violation may not be enforced under Indiana Code 33-36 and must be enforced in accordance with Indiana Code 34-28-5."

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

IC 9-30-3-12(d) states:

"Notwithstanding Indiana Code 33-37-4-2, any court may suspend one-half (1/2) of each applicable court cost for which a person is liable due to a traffic violation if the person enrolls in and completes a defensive driving school or a similar school conducted by an agency of the state or local government."

IC 9-30-3-16(a) states in part:

"If a person has been found to have committed a traffic offense, the court may do the following:

- (1) Require the person to attend and satisfactorily complete a driver improvement course that has been approved by the court and the bureau or by the bureau."

PRIOR YEAR QUESTIONED COSTS PAID FROM TIF FUNDS

Tax Increment Funds (TIF) Funds are created from additional taxes collected once an economic development area has been established as a TIF allocation. Expenditures from TIF funds should be used for the specific allocation area the tax was collected for.

During the 2008 audit, the U.S. Department of Housing and Urban Development (HUD) questioned costs \$1,018,630 ineligible expenditures for the Community Development Block Grant Program. Questioned costs were repaid to HUD on May 11, 2010, from the TIF Allocation Woodmar Fund. Documentation was not provided to ensure that the items noted as questioned costs benefited the TIF allocation area.

IC 36-7-14-39(b) (2) states in part:

"Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:

- (A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.
- (B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.
- (D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements that are physically located in or physically connected to that allocation area.
- (E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.



CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under Indiana Code 36-1-10.

(I) For property taxes first due and payable before January 1, 2009, pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area.

(J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.

(K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located: (i) in the allocation area; and (ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance. However, the total amount of money spent for this purpose in any year may not exceed the total amount of money in the allocation fund that is attributable to property taxes paid by the industrial facilities described in this clause. The reimbursements under this clause must be made within three (3) years after the date on which the investments that are the basis for the increment financing are made.

The allocation fund may not be used for operating expenses of the commission."

#### FEDERAL TAXES

The City did not properly calculate Medicare wages and withhold Medicare tax from police officers. The City did not include the police residency bonus of \$1,800 as taxable Medicare wages in the calculation of Medicare tax. The City also did not include the \$955 taxable clothing allowance (non-accountable plan) in the calculation of Medicare tax withholding.

The 2009 total of all four quarters of the Employer's Quarterly Federal Tax Return (941) line 2, Wages, tips and other compensation, did not agree to the total of box 1 on the City's total Wage and Tax Statement (Form W-2). The instructions for the 941, line 2, state: "Enter amounts on line 2 that would also be included in box 1 of your employee's Form W-2." The Form W-2 wages exceeded the 941 wages by \$795,336.28.

Internal Revenue Service, Circular E, Employer's Tax Guide, provides direction to employers for wages, bonuses, and fringe benefits.

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COUNTY'S SHARE OF COURT COSTS

Distributions for court costs are made from the Court Cost Fund 503 to the Lake County Auditor. Distributions for January through April 2010 were not made until May 2010. The County's share of court costs should be distributed to the county auditor once a month.

IC 33-37-7-8(b) states that once each month the city or town fiscal officer shall distribute to the county auditor the county's share of court costs. City and Town Form No. 220 CT, Report to County Auditor of Court Costs Collected in City/Town Court, shall be used when remitting such fees to the County Auditor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

REDEVELOPMENT AUTHORITY

An annual organizational meeting of the Hammond Redevelopment Authority was not held in 2009 or 2010 as required by state statute.

IC 36-7-14.5-9 states in part:

"(a) Immediately after January 15 of each year, the board shall hold an organizational meeting. It shall elect one (1) of the member's president, another vice president, and another secretary-treasurer to perform the duties of those offices. These officers serve from the date of their election and until their successors are elected and qualified. The board may elect an assistant secretary-treasurer."

UNCLAIMED PROPERTY - CLERK

As stated in prior reports, the Clerk's Trust Register includes money held in excess of five years. Additionally, some money being held has been listed in the register as dormant. The funds have not been remitted to the Attorney General's office as unclaimed funds.

IC 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under Indiana Code 32-34-3."

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

IC 32-34-1-26(a) states: "A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property."

This form (Report of Unclaimed Funds and Escheated Estates Due the State) (Attorney General Form), which is furnished by the Office of the Attorney General, is to be used when reporting and paying to the Attorney General all unclaimed fees and funds five or more years old, escheated estates, and forfeited bail bonds. The form is to be prepared in triplicate. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

CONSTRUCTION IN PROGRESS INTERNAL CONTROLS – SANITARY DISTRICT

The Sanitary District does not maintain adequate financial records for construction in progress. Two reports called "Bond Issue Actual/Budget" (the detail) were presented for examination. These reports listed each project that was to be financed by the corresponding debt, the \$17,225,000 SRF (State Revolving Fund) Loan and the \$4,635,000 Special Taxing District Bonds, 2007A. These reports listed the budget for each project, the expenditures for each project as of December 31, 2009, and the remaining budget balance for each project. The expenditures year to date on these reports, compared to the construction in progress accounts in the Trial Balance, (the control), noted material differences. The detail exceeded the control by \$1,094,980 and \$2,037,084, respectively, for the two debt instruments. Controls were not in place to reconcile the ledger to these reports or to any other detailed listings of expenditures for the projects. Failure to accurately track expenditures during the construction period of a project could materially affect the reliability that all costs associated with each project, will be captured when transferring the project costs to the capital asset record upon completion of the project. Because of inadequate controls, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's Report for the separate examination financial statements.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, State of Indiana, Chapter 10)

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger.

Where construction work has not been completed in the current reporting calendar year, the cost of the project should be carried as "construction work in progress." When the project is completed, it will be placed on the inventory applicable to the assigned asset accounts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, State of Indiana, Chapter 16)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, State of Indiana, Chapter 16)

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

CAPITAL ASSET RECORDS – RECYCLING UTILITY

The detail listing of capital assets for several companies or departments did not agree to the General Ledger. It appears the capital asset software does not consistently interface with the capital assets in the general ledger. For example, during the 2008 audit it was noted that five recycling trucks were undervalued by a total of \$114,285. In 2009, an adjustment of \$114,285 was made to the capital assets account on the Recycling Utility general ledger; however, an entry was not made to the detail listing of capital assets for equipment. In addition, security equipment purchased in 2009 for \$7,433 was listed on the detail equipment listing but no additions to capital assets were posted to the general ledger for the recycling equipment.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, State of Indiana, Chapter 16)

CREDIT CARD EXPENDITURES - PORT AUTHORITY

On December 22, 2009, the Port Authority incurred and paid \$64.22 in finance charges and late fees on a credit card. In addition, \$521.90 in expenditures paid via the credit card statement did not have supporting receipts as documentation of the expense.

On January 19, 2010, the Board passed Resolution No. 10-01, that addressed credit card issues. The Resolution states: "Payment of a credit card claim shall not be made on the basis of a credit card statement or credit card slip only. Supporting documentation such as paid bills or receipt must be presented for payment of a credit card claim. No interest or penalties shall be paid by the HPA, but shall be borne by the individual who was responsible for incurring the interest or penalty."

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. paid by the governmental unit may be the personal obligation of the responsible official or employee.

A claim to be properly itemized should show the kind of service, where performed, date service rendered, by whom, rate per day, number of hours, rate per hour, price per foot, per yard, per hundred, per pound, per ton, etc.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

WELLNESS PROGRAM POLICY - PORT AUTHORITY

The Port Authority withholds \$25 or \$50 per month, for the employee's share of health insurance, depending if the employee has single or family health insurance coverage. This deduction was treated as a pretax item. At the end of the year the board of directors approved refunding this health insurance

CITY OF HAMMOND  
AUDIT RESULTS AND COMMENTS  
(Continued)

premium, less \$1, to the employee. Employees received vendor checks for the \$299 or \$599 refund of health insurance as a "Wellness Program" reimbursement. The refund was not made through the payroll system. As a result, this refund represents a return of a previously tax deducted item and should be included in the employee's income. Officials also were not able to provide a policy establishing the "Wellness Program" for audit.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Hammond (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2009-3, 2009-4, 2009-5, and 2009-6.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2009-3, 2009-4, 2009-5, and 2009-6 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2009-3 and 2009-4, to be material weaknesses.

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 27, 2010

CITY OF HAMMOND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2009

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218	B-07-MC-18-0006 B-08-MC-18-0006	\$ 158,651 <u>1,281,578</u>
Total for cluster			<u>1,440,229</u>
Emergency Shelter Grants Program			
	14.231	S-08-MC-18-0006 S-09-MC-18-0006	64,343 <u>40,131</u>
Total for program			<u>104,474</u>
HOME Investment Partnerships Program			
	14.239	M-02-MC-18-0204 M-06-MC-18-0204 M-07-MC-18-0204 M-08-MC-18-0204	40,000 367,490 73,592 <u>14,985</u>
Total for program			<u>496,067</u>
ARRA - Neighborhood Stabilization Program			
	14.256	B-08-MN-18-0006	<u>61,501</u>
ARRA - Homelessness Prevention and Rapid Re-Housing Program			
	14.257	S-09-MY-18-0006	<u>99,500</u>
Fair Housing Assistance Program - State and Local			
	14.401	FF205K095024	<u>38,697</u>
Total for federal grantor agency			<u>2,240,468</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Federal Equity Sharing			
	16.xxx		<u>64,973</u>
Public Safety Partnership and Community Policing Grants			
	16.710	2008CKWX0784	<u>353,062</u>
Total for federal grantor agency			<u>418,035</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	STP-9945(071) & STP-9945(049) 9945046 DES No. 0201176 STP-N933 (005) 9980130	2,027 241,189 50,272 <u>74,657</u>
Total for cluster			<u>368,145</u>
Pass-Through Northwestern Indiana Regional Planning Commission			
Federal Transit Cluster			
Federal Transit - Formula Grants	20.507	IN-90-X566 IN-90-X567 IN-96-X017	230,097 114,102 <u>204,905</u>
Total for cluster			<u>549,104</u>

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

CITY OF HAMMOND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2009  
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION (continued)</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600		
Big City/Big County Seat Belt Enforcement Program		PT-09-04-01-30	45,469
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		
FFY 2009 OPO Banquet Equipment		K4-2009-04-03-11	500
Big City/Big County Seat Belt Enforcement Program		PT-10-04-01-30	12,191
Total for program			12,691
Total for cluster			58,160
Total for federal grantor agency			975,409
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management			
Air Pollution Control Program Support	66.001		
Section 105		Pollution Control Contract 305-7-179	23,640
Title V Project		Pollution Control Contract 305-7-179	54,950
Asbestos Trust Fund		Pollution Control Contract 305-7-179	4,733
Federally Enforceable State Operating Permit (FESOP)		Pollution Control Contract 305-7-179	3,375
Total for program			86,698
Capitalization Grants for Clean Water State Revolving Funds	66.458	Project #WW0516452	2,677,444
Total for federal grantor agency			2,764,142
<u>U.S. DEPARTMENT OF ENERGY</u>			
Pass-Through Indiana Office of Energy and Defense Development			
ARRA - State Energy Program	81.041	NT43163-9-APE-005	24,250
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Assistance to Firefighters Grant	97.044	EMW-2008-FO-01461	184,742
Total federal awards expended			<u>\$ 6,607,046</u>

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

CITY OF HAMMOND  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Hammond (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2009:

Program Title	Federal CFDA Number	Amount
Community Development Block Grants/Entitlement Grants	14.218	\$ 149,300
Emergency Shelter Grants Program	14.231	107,127
HOME Investment Partnership Programs	14.239	126,000

III. Subsequent Events

The Water Utility was awarded a \$1,072,682 State Revolving Fund Forgivable Loan, financed with American Recovery and Reinvestment Act (ARRA) funds, through the Indiana Department of Environmental Management. A stipulation of the forgivable loan (grant) is that local funds will be used for project costs before the State Drinking Water Revolving Funds can be used.

CITY OF HAMMOND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
16.710	Public Safety Partnership and Community Policing Grants
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2009-1, INTERNAL CONTROLS OVER BANK RECONCILEMENTS

A review of the December 2009 bank reconcilements prepared by the City noted the following items:

1. The City did not reconcile the Redevelopment Authority Marina (Fund 409), Redevelopment Commission 2002 Revenue Bond Debt Service (Fund 406), or the Redevelopment Commission 2002 Revenue Bond Debt Service Reserve (Fund 407) reported fund balances of \$6,891,952.76, \$2,501.51, and \$123.90, respectively, to the related bank statements. A review of the bank statements noted that the Redevelopment Authority Marina Fund earned \$314,179.74 of interest and disbursed \$7,206,082.50 for the pay-off of the

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

deceased 1999 Lease Rental Revenue Bonds and \$50 reimbursed back to the Hammond Port Authority before the account was closed in August 2009. The \$2,501.51 and \$123.90 were disbursed to the Hammond Port Authority as reimbursements and the accounts were closed as of May 2009. Since proper reconcilements were not performed, the City understated receipts and disbursements and overstated the cash balances at year end by the amounts noted above. Subsequently, the City has posted the appropriate entries to the City's financial system to close the funds. In addition, the City Controller has approved an adjustment to the financial statements presented herein to reflect the activity and closing of the bank statements.

2. The City's checking bank account activity included deposits and/or electronic fund transfers (EFTs) received between May and December 2009 totaling \$3,260,477.59 which was not posted to the City's ledger as of December 31, 2009. Upon Auditor's verification of the reconciliation, \$2,500,000 of the total was determined to be an actual bank to bank transfer from September 2009 between the City's checking and investment bank accounts not posted to the City's financial system. The Auditor then determined that a \$2,500,000 bank to bank transfer out posted to the financial system for the City's investment account in June 2009 was not actually transferred between bank accounts. In December 2009, the City did post an entry to the investment bank account to adjust \$500,000; however, the year end reconciliation for the City's investment account did not identify the September \$2,500,000 transfer out not posted or the \$2,000,000 transfer out posted in error as reconciling items. The checking accounting reconciliation misrepresented the \$2,500,000 as an outstanding deposit at year end. Subsequently, the City has either posted receipts to the ledger for the remaining \$760,477.59 balance of outstanding deposits or the appropriate adjusting entries for the bank to bank transfers. The City Controller also approved an adjustment to the financial statements presented herein to reflect the outstanding deposits in the correct accounting period.
3. A new payroll bank account that was opened in October 2009 was not properly reconciled as of December 31, 2009, and did not include all reconciling items.
4. Another payroll bank account reconciliation noted monthly differences between the bank activity and the City's ledger balance without further research. The reconciliation did not include the bank's account analysis charge, totaling \$4,452.93 for the year, as a reconciling item nor were the charges posted to the City's ledger.

Controls are not in place to ensure that all funds are reconciled, that all reconciling items are properly identified, and that all reconciling items noted on monthly bank reconcilements are timely posted to the City's detail of receipts and disbursements ledgers so that material over or under statements of receipts or disbursements does not occur.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

We recommended that the City Controller or designee review the bank reconciliations to ensure accuracy, timeliness, and reconciling items noted are posted to the ledger in a timely manner and that all City funds are reconciled on a monthly basis.

FINDING 2009-2, SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City prepared a Schedule of Federal Grant Receipts and Disbursements for 2009 that was materially inaccurate. We found 6 additional grant programs with combined expenditures of \$2,920,855 that were not listed on the schedule. Three of the six not included were American Recovery and Reinvestment Act (ARRA) grants. This represents 44% of the total federal expenditures detailed on the Schedule of Expenditures of Federal Awards. The City's grant schedule also did not include all of the required information necessary to properly identify all federal programs and expenditures including: CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

The City did not ensure that employees had the adequate training, nor did they take advantage of available opportunities to seek the guidance necessary, to prepare an accurate schedule of expenditures of Federal awards. In addition, there was a lack of management oversight or approval of the schedule before it was filed with the State. Adequate internal control over reporting of Federal awards requires that employees be aware of the applicable requirements and that they have the requisite knowledge and skills to prepare accurate schedules. In addition, adequate internal control requires sufficient supervision and oversight by management and the governing bodies to ensure accurate reporting of Federal awards.

Circular No. A-133, Audit of States, Local Governments, and Non-Profit Organizations, Subpart C, has the following requirements for grantees:

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_\_,310.

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

§\_\_\_.310 Financial statements.

(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We recommended that officials implement procedures to adequately identify and accurately report all Federal award programs.

Section III – Federal Award Findings and Questioned Costs

FINDING 2009-3, EQUIPMENT AND CAPITAL ASSET MANAGEMENT CONTROLS

Federal Agency: U.S. Environmental Protection Agency  
Federal Program: Capitalization Grants for Clean Water State Revolving Funds  
CFDA Number: 66.458  
Award Number: WW0516452  
Pass-Through: Indiana Department of Environmental Management

In 2007, the Hammond Sanitary District obtained a State Revolving Fund loan from the State of Indiana's State Revolving Loan Fund. The Sanitary District, with the Indiana Department of Environmental Managements approval, drew down the loan as needed to pay contractors. The draw downs are 36.07% federal financial assistance. The loan proceeds are to fund a listing of construction and engineering projects, including the purchase of equipment, as approved by the Indiana Department of Environmental Management.

The Sanitary District does not maintain adequate financial records for capital assets, including construction in progress. A report titled "Bond Issue Actual/Budget" was presented as the detail for construction in progress. The report listed each project that was to be financed by the State Revolving Fund Loan, the budget for each project, the expenditures for each project as of December 31, 2009, and the remaining budget balance for each project. A comparison of the report's expenditures as of December 31, 2009, to the Trial Balance (the control) construction in progress accounts noted material differences. The detail report balance exceeded the control balance by \$1,094,980.

Internal controls were not in place to reconcile the general ledger accounts (the control) to the Bond Issue Actual/Budget report presented as the supporting detail of construction in progress. Failure to accurately track additions to construction in progress accounts during the construction period of a project could materially affect the reliability that all costs associated with each project will be captured when transferring the project costs to the appropriate capital asset account, such as equipment or improvements, upon completion of the project.



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

40 CFR 31.32(d) states in part:

"Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

We recommended that officials establish procedures to ensure that assets purchased with federal funds are adequately accounted for in accordance with state and federal guidelines.

FINDING 2009-4, REPORTING

Federal Agency: U.S. Department of Housing and Urban Development  
 Federal Programs: Community Development Block Grants/Entitlement Grants,  
 HOME Investment Partnerships Program  
 CFDA Numbers: 14.218, 14.239  
 Award Numbers: B-08-MC-18-0006, M-08-MC-18-0204

Quarterly reports are required by the U.S. Department of Housing and Urban Development. When reviewing the Community Development Block Grant and the HOME Investment Partnership Program quarterly reports, it was noted that City's ledger was not used to complete the reports.

A comparison of the quarterly reports to the City's ledger noted differences for the beginning cash balance, receipts, disbursements, and ending cash balance reported on the Federal Cash Transactions Report for the two grants as noted below.

Community Development Block Grant			
	Per Federal Cash Transaction Report	City's Ledger	Difference
Beginning cash balance	\$ (212,116)	\$ 405,018	\$ (617,134)
Receipts (including program income)	1,512,182	1,639,810	(127,628)
Disbursements	1,643,518	2,161,055	(517,537)
Ending cash balance	<u>\$ (343,452)</u>	<u>\$ (116,227)</u>	<u>\$ (227,225)</u>

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

HOME Investment Partnerships Program			
	Per Federal Cash Transaction Report	City's Ledger	Difference
Beginning cash balance	\$ 29,982	\$ 196,043	\$ (166,061)
Receipts (including program income)	627,164	671,554	(44,390)
Disbursements	777,213	777,214	(1)
Ending cash balance	\$ (120,067)	\$ 90,383	\$ (210,450)

The U.S. Department of Housing and Urban Development cannot adequately monitor the grant funds, or adequately assess their needs if reports are incorrectly completed.

City officials could not identify the differences noted above. No attempt was made to reconcile the City's receipts, disbursements, and balances ledger to the quarterly reports. Internal controls are not in place to ensure the amounts reported agree to the City's ledger.

24 CFR 85.20 states in part:

"(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
- (3) *Internal control.* Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
- (4) *Budget control.* Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible."

24 CFR 92.508 states in part:

"(a) General. Each participating jurisdiction must establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of this part. At a minimum, the following records are needed:

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

- (iv) Records demonstrating adequate budget control, in accordance with 24 CFR 85.20, including evidence of periodic account reconciliations."

We recommended the City establish procedures to ensure the City's ledger is used when preparing the required reports as they are the City's official record.

FINDING 2009-5, HOME ALLOWABLE ACTIVITIES

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program: HOME Investing Partnership Program  
CFDA Number: 14.239  
Award Number: M-06-MC-18-0204

In 2008, the City offered an early, voluntary retirement incentive package to its employees if the employee retired by December 31, 2008. The incentive package included awarding the employee \$750 for each year of employment completed with the City. One Department of Planning and Development employee retired as of December 31, 2008, and was paid \$24,750 on January 5, 2009, in accordance with the retirement package.

Even though the employee's salary for 2008 was paid from the City's Redevelopment Commission Operating Fund, the \$24,750 incentive benefit was paid from the City's Affordable Housing Fund (Fund #285). The Affordable Housing Fund receipts and disburses the City's HOME Investing Partnership Grant Program. City officials provided documentation that the employee's incentive package payment would be paid from the HOME grant funds due to lack of funds in the Redevelopment budget.

The \$24,750 is considered to be a question cost of the HOME Investment Partnership Program grant since the retirement package payment was paid from HOME grant funds even though the employee was not paid from HOME grant funds throughout the year.

24 CFR 92.504(a) states in part:

"The participating jurisdiction is responsible for managing the day to day operations of its HOME program, ensuring that HOME funds are used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arise. The use of State recipients, subrecipients, or contractors does not relieve the participating jurisdiction of this responsibility. The performance of each contractor and subrecipient must be reviewed at least annually."

We recommended the City establish internal controls to verify the disbursements paid from grant funds are for allowable activities of the grant.

FINDING 2009-6, HOME PERIOD OF AVAILABILITY

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program: HOME Investment Partnerships Program  
CFDA Number: 14.239  
Award Number: M-02-MC-18-0204

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

The City requests federal funds from U.S. Department of Housing and Urban Development (HUD) through the Integrated Disbursement & Information Services (IDIS) system. The IDIS system requires an activity number and an amount in order to complete a drawdown. The activity number is specific to each grant year and allowable activity as established by the City at the beginning of each year.

The grant requires that awarded funds be committed within two years of authorizing and expended within five years of awarding. In 2009, the City drew down and expended \$40,000 from the 2002 grant year. An approved extension of the grant period was not provided for audit.

24 CFR 85.23(a) states:

"Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period."

We recommended the City establish controls to ensure all grant funds are obligated and disbursed within the period of availability.



**Robert Lendi**  
Controller

**CITY OF HAMMOND**

April 29, 2010

State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, IN 46204-2765

Please find the City of Hammond's Summary Schedule of Prior Audit Findings attached for your review.

Sincerely,

Robert Lendi

City of Hammond  
Controller's Office  
5925 Calumet Avenue  
Hammond, Indiana 46320

**219.853.6324**

fax: 219.853.6345

[www.gohammond.com](http://www.gohammond.com)

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**Robert Lendi**  
Controller

**CITY OF HAMMOND**

April 26, 2010

State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, IN 46204-2765

**RE: Summary Schedule of Prior Audit Findings and Revised Federal Requirements**

To Whom It May Concern:

This letter is in response to the Revised Federal Requirements letter that was sent to the City of Hammond. This letter is from the Office of Planning and Development. The following is the summary schedule of prior audit findings.

**FINDING NUMBER 2008-3 Controls over allowable costs, Home Program**

**Original SBA Audit Report Number:**

<b>Fiscal Year:</b>	<b>2009</b>
<b>Auditee Contact Person:</b>	<b>Philip Taillon</b>
<b>Title of Contact Person:</b>	<b>Executive Director of Planning and Development</b>
<b>Phone Number:</b>	<b>(219)853-6508</b>
<b>Status of Finding:</b>	<b>SEE BELOW</b>

**RECOMMENDATION: Officials design and implement controls that would ensure compliance with stature for effective internal controls.**

**Corrective Action Plan for Finding Number 2008-3:**

We have implemented a new control system for our Home Rehab Specialist/Inspector so that he is signing any invoices or purchase orders that are part of his program and therefore are in compliance with stature for effective internal controls. The new system was implemented in November of 2009. The plan is monitored by our Finance Manager.

**FINDING NUMBER 2008-4 U.S. Department of Housing and Urban Development's Monitoring Report Findings**

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Hammond, Indiana 46320

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**Robert Lendi**  
Controller

**CITY OF HAMMOND**

**Original SBA Audit Report Number:**

**Fiscal Year:** 2009

**Auditee Contact Person:** Philip Taillon

**Title of Contact Person:** Executive Director of Planning and Development

**Phone Number:** (219)853-6508

**Status of Finding:** SEE BELOW

**RECOMMENDATION:** We recommended that officials remain in contact with the U.S. Department of Housing and Urban Development to resolve the questioned costs of \$1,018,630.01. Officials should continue the process of writing a policies and procedures manual. Furthermore, officials need to maintain proper records to support cost paid from HUD funds are allowable under the guidelines

**Correction Action Plan for Finding Number 2008-4:**

We are working very closely with U.S. Department of Housing and Urban Development to finalize the questioned costs mentioned above. Although we believe all monies were spent according to guidelines and did qualify under HUD guidelines and national objectives, we have implemented a new system to make sure that all proper records are maintained to support that any monies used were allowable under their guidelines. The new system was implemented in December of 2009. We believe the payback and reprogramming of the funds will occur in May of 2010.

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**Robert Lendi, CPA**  
Controller

**CITY OF HAMMOND**

June 8, 2010  
Indiana State Board of Accounts  
302 W Washington St Room E418  
Indianapolis, IN 46204

Audit of the City of Hammond Financial Statements of 2009

Please find herein the corrective action plan for the City of Hammond in response to the findings for the audit of the period ending December 31, 2009.

Sincerely,

Robert Lendi

City of Hammond  
Controller's Office  
5925 Calumet Avenue  
Hammond, Indiana 46320

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**Robert Lendi, CPA**  
Controller

**CITY OF HAMMOND**

June 4, 2010  
Indiana State Board of Accounts  
302 W Washington St Room E418  
Indianapolis, IN 46204

Audit of the City of Hammond Financial Statements of 2009

Corrective Action Plan

Section II—Financial Statement Findings

Corrective Action Plan for Finding 2009-1 INTERNAL CONTROLS OVER BANK RECONCILEMENTS

A more thorough and comprehensive procedure has been implemented to improve the timeliness and completeness of bank reconcilements.

The City Controller/Designee shall ensure on a monthly basis that reconcilements are completed timely, completely and appropriately.

City of Hammond  
Controller's Office  
5925 Calumet Avenue  
Hammond, Indiana 46320

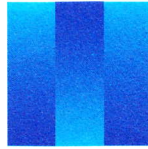
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# SANITARY DISTRICT of HAMMOND

5143 COLUMBIA AVENUE  
HAMMOND, INDIANA 46327-1794  
TELEPHONE (219) 853-6412 - 13 - 14 - 88  
FAX (219) 853-6321

Board of Sanitary Commissioners

STANLEY J. DOSTATNI  
KEN JAKUBCZAK  
STEVEN R. FOWLER  
LOUIS KARUBAS  
RUSSELL A. SNYDER



MICHAEL T. UNGER, Ph.D.  
District Manager  
WILLIAM E. BILLER, C.P.A.  
Business Manager  
JOSEPH P. ALLEGRETTI  
Legal Counsel

## CORRECTIVE ACTION PLAN

Section III – Federal Awards Findings and Questioned Cost

### FINDING 2009-3, EQUIPMENT AND CAPITAL ASSET MANAGEMENT CONTROLS

Federal Agency: U. S. Environmental Protection Agency

Federal Program: Capitalization Grants for Clean Water, State Revolving Funds

CFDA Number: 66.458

Federal Award Number: WW0516452

Pass-Through Entity: Indiana Department of Environment Management

Auditee Contact Person: Alan Arendt

Title of Person: Business Manager

Phone Number: 219-853-6413

Briefly describe action to be taken to correct finding:

The action to be taken by the Hammond Sanitary District is to modify the account class of the general ledger accounts from Cost of Service to Construction in Progress. The additional modification of the adjusting beginning balance of said accounts as for January 1, 2009 will also be taken

The Business Manager or his appointed designate shall monthly insure that the “Bond Issue Actual/Budget” (the detail) and the “General Ledger” (the control) are in balance.



**Thomas M. McDermott, Jr.**  
Mayor

DEPARTMENT OF PLANNING AND DEVELOPMENT  
**CITY OF HAMMOND**

June 8, 2010

PHIL TAILLON  
Executive Director

State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, IN 46204-2765

**RE: CORRECTIVE ACTION PLAN**

To Whom It May Concern:

This letter is in response to the findings of State Board of Accounts during our 2010 Audit:

**FINDING NUMBER 2009-2 Schedule of Expenditures of Federal Awards**

**RECOMMENDATION: That City officials implement procedures to adequately identify and accurately report all Federal award programs.**

**Corrective Action Plan for Finding Number 2009-2:**

We are implementing a new reporting system that will entail always having a complete and current schedule of expenditures of all federal grants and awards. Planning and Development will also work with all grant award agencies to make sure our report numbers are accurate and current. Planning and Development will have this new reporting system completed by July 2010.

**FINDING NUMBER 2009-4 Reporting**

**RECOMMENDATION: The City establish procedures to ensure the City's ledger is used when preparing the required reports as they are the City's official record.**

**Correction Action Plan for Finding Number 2009-4:**

Planning and Development will be implementing a new reporting system based off of the City's ledger. We will be communicating with the Controller's office on this report on a daily basis. Planning and Development will have this reporting system updated and corrected by the end of June 2010.

**FINDING NUMBER 2009-5 Home Allowable Activities**

**RECOMMENDATION: We recommended the City establish internal controls to verify the disbursements paid from grant funds are allowable activities of the grant**

**Corrective Action Plan for Finding Number 2009-5:**

Planning and Development will make sure on all disbursements from grants that they are eligible disbursements before allowing the drawdown to occur.

**FINDING NUMBER 2009-6 Home Period of Availability**

**RECOMMENDATION: The City establish controls to ensure all grant funds are obligated and disbursed within the period of availability.**

**Corrective Action Plan for Finding Number 2009-6:**

Please read below from the CPD Notice:

**2. Determining Compliance with the Expenditure Requirement:** To determine compliance with the expenditure requirement, field office staff must compare the PJ's cumulative HOME allocations from program inception through the deadline requirement year, minus any deobligations, to its cumulative HOME expenditures from program inception through its expenditure deadline. Expenditures include all HOME funds expended on eligible HOME activities, including administrative and planning activities.

This information shows that the allowable period for expending grants awards are based on "cumulative" numbers and therefore a grant does not necessarily expire five years after the award took place. Therefore, this finding should be reversed as this expenditure was eligible under HUD regulations.



Thank you.

Phil Taillon  
Executive Director of Planning and Development  
City of Hammond

CITY OF HAMMOND  
EXIT CONFERENCE

The contents of this report were discussed on June 8, 2010, with Thomas M. McDermott, Jr., Mayor; Anthony Higgs, President of the Common Council; Robert Lendi, CPA, Controller; Rick Calinski, Chief of Staff; McKinley Nutall, President of the Redevelopment Commission; Philip Taillon, Executive Director; Owana Miller, Community Development Director; Ramona Campbell, Deputy Controller; and Caryn Janiga, Planning and Development Finance Manager. The official response has been made a part of this report and may be found on page 92.

The comments for the Port Authority were discussed on April 27, 2010, with Richard Szany, Administrative Director of the Port Authority, and Diane Kaminsky, Chairman of the Port Authority Board of Directors.

The comments for the Sanitary District were discussed on June 2, 2010, with Robert Lendi, CPA, Controller; Michael T. Unger, Ph.D., Sanitary District Manager; Stanley J. Dostatni, President of the Sanitary District Board of Commissioners; Joseph Allegretti, Sanitary District Attorney; and William E. Biller, Financial Consultant.



**Robert Lendi, CPA**  
Controller

**CITY OF HAMMOND**

Indiana State Board of Accounts  
302 W Washington St Room E418  
Indianapolis, IN 46204

Audit of the City of Hammond Financial Statements of 2009

Please find the response from the City of Hammond regarding the audit of the financial statements for the period ending 12/31/2009:

Overdrawn Cash Balances

The City of Hammond did not receive timely property tax distributions in calendar year 2009. As such, the City made the determination to fund the cost of government with existing cash balances, as opposed to obtaining tax anticipation warrants (TAW's), which are, in effect, loans that would have cost our taxpayers significant interest and borrowing fees. The overdrawn cash balances will be funded with the receipt of timely property tax payments.

Disbursements not Council Approved

The City of Hammond believes that it maintains proper procedures for the expenditure of all City funds in accordance with Indiana Code. The City of Hammond feels that implementing any additional, unnecessary steps that are not prescribed by Indiana Code for the expenditure of already-approved funds will not only usurp and undermine the authority of the Legislative Branch of the City of Hammond, but the superfluous redundancy will increase the marginal cost and time to conduct ordinary business transactions.

Use of Credit Cards

Of the multitude of transactions audited, the State Board of Accounts found four (4) receipts for food where a receipt was in fact provided, but was not itemized indicating the nature and type of food ordered.

Festival of the Lakes

The City of Hammond has not held a Festival since the last audit, and as such, is unclear as to the reasoning for this comment.

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