

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

ANNUAL FINANCIAL REPORT

2010

CITY OF HAMMOND

LAKE COUNTY, INDIANA



FILED
09/07/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Robert Lendi, CPA	01-01-10 to 12-31-11
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	01-01-10 to 12-31-11
President of the Common Council	Anthony Higgs	01-01-10 to 12-31-11
President of the Redevelopment Commission	McKinley Nutall Jimmie Lambert	01-01-10 to 12-31-10 01-01-11 to 12-31-11
President of the Park Board	Johnny Weems Arthur Peschke, Jr.	01-01-10 to 02-28-10 03-16-10 to 12-31-11
Chief Executive Operator of Water Utility	Edward Krusa	01-01-10 to 12-31-11
President of Utility Service Board	Sharon Daniels	01-01-10 to 12-31-11
Water Utility Office Manager	Deborah Van Meter	01-01-10 to 12-31-11
Sanitary District Manager	Michael T. Unger, Ph.D.	01-01-10 to 12-31-11
President of the Sanitary District Board of Commissioners	Stanley J. Dostatni	01-01-10 to 12-31-11
Sanitary District Business Manager	Alan M. Arendt, CPA	01-01-10 to 12-31-11
Director of the Port Authority	Milan Kruszynski	01-01-10 to 12-31-11
Chairman of the Port Authority Board of Directors	Diane Kaminsky Thomas J. Pupilava	01-01-10 to 12-31-10 01-01-11 to 12-31-11
Port Authority Administrative Director	Richard Szany	01-01-10 to 12-31-11



STATE OF INDIANA
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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 statement of the City of Hammond (City), for the year ended December 31, 2010. This financial statement is the responsibility of the City's management. Our responsibility is to express opinions on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated May 20, 2011, 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 an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statement and, accordingly, we express no opinion on them.

The City's response to the Audit Result(s) and Comment(s) 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.

This report is intended solely for the information and use of the City's management, Common Council, Board of Public Works and Safety, Redevelopment Commission, Park Board, Water Utility Service Board, Sanitary District Board of Commissioners, Port Authority Board of Directors, 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 20, 2011



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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 statement of the City of Hammond (City), for the year ended December 31, 2010, and have issued our report thereon dated May 20, 2011. 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 opinion on the financial statement, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1 and 2010-2 to be material weaknesses.

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)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1 and 2010-2.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and 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, Board of Public Works and Safety, Redevelopment Commission, Park Board, Water Utility Service Board, Sanitary District Board of Commissioners, Port Authority Board of Directors, 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 20, 2011

FINANCIAL STATEMENT(S)

CITY OF HAMMOND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and	Receipts	Disbursements	Cash and
	Investments			Investments
	01-01-10			12-31-10
General	\$ (21,261,681)	\$ 46,788,665	\$ 53,730,714	\$ (28,203,730)
Motor Vehicle Highway	(214,129)	2,678,486	3,533,624	(1,069,267)
Local Road And Street	726,356	739,750	1,178,569	287,537
Transit	(704,227)	359,559	30,641	(375,309)
Clerk's Records Perpetuation	121,931	17,713	36,949	102,695
Gaming Revenues	19,482,919	40,173,757	49,523,780	10,132,896
Parks And Recreation	(1,439,229)	2,880,849	3,601,494	(2,159,874)
Ambulance User Fees For Equipment	28,120	125,000	67,677	85,443
Hazardous Materials	28,974	3,500	-	32,474
Police Donation	23,396	44,944	12,230	56,110
College Bound	25,235	2,505,394	2,274,314	256,315
Demolition	295,175	518,939	544,657	269,457
Federal Forfeited Property	33,539	140,294	116,040	57,793
Park Activities Nonreverting	39,012	150,909	121,079	68,842
Public Safety	509,029	1,013,262	1,536,439	(14,148)
Vehicle Release	(848)	63,800	38,811	24,141
Park Gaming 2	523,649	3,861,692	2,938,003	1,447,338
Adult Probation	109,371	185,415	142,902	151,884
Tobacco Education	15,719	3,135	2,800	16,054
Local Law Enforcement Continuing Education	33,966	67,887	26,380	75,473
Task Force	(232,633)	1,130,000	960,134	(62,767)
Festival Of The Lakes	89,379	31	89,410	-
Ambulance Fees Fund	-	125,000	-	125,000
TIF Allocation Northend	2,465,738	1,459,123	1,049,777	2,875,084
TIF Allocation Robertsdale	1,601,552	2,109,000	802,843	2,907,709
Affordable Housing	90,383	483,992	584,235	(9,860)
Emergency CDBG	67,490	78,229	127,055	18,664
Section 108	81,486	-	-	81,486
Technology Park Grant	93,115	2,195,363	225,259	2,063,219
Homebound	29,591	102,500	102,083	30,008
Facade Rebate Program	42,994	250,000	104,001	188,993
Human Relations Fund	5,185	6,500	3,308	8,377
Cut And Clean	162,393	355,877	280,230	238,040
Graffiti Removal	1,574	25,000	13,333	13,241
Public Defender	400	700	-	1,100
Background Checks	620	955	-	1,575
State Forfeited Property	95,268	39,999	113,542	21,725
Federal Prisoners	135,068	118,291	112,111	141,248
Impaired Driver	-	61,600	59,610	1,990
Redevelopment Commission Operating	(294,191)	476,402	387,322	(205,111)
TIF Allocation Marina Expansion	7,295,705	8,048,984	3,930,483	11,414,206
TIF Allocation Columbia Plaza	944,921	162,013	1,044,921	62,013
TIF Allocation Lear	1,625,099	110,389	-	1,735,488

The notes to the financial statement(s) are an integral part of this statement.

CITY OF HAMMOND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Park Tourism	132	16,020	15,274	878
Economic Development Tourism	15,496	11,026	8,107	18,415
TIF Allocation Downtown	655,765	1,407,797	808,240	1,255,322
Redevelopment Commission Grant	239,646	10,743	184,363	66,026
Asbestos Program	4,262	-	4,262	-
Water Hydrant Rental	(196,444)	197,137	182,112	(181,419)
Penalties	3,126,073	684,604	668,383	3,142,294
Title V Permits	(4)	49	45	-
EPA Grant	3,212	-	3,212	-
Human Relations Federal	83,553	31,305	54,579	60,279
Local Seizure	32,893	-	-	32,893
SEMA Grant	605	-	-	605
Community Development Block Grant	89,301	3,696,937	3,475,200	311,038
CDBG Donations	9,325	5,375	10,634	4,066
TIF Allocation Home Depot	427,629	791,258	131,025	1,087,862
TIF Allocation Woodmar	845,065	2,611,790	2,591,454	865,401
TIF Allocation Woodmar Gateways	-	1,989,798	1,326,532	663,266
Inspection/Rental	-	126,965	-	126,965
Home Depot Bond	1	-	-	1
Cabela's Bond Fund	774,853	1,326,543	10	2,101,386
Animal Control Donations	2,205	762	1,193	1,774
Evidence Money	17,697	53,453	50,634	20,516
Community And Economic Development	63,946	203,575	242,794	24,727
Homelessness Prevention And Rapid Re-Housing Program (HPRP)	(65,456)	914,093	864,720	(16,083)
Neighborhood Stabilization Program (NSP)	(44,903)	1,846,743	1,823,397	(21,557)
Engineering	-	15,716,047	9,072,381	6,643,666
Energy Efficiency & Conservation Block Grant (EECBG)	-	266,015	336,337	(70,322)
Corporation Bond	(124,073)	555,413	864,278	(432,938)
Judgment Bond Project	5,401	-	-	5,401
River Park Debt Service Reserve	2,558,445	101,899	37	2,660,307
River Park Debt Service Bond & Interest	1,959,124	2,481,801	2,476,241	1,964,684
2006 Judgment Bond	14,343	364,490	378,833	-
Riverboat Loan	-	7,500,000	1,700,000	5,800,000
Cumulative Capital Development	161,197	272,120	179,197	254,120
Cumulative Capital Improvement	254,653	243,162	23,696	474,119
River Park Capital	654,571	2,476,177	2,674,325	456,423
Major Moves	20,528	-	3,177	17,351
Lost Marsh Golf Course	(244,270)	-	-	(244,270)
Lost Marsh Clubhouse Construction	560,668	-	560,668	-
Redevelopment Authority Debt Service	-	8,764,214	3,272,564	5,491,650
Redevelopment Commission Lease Payment	2,814,863	2,768,917	5,583,780	-
Redevelopment Commission Custody Rental	1,257,897	-	1,257,897	-
Redevelopment Commission 2003 Revenue Bond Debt Service	842,375	295,000	1,137,375	-

The notes to the financial statement(s) are an integral part of this statement.

CITY OF HAMMOND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Redevelopment Commission 2008 Revenue Bond Debt Service	1,250,000	2,044,197	1,326,171	1,968,026
Redevelopment Commission Repair and Replacement	1,866,243	200,000	2,066,243	-
Redevelopment Commission Reinstallation	1,196,712	-	1,196,712	-
Unilever TIF 2002 Capital Improvement	28,077	-	28,077	-
Self-Insurance	321,376	17,683,874	18,007,466	(2,216)
Centrex	(13,034)	15,180	17,583	(15,437)
Diesel Fuel Tax	5,115	14,424	25,880	(6,341)
Unemployment	(154,625)	1,469	179,842	(332,998)
1925 Police Pension	(316,331)	6,158,636	5,161,828	680,477
1937 Firefighters' Pension	138,377	5,133,523	5,174,330	97,570
Payroll Withholdings	764	11,085,392	11,091,701	(5,545)
Court Costs Due County	10,990	139,137	138,995	11,132
Deferral Program	19,148	18,258	-	37,406
Pretrial Deferral	500	62,984	57,670	5,814
City Clerk	1,847,957	4,298,967	4,197,657	1,949,267
Marina Operations Fund 626	93,458	4,994,163	4,706,123	381,498
Marina Construction Fund 627	108,140	13,690,698	11,285,345	2,513,493
Gaming Fund 628	650,494	8,561,869	7,026,665	2,185,698
Lakefront Mgmt Fund 629	2,881	75,000	70,434	7,447
Lost Marsh Golf Course Fund 630	122,176	1,978,599	1,499,068	601,707
Wolf Lake Operations Fund 631	55,200	254,403	186,892	122,711
First Tee Program Fund 632	116,350	487	116,837	-
Pre Treatment	208,117	313,281	265,826	255,572
Sewer Maintenance	33,233	4,305,734	4,321,137	17,830
Operating	186,734	13,889,176	13,818,671	257,239
Replacement	706,011	675,000	431,775	949,236
Unemployment	50,000	19,015	19,015	50,000
Excess Levy	-	22,769	-	22,769
GIS Electronics	2,039	-	-	2,039
Construction	219,964	105,106	325,070	-
Great Lakes Legacy	-	249,891	249,891	-
Debt Service	1,522,647	6,446,287	5,836,238	2,132,696
2007 Bond Issue	560,427	-	515,858	44,569
2010 Bond Issue	-	9,632,727	1,370,644	8,262,083
SRF Phase 6	8,507,076	41,239	1,647,809	6,900,506
Stormwater Utility	189,285	2,058,027	2,065,117	182,195
Sanitation Utility	308,897	4,133,805	4,350,268	92,434
Recycling Utility	5,534	1,390,310	1,384,685	11,159
Water Utility	8,207,995	8,942,665	12,464,412	4,686,248
Totals	<u>\$ 57,555,915</u>	<u>\$ 306,030,418</u>	<u>\$ 294,041,651</u>	<u>\$ 69,544,682</u>

The notes to the financial statement(s) are an integral part of this statement.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT(S)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan(s)

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 this 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 members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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. 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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public 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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City of Hammond's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Transit	Clerk's Records Perpetuation	Gaming Revenues
Cash and investments - beginning	\$ (21,261,681)	\$ (214,129)	\$ 726,356	\$ (704,227)	\$ 121,931	\$ 19,482,919
Receipts:						
Taxes	27,183,781	-	-	-	-	-
Licenses and permits	1,402,319	-	-	-	-	-
Intergovernmental	1,791,080	2,051,479	739,750	355,040	-	-
Charges for services	2,514,778	-	-	4,519	17,713	-
Fines and forfeits	351,015	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>13,545,692</u>	<u>627,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,173,757</u>
Total receipts	<u>46,788,665</u>	<u>2,678,486</u>	<u>739,750</u>	<u>359,559</u>	<u>17,713</u>	<u>40,173,757</u>
Disbursements:						
Personal services	48,698,300	2,898,535	-	-	-	-
Supplies	960,847	426,878	847,228	935	-	-
Other services and charges	3,778,084	178,507	272,916	29,706	36,949	14,914,322
Debt service - principal and interest	-	-	-	-	-	214,452
Capital outlay	19,258	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>274,225</u>	<u>29,704</u>	<u>58,425</u>	<u>-</u>	<u>-</u>	<u>34,395,006</u>
Total disbursements	<u>53,730,714</u>	<u>3,533,624</u>	<u>1,178,569</u>	<u>30,641</u>	<u>36,949</u>	<u>49,523,780</u>
Excess (deficiency) of receipts over disbursements	<u>(6,942,049)</u>	<u>(855,138)</u>	<u>(438,819)</u>	<u>328,918</u>	<u>(19,236)</u>	<u>(9,350,023)</u>
Cash and investments - ending	<u>\$ (28,203,730)</u>	<u>\$ (1,069,267)</u>	<u>\$ 287,537</u>	<u>\$ (375,309)</u>	<u>\$ 102,695</u>	<u>\$ 10,132,896</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Parks And Recreation	Ambulance User Fees For Equipment	Hazardous Materials	Police Donation	College Bound	Demolition
Cash and investments - beginning	\$ (1,439,229)	\$ 28,120	\$ 28,974	\$ 23,396	\$ 25,235	\$ 295,175
Receipts:						
Taxes	2,521,670	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	352,677	-	3,500	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>6,502</u>	<u>125,000</u>	<u>-</u>	<u>44,944</u>	<u>2,505,394</u>	<u>518,939</u>
Total receipts	<u>2,880,849</u>	<u>125,000</u>	<u>3,500</u>	<u>44,944</u>	<u>2,505,394</u>	<u>518,939</u>
Disbursements:						
Personal services	3,207,057	-	-	-	-	-
Supplies	19,984	-	-	-	-	-
Other services and charges	374,453	-	-	12,230	2,274,314	544,657
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	67,677	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>3,601,494</u>	<u>67,677</u>	<u>-</u>	<u>12,230</u>	<u>2,274,314</u>	<u>544,657</u>
Excess (deficiency) of receipts over disbursements	<u>(720,645)</u>	<u>57,323</u>	<u>3,500</u>	<u>32,714</u>	<u>231,080</u>	<u>(25,718)</u>
Cash and investments - ending	<u>\$ (2,159,874)</u>	<u>\$ 85,443</u>	<u>\$ 32,474</u>	<u>\$ 56,110</u>	<u>\$ 256,315</u>	<u>\$ 269,457</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Federal Forfeited Property	Park Activities Nonreverting	Public Safety	Vehicle Release	Park Gaming 2	Adult Probation
Cash and investments - beginning	\$ 33,539	\$ 39,012	\$ 509,029	\$ (848)	\$ 523,649	\$ 109,371
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	140,228	-	132,031	-	-	-
Charges for services	-	150,909	-	63,800	482,282	185,415
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	66	-	881,231	-	3,379,410	-
Total receipts	<u>140,294</u>	<u>150,909</u>	<u>1,013,262</u>	<u>63,800</u>	<u>3,861,692</u>	<u>185,415</u>
Disbursements:						
Personal services	-	-	949,641	-	1,028	132,158
Supplies	-	-	-	-	-	1,867
Other services and charges	116,040	121,079	-	38,811	2,936,975	8,877
Debt service - principal and interest	-	-	287,637	-	-	-
Capital outlay	-	-	299,161	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>116,040</u>	<u>121,079</u>	<u>1,536,439</u>	<u>38,811</u>	<u>2,938,003</u>	<u>142,902</u>
Excess (deficiency) of receipts over disbursements	<u>24,254</u>	<u>29,830</u>	<u>(523,177)</u>	<u>24,989</u>	<u>923,689</u>	<u>42,513</u>
Cash and investments - ending	<u>\$ 57,793</u>	<u>\$ 68,842</u>	<u>\$ (14,148)</u>	<u>\$ 24,141</u>	<u>\$ 1,447,338</u>	<u>\$ 151,884</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Tobacco Education	Local Law Enforcement Continuing Education	Task Force	Festival Of The Lakes	Ambulance Fees Fund	TIF Allocation Northend
Cash and investments - beginning	\$ 15,719	\$ 33,966	\$ (232,633)	\$ 89,379	\$ -	\$ 2,465,738
Receipts:						
Taxes	-	-	-	-	-	1,459,123
Licenses and permits	-	26,070	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	3,135	41,117	-	-	-	-
Fines and forfeits	-	700	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	1,130,000	31	125,000	-
Total receipts	<u>3,135</u>	<u>67,887</u>	<u>1,130,000</u>	<u>31</u>	<u>125,000</u>	<u>1,459,123</u>
Disbursements:						
Personal services	-	-	960,134	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	2,800	26,380	-	-	-	1,049,777
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	89,410	-	-
Total disbursements	<u>2,800</u>	<u>26,380</u>	<u>960,134</u>	<u>89,410</u>	<u>-</u>	<u>1,049,777</u>
Excess (deficiency) of receipts over disbursements	<u>335</u>	<u>41,507</u>	<u>169,866</u>	<u>(89,379)</u>	<u>125,000</u>	<u>409,346</u>
Cash and investments - ending	<u>\$ 16,054</u>	<u>\$ 75,473</u>	<u>\$ (62,767)</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 2,875,084</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	TIF Allocation Robertsdale	Affordable Housing	Emergency CDBG	Section 108	Technology Park Grant	Homebound
Cash and investments - beginning	\$ 1,601,552	\$ 90,383	\$ 67,490	\$ 81,486	\$ 93,115	\$ 29,591
Receipts:						
Taxes	2,109,000	-	-	-	2,151,252	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	319,252	78,229	-	44,111	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	164,740	-	-	-	102,500
Total receipts	<u>2,109,000</u>	<u>483,992</u>	<u>78,229</u>	<u>-</u>	<u>2,195,363</u>	<u>102,500</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	5,123	584,235	127,055	-	225,259	102,083
Debt service - principal and interest	797,720	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>802,843</u>	<u>584,235</u>	<u>127,055</u>	<u>-</u>	<u>225,259</u>	<u>102,083</u>
Excess (deficiency) of receipts over disbursements	<u>1,306,157</u>	<u>(100,243)</u>	<u>(48,826)</u>	<u>-</u>	<u>1,970,104</u>	<u>417</u>
Cash and investments - ending	<u>\$ 2,907,709</u>	<u>\$ (9,860)</u>	<u>\$ 18,664</u>	<u>\$ 81,486</u>	<u>\$ 2,063,219</u>	<u>\$ 30,008</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Facade Rebate Program	Human Relations Fund	Cut And Clean	Graffiti Removal	Public Defender	Background Checks
Cash and investments - beginning	\$ 42,994	\$ 5,185	\$ 162,393	\$ 1,574	\$ 400	\$ 620
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	700	955
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>250,000</u>	<u>6,500</u>	<u>355,877</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Total receipts	<u>250,000</u>	<u>6,500</u>	<u>355,877</u>	<u>25,000</u>	<u>700</u>	<u>955</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	104,001	3,308	280,230	13,333	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>104,001</u>	<u>3,308</u>	<u>280,230</u>	<u>13,333</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>145,999</u>	<u>3,192</u>	<u>75,647</u>	<u>11,667</u>	<u>700</u>	<u>955</u>
Cash and investments - ending	<u>\$ 188,993</u>	<u>\$ 8,377</u>	<u>\$ 238,040</u>	<u>\$ 13,241</u>	<u>\$ 1,100</u>	<u>\$ 1,575</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	State Forfeited Property	Federal Prisoners	Impaired Driver	Redevelopment Commission Operating	TIF Allocation Marina Expansion	TIF Allocation Columbia Plaza
Cash and investments - beginning	\$ 95,268	\$ 135,068	\$ -	\$ (294,191)	\$ 7,295,705	\$ 944,921
Receipts:						
Taxes	-	-	-	476,362	8,048,984	162,013
Licenses and permits	-	-	-	-	-	-
Intergovernmental	39,999	-	61,600	-	-	-
Charges for services	-	118,291	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	40	-	-
Total receipts	<u>39,999</u>	<u>118,291</u>	<u>61,600</u>	<u>476,402</u>	<u>8,048,984</u>	<u>162,013</u>
Disbursements:						
Personal services	-	-	59,610	320,154	-	-
Supplies	-	-	-	-	-	-
Other services and charges	113,542	112,111	-	65,618	3,930,483	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	1,550	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	1,044,921
Total disbursements	<u>113,542</u>	<u>112,111</u>	<u>59,610</u>	<u>387,322</u>	<u>3,930,483</u>	<u>1,044,921</u>
Excess (deficiency) of receipts over disbursements	<u>(73,543)</u>	<u>6,180</u>	<u>1,990</u>	<u>89,080</u>	<u>4,118,501</u>	<u>(882,908)</u>
Cash and investments - ending	<u>\$ 21,725</u>	<u>\$ 141,248</u>	<u>\$ 1,990</u>	<u>\$ (205,111)</u>	<u>\$ 11,414,206</u>	<u>\$ 62,013</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	TIF Allocation Lear	Park Tourism	Economic Development Tourism	TIF Allocation Downtown	Redevelopment Commission Grant	Asbestos Program
Cash and investments - beginning	\$ 1,625,099	\$ 132	\$ 15,496	\$ 655,765	\$ 239,646	\$ 4,262
Receipts:						
Taxes	110,389	16,020	10,800	1,396,066	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	226	11,731	10,743	-
Total receipts	<u>110,389</u>	<u>16,020</u>	<u>11,026</u>	<u>1,407,797</u>	<u>10,743</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	15,274	8,107	808,240	184,363	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	4,262
Total disbursements	<u>-</u>	<u>15,274</u>	<u>8,107</u>	<u>808,240</u>	<u>184,363</u>	<u>4,262</u>
Excess (deficiency) of receipts over disbursements	<u>110,389</u>	<u>746</u>	<u>2,919</u>	<u>599,557</u>	<u>(173,620)</u>	<u>(4,262)</u>
Cash and investments - ending	<u>\$ 1,735,488</u>	<u>\$ 878</u>	<u>\$ 18,415</u>	<u>\$ 1,255,322</u>	<u>\$ 66,026</u>	<u>\$ -</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Hydrant Rental	Penalties	Title V Permits	EPA Grant	Human Relations Federal	Local Seizure
Cash and investments - beginning	\$ (196,444)	\$ 3,126,073	\$ (4)	\$ 3,212	\$ 83,553	\$ 32,893
Receipts:						
Taxes	197,137	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	31,231	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	677,036	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	7,568	49	-	74	-
Total receipts	<u>197,137</u>	<u>684,604</u>	<u>49</u>	<u>-</u>	<u>31,305</u>	<u>-</u>
Disbursements:						
Personal services	-	578,811	-	-	6,943	-
Supplies	-	3,398	-	-	-	-
Other services and charges	182,112	77,815	-	-	47,636	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	6,889	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	1,470	45	3,212	-	-
Total disbursements	<u>182,112</u>	<u>668,383</u>	<u>45</u>	<u>3,212</u>	<u>54,579</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>15,025</u>	<u>16,221</u>	<u>4</u>	<u>(3,212)</u>	<u>(23,274)</u>	<u>-</u>
Cash and investments - ending	<u>\$ (181,419)</u>	<u>\$ 3,142,294</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,279</u>	<u>\$ 32,893</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	SEMA Grant	Community Development Block Grant	CDBG Donations	TIF Allocation Home Depot	TIF Allocation Woodmar	TIF Allocation Woodmar Gateways
Cash and investments - beginning	\$ 605	\$ 89,301	\$ 9,325	\$ 427,629	\$ 845,065	\$ -
Receipts:						
Taxes	-	-	-	791,258	1,566,869	1,989,798
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	3,546,752	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	150,185	5,375	-	1,044,921	-
Total receipts	-	3,696,937	5,375	791,258	2,611,790	1,989,798
Disbursements:						
Personal services	-	539,440	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	2,455,284	10,634	3,225	2,591,454	1,326,532
Debt service - principal and interest	-	480,476	-	127,800	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	3,475,200	10,634	131,025	2,591,454	1,326,532
Excess (deficiency) of receipts over disbursements	-	221,737	(5,259)	660,233	20,336	663,266
Cash and investments - ending	\$ 605	\$ 311,038	\$ 4,066	\$ 1,087,862	\$ 865,401	\$ 663,266

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Inspection/ Rental	Home Depot Bond	Cabela's Bond Fund	Animal Control Donations	Evidence Money	Community And Economic Development
Cash and investments - beginning	\$ -	\$ 1	\$ 774,853	\$ 2,205	\$ 17,697	\$ 63,946
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	126,965	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	1,326,543	762	53,453	203,575
Total receipts	<u>126,965</u>	<u>-</u>	<u>1,326,543</u>	<u>762</u>	<u>53,453</u>	<u>203,575</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	1,193	-	-
Other services and charges	-	-	10	-	50,634	242,794
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>10</u>	<u>1,193</u>	<u>50,634</u>	<u>242,794</u>
Excess (deficiency) of receipts over disbursements	<u>126,965</u>	<u>-</u>	<u>1,326,533</u>	<u>(431)</u>	<u>2,819</u>	<u>(39,219)</u>
Cash and investments - ending	<u>\$ 126,965</u>	<u>\$ 1</u>	<u>\$ 2,101,386</u>	<u>\$ 1,774</u>	<u>\$ 20,516</u>	<u>\$ 24,727</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Homelessness Prevention And Rapid Re-Housing Program (HPRP)	Neighborhood Stabilization Program (NSP)	Engineering	Energy Efficiency & Conservation Block Grant (EECBG)	Corporation Bond	Judgment Bond Project
Cash and investments - beginning	\$ (65,456)	\$ (44,903)	\$ -	\$ -	\$ (124,073)	\$ 5,401
Receipts:						
Taxes	-	-	-	-	555,413	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	914,093	1,846,743	-	266,015	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	15,716,047	-	-	-
Total receipts	914,093	1,846,743	15,716,047	266,015	555,413	-
Disbursements:						
Personal services	76,612	100,050	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	788,108	450,164	6,360,189	336,337	3,649	-
Debt service - principal and interest	-	-	-	-	860,629	-
Capital outlay	-	1,273,183	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	2,712,192	-	-	-
Total disbursements	864,720	1,823,397	9,072,381	336,337	864,278	-
Excess (deficiency) of receipts over disbursements	49,373	23,346	6,643,666	(70,322)	(308,865)	-
Cash and investments - ending	<u>\$ (16,083)</u>	<u>\$ (21,557)</u>	<u>\$ 6,643,666</u>	<u>\$ (70,322)</u>	<u>\$ (432,938)</u>	<u>\$ 5,401</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	River Park Debt Service Reserve	River Park Debt Service Bond & Interest	2006 Judgment Bond	Riverboat Loan	Cumulative Capital Development	Cumulative Capital Improvement
Cash and investments - beginning	\$ 2,558,445	\$ 1,959,124	\$ 14,343	\$ -	\$ 161,197	\$ 254,653
Receipts:						
Taxes	-	-	-	-	272,120	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	243,162
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	101,899	2,481,801	364,490	7,500,000	-	-
Total receipts	<u>101,899</u>	<u>2,481,801</u>	<u>364,490</u>	<u>7,500,000</u>	<u>272,120</u>	<u>243,162</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	37	125	378,833	1,700,000	1,747	23,696
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	177,450	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	2,476,116	-	-	-	-
Total disbursements	<u>37</u>	<u>2,476,241</u>	<u>378,833</u>	<u>1,700,000</u>	<u>179,197</u>	<u>23,696</u>
Excess (deficiency) of receipts over disbursements	<u>101,862</u>	<u>5,560</u>	<u>(14,343)</u>	<u>5,800,000</u>	<u>92,923</u>	<u>219,466</u>
Cash and investments - ending	<u>\$ 2,660,307</u>	<u>\$ 1,964,684</u>	<u>\$ -</u>	<u>\$ 5,800,000</u>	<u>\$ 254,120</u>	<u>\$ 474,119</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	River Park Capital	Major Moves	Lost Marsh Golf Course	Lost Marsh Clubhouse Construction	Redevelopment Authority Debt Service	Redevelopment Commission Lease Payment
Cash and investments - beginning	\$ 654,571	\$ 20,528	\$ (244,270)	\$ 560,668	\$ -	\$ 2,814,863
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>2,476,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,764,214</u>	<u>2,768,917</u>
Total receipts	<u>2,476,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,764,214</u>	<u>2,768,917</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	102,911	3,177	-	-	-	-
Debt service - principal and interest	2,571,414	-	-	-	1,393,746	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>560,668</u>	<u>1,878,818</u>	<u>5,583,780</u>
Total disbursements	<u>2,674,325</u>	<u>3,177</u>	<u>-</u>	<u>560,668</u>	<u>3,272,564</u>	<u>5,583,780</u>
Excess (deficiency) of receipts over disbursements	<u>(198,148)</u>	<u>(3,177)</u>	<u>-</u>	<u>(560,668)</u>	<u>5,491,650</u>	<u>(2,814,863)</u>
Cash and investments - ending	<u>\$ 456,423</u>	<u>\$ 17,351</u>	<u>\$ (244,270)</u>	<u>\$ -</u>	<u>\$ 5,491,650</u>	<u>\$ -</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (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
Cash and investments - beginning	\$ 1,257,897	\$ 842,375	\$ 1,250,000	\$ 1,866,243	\$ 1,196,712
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	295,000	2,044,197	200,000	-
Total receipts	-	295,000	2,044,197	200,000	-
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	842,375	1,088,088	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	1,257,897	295,000	238,083	2,066,243	1,196,712
Total disbursements	1,257,897	1,137,375	1,326,171	2,066,243	1,196,712
Excess (deficiency) of receipts over disbursements	(1,257,897)	(842,375)	718,026	(1,866,243)	(1,196,712)
Cash and investments - ending	\$ -	\$ -	\$ 1,968,026	\$ -	\$ -

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Unilever TIF 2002 Capital Improvement	Self-Insurance	Centrex	Diesel Fuel Tax	Unemployment	1925 Police Pension
Cash and investments - beginning	\$ 28,077	\$ 321,376	\$ (13,034)	\$ 5,115	\$ (154,625)	\$ (316,331)
Receipts:						
Taxes	-	-	-	-	-	439,135
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	5,719,501
Charges for services	-	17,192,515	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	491,359	15,180	14,424	1,469	-
Total receipts	-	17,683,874	15,180	14,424	1,469	6,158,636
Disbursements:						
Personal services	-	-	-	-	-	5,087,527
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	74,301
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	28,077	18,007,466	17,583	25,880	179,842	-
Total disbursements	28,077	18,007,466	17,583	25,880	179,842	5,161,828
Excess (deficiency) of receipts over disbursements	(28,077)	(323,592)	(2,403)	(11,456)	(178,373)	996,808
Cash and investments - ending	\$ -	\$ (2,216)	\$ (15,437)	\$ (6,341)	\$ (332,998)	\$ 680,477

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	1937 Firefighters' Pension	Payroll Withholdings	Court Costs Due County	Deferral Program	Pretrial Deferral	City Clerk
Cash and investments - beginning	\$ 138,377	\$ 764	\$ 10,990	\$ 19,148	\$ 500	\$ 1,847,957
Receipts:						
Taxes	472,986	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	4,660,537	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	11,085,392	139,137	18,258	62,984	4,298,967
Total receipts	<u>5,133,523</u>	<u>11,085,392</u>	<u>139,137</u>	<u>18,258</u>	<u>62,984</u>	<u>4,298,967</u>
Disbursements:						
Personal services	5,085,658	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	88,672	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	11,091,701	138,995	-	57,670	4,197,657
Total disbursements	<u>5,174,330</u>	<u>11,091,701</u>	<u>138,995</u>	<u>-</u>	<u>57,670</u>	<u>4,197,657</u>
Excess (deficiency) of receipts over disbursements	<u>(40,807)</u>	<u>(6,309)</u>	<u>142</u>	<u>18,258</u>	<u>5,314</u>	<u>101,310</u>
Cash and investments - ending	<u>\$ 97,570</u>	<u>\$ (5,545)</u>	<u>\$ 11,132</u>	<u>\$ 37,406</u>	<u>\$ 5,814</u>	<u>\$ 1,949,267</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Marina Operations Fund 626	Marina Construction Fund 627	Gaming Fund 628	Lakefront Mgmt Fund 629	Lost Marsh Golf Course Fund 630	Wolf Lake Operations Fund 631
Cash and investments - beginning	\$ 93,458	\$ 108,140	\$ 650,494	\$ 2,881	\$ 122,176	\$ 55,200
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	807,157	-
Other receipts	4,994,163	13,690,698	8,561,869	75,000	1,171,442	254,403
Total receipts	<u>4,994,163</u>	<u>13,690,698</u>	<u>8,561,869</u>	<u>75,000</u>	<u>1,978,599</u>	<u>254,403</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	340,412	-	-	-
Capital outlay	290,800	11,086,363	200,386	-	518,010	-
Utility operating expenses	1,137,550	-	4,306,428	69,287	417,363	36,792
Other disbursements	3,277,773	198,982	2,179,439	1,147	563,695	150,100
Total disbursements	<u>4,706,123</u>	<u>11,285,345</u>	<u>7,026,665</u>	<u>70,434</u>	<u>1,499,068</u>	<u>186,892</u>
Excess (deficiency) of receipts over disbursements	<u>288,040</u>	<u>2,405,353</u>	<u>1,535,204</u>	<u>4,566</u>	<u>479,531</u>	<u>67,511</u>
Cash and investments - ending	<u>\$ 381,498</u>	<u>\$ 2,513,493</u>	<u>\$ 2,185,698</u>	<u>\$ 7,447</u>	<u>\$ 601,707</u>	<u>\$ 122,711</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	First Tee Program Fund 632	Pre Treatment	Sewer Maintenance	Operating	Replacement	Unemployment
Cash and investments - beginning	\$ 116,350	\$ 208,117	\$ 33,233	\$ 186,734	\$ 706,011	\$ 50,000
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	9,669	-	-
Other receipts	487	313,281	4,305,734	13,879,507	675,000	19,015
Total receipts	487	313,281	4,305,734	13,889,176	675,000	19,015
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	35,552	265,826	3,521,137	13,418,671	431,775	-
Other disbursements	81,285	-	800,000	400,000	-	19,015
Total disbursements	116,837	265,826	4,321,137	13,818,671	431,775	19,015
Excess (deficiency) of receipts over disbursements	(116,350)	47,455	(15,403)	70,505	243,225	-
Cash and investments - ending	\$ -	\$ 255,572	\$ 17,830	\$ 257,239	\$ 949,236	\$ 50,000

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Excess Levy	GIS Electronics	Construction	Great Lakes Legacy	Debt Service	2007 Bond Issue
Cash and investments - beginning	\$ -	\$ 2,039	\$ 219,964	\$ -	\$ 1,522,647	\$ 560,427
Receipts:						
Taxes	22,769	-	105,106	-	46,113	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	249,891	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	6,400,174	-
Total receipts	<u>22,769</u>	<u>-</u>	<u>105,106</u>	<u>249,891</u>	<u>6,446,287</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	5,836,238	-
Capital outlay	-	-	325,070	-	-	-
Utility operating expenses	-	-	-	249,891	-	515,858
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>325,070</u>	<u>249,891</u>	<u>5,836,238</u>	<u>515,858</u>
Excess (deficiency) of receipts over disbursements	<u>22,769</u>	<u>-</u>	<u>(219,964)</u>	<u>-</u>	<u>610,049</u>	<u>(515,858)</u>
Cash and investments - ending	<u>\$ 22,769</u>	<u>\$ 2,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,132,696</u>	<u>\$ 44,569</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	2010 Bond Issue	SRF Phase 6	Stormwater Utility	Sanitation Utility	Recycling Utility	Water Utility	Totals
Cash and investments - beginning	\$ -	\$ 8,507,076	\$ 189,285	\$ 308,897	\$ 5,534	\$ 8,207,995	\$ 57,555,915
Receipts:							
Taxes	-	-	-	-	350,000	-	52,454,164
Licenses and permits	-	-	-	-	-	-	1,428,389
Intergovernmental	-	-	-	-	-	-	23,230,724
Charges for services	-	-	-	-	-	-	21,259,271
Fines and forfeits	-	-	-	-	-	-	1,028,751
Utility fees	-	-	-	3,896,435	300,000	8,536,107	13,549,368
Other receipts	<u>9,632,727</u>	<u>41,239</u>	<u>2,058,027</u>	<u>237,370</u>	<u>740,310</u>	<u>406,558</u>	<u>193,079,751</u>
Total receipts	<u>9,632,727</u>	<u>41,239</u>	<u>2,058,027</u>	<u>4,133,805</u>	<u>1,390,310</u>	<u>8,942,665</u>	<u>306,030,418</u>
Disbursements:							
Personal services	-	-	-	-	-	-	68,701,658
Supplies	-	-	-	-	-	-	2,262,330
Other services and charges	-	-	-	-	-	-	50,699,318
Debt service - principal and interest	-	-	-	209,010	-	-	15,049,997
Capital outlay	308,658	1,647,809	900,000	-	-	2,827,664	19,949,928
Utility operating expenses	111,986	-	215,117	2,470,067	1,109,685	9,021,748	37,334,733
Other disbursements	<u>950,000</u>	<u>-</u>	<u>950,000</u>	<u>1,671,191</u>	<u>275,000</u>	<u>615,000</u>	<u>100,043,687</u>
Total disbursements	<u>1,370,644</u>	<u>1,647,809</u>	<u>2,065,117</u>	<u>4,350,268</u>	<u>1,384,685</u>	<u>12,464,412</u>	<u>294,041,651</u>
Excess (deficiency) of receipts over disbursements	<u>8,262,083</u>	<u>(1,606,570)</u>	<u>(7,090)</u>	<u>(216,463)</u>	<u>5,625</u>	<u>(3,521,747)</u>	<u>11,988,767</u>
Cash and investments - ending	<u>\$ 8,262,083</u>	<u>\$ 6,900,506</u>	<u>\$ 182,195</u>	<u>\$ 92,434</u>	<u>\$ 11,159</u>	<u>\$ 4,686,248</u>	<u>\$ 69,544,682</u>

CITY OF HAMMOND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

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	\$ 78,656,553
Infrastructure	187,656,553
Buildings	48,432,999
Improvements other than buildings	47,655,674
Machinery and equipment	25,461,560
Construction in progress	<u>219,347</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u><u>388,082,686</u></u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 134,466
Construction in progress	4,179,245
Capital assets, net of depreciation:	
Source and supply	5,455,861
Distribution lines	22,708,508
General building	279,125
Pumping, treatment, and general equipment	<u>7,783,823</u>
 Total Water Utility capital assets	 <u>40,541,028</u>
 Sanitary District:	
Capital assets, not being depreciated:	
Land	497,919
Construction in progress	23,283,736
Capital assets, net of depreciation:	
Land improvements	64,943,633
Buildings	20,716,749
Buildings improvements	2,457,510
Major equipment	20,562,065
Minor equipment	<u>1,452,471</u>
 Total Sanitary District capital assets	 <u>133,914,083</u>
 Sanitation Utility:	
Capital assets, net of depreciation:	
Major equipment	<u>570,763</u>
 Recycling Utility:	
Capital assets, net of depreciation:	
Equipment	<u>210,844</u>
 Port Authority:	
Capital assets, not being depreciated	
	<u>48,452,228</u>
 Total business-type activities capital assets, net of depreciation	 \$ <u><u>223,688,946</u></u>

CITY OF HAMMOND
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2010

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital lease:		
2007 Fire truck	\$ 797,892	\$ 287,638
Loans payable:		
2003A HUD section 108	429,000	344,276
2006A HUD section 108	2,370,000	122,712
Horseshoe \$7.5 million advance*	3,839,460	3,839,460
2006 Town of Highland interlocal cooperative agreement**	1,750,000	73,172
Bonds payable:		
General obligation bonds:		
2005A & B River Park bond bank	15,115,000	2,571,589
2006 Judgment	2,315,000	378,212
2008A Judgment	4,415,000	596,890
Revenue bonds:		
2006 Redevelopment authority marina project refunding***	4,985,000	1,392,984
2006 Economic Development Commission Home Depot	1,100,000	129,050
2007 Cabela's project economic development	25,930,000	972,375
2008 Lost Marsh Clubhouse project	12,110,000	1,722,512
Total governmental activities debt	<u>\$ 75,156,352</u>	<u>\$ 12,430,870</u>
Business-type activities:		
Sanitary District:		
Loans payable:		
State revolving fund loans (SRF)	\$ 40,239,900	\$ 4,425,650
General obligation bonds:		
2003 special taxing district refunding for capital improvements	880,000	320,441
2007 special taxing district for capital improvements	3,305,000	755,706
2010 special taxing district for capital improvements	9,605,000	555,580
Total Sanitary District	<u>54,029,900</u>	<u>6,057,377</u>
Water Utility:		
Loan payable:		
2009 redevelopment loan	1,415,153	1,415,153
Total business-type activities debt	<u>\$ 55,445,053</u>	<u>\$ 7,472,530</u>

* The Horseshoe Casino advanced \$7,500,000 to the City for economic development projects for education. Under the terms of the promissory note, the Horseshoe shall recoup the advance by retaining any amounts due the City in accordance with Section 5.01 of the Hammond Riverboat Gaming Project Development Agreement after the annual distribution of \$18,266,979 to the City.

** 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.

*** The Hammond Redevelopment Commission and Hammond Port Authority approved the Second Amended and Restated Operating Agreement which allowed the Hammond Redevelopment Authority to defease the \$4,985,000 of the outstanding amount of the Hammond Redevelopment Authority Taxable Lease Rental Bonds, Series 2006 in December 2010. The defeasance transferred certain cash and securities into an irrevocable escrow trust which will be sufficient to pay on each principal and interest payment date, commencing February 1, 2011 through and including February 1, 2014, of the 2006 bonds when due. The activity of the irrevocable escrow trust is reported on the City's financial statement in the Redevelopment Authority Debt Service Fund and had a December 31, 2010 balance of \$5,491,650.

CITY OF HAMMOND
OTHER REPORT(S)

The annual report presented herein was prepared in addition to other official report(s) prepared for the individual City office(s) listed below:

City Clerk
City Court
Sanitary District
Water Utility

CITY OF HAMMOND
AUDIT RESULT(S) AND COMMENT(S)

INTERNAL CONTROLS OVER BANK RECONCILEMENTS

Monthly reconcilements shall be prepared to verify the existence/occurrence and completeness of the City's accounting records. Documentation of management review of the monthly bank reconcilements was not provided. Management should review the monthly bank reconcilements to ensure the reconciled bank balances agree to the ledger balances and that reconciling items are appropriate and supportable. Reconciling items noted should then be timely posted to the ledgers within the following month to ensure informed management decisions. Monthly reconcilements should be expected to be completed within the following month after month end. A similar comment was stated in the prior report.

A review of the 2010 monthly bank reconcilements prepared by the City noted the following items:

1. The dates designated on the 2010 monthly bank reconcilements indicated that the monthly reconcilements were not completed timely. Untimely reconciling of the City's bank accounts inhibits management's ability to make informed financial decisions. The following details the month to be reconciled and when the monthly reconciliation was actually completed:

<u>Month</u>	<u>Reconcilement Date</u>
January	May 2010
February	Sept 2010
March	Sept 2010
April	Sept 2010
May	Nov 2010
June	Nov 2010
July	Nov 2010
August	Nov 2010
September	Dec 2010
October	March 2011
November	March 2011
December	March 2011

2. The City's bank account activity included deposits and/or electronic fund transfers (EFTs) received by the bank that were not receipted and posted to the City's ledger by month end. Monthly bank reconcilements, performed on a timely basis, would allow for outstanding deposits to be receipted and posted to the ledger during the following month. An analysis of the City's monthly bank reconcilements outstanding deposit amounts noted that outstanding deposits are not timely receipted and posted to the City's ledger. The following table details the monthly outstanding deposits not receipted and posted by the following month:

CITY OF HAMMOND
 AUDIT RESULT(S) AND COMMENT(S)
 (Continued)

Month	Outstanding Deposits Not Posted By The Following Month
January	\$ 131,330
February	477,641
March	453,540
April	563,771
May	416,799
June	416,799
July	420,901
August	1,832,495
September	985,041
October	5,050,241
November	11,675
December	10,730

3. The City's general bank account for December 2010 included a \$154,694 reconciling item for two March 2010 electronic wire transfers out for vendor payments that had not been posted to the City's ledger. However, upon further review of the disbursement ledger, the electronic transfers out were posted to the City's ledger on March 29 and April 3, 2010. Once the City posted the disbursement to the City's ledger to support the electronic transfers out, the reconciling item should not have been a reconciling issue on the City's monthly reconciliation after March 2010. However, a monthly "outstanding wire xfers" reconciling item was carried on the monthly reconciliations from April to December 2010.

4. During our review of the City's annual debt payments, we discovered that a \$77,737.85 Section 108 loan repayment to the U.S. Department of Housing and Urban Development was paid by both, a written check and electronic wire transfer in January 2010. The loan trustee sent a reimbursement check to the City for the duplicate payment. The reimbursement check was deposited and receipted back to the fund from which it was paid. On January 15, 2010, a \$77,737.85 disbursement was posted for the check issued for the loan payment. However, the City voided the original check even though it cleared the bank and a negative (\$77,737.85) disbursement was posted on March 18, 2010, to reverse the January 15, 2010 entry. Thus, the City's attempt to correct the situation netted to an overstatement of the fund by \$155,475.70. The overstatement was not identified as a reconciling item on the April to December 2010 bank reconciliation until it was discovered by the field examiner in March 2011. On March 31, 2011, the City posted a negative (\$155,475.70) receipt to correct the 2010 posting errors.

5. A dormant payroll bank account remains open to allow any outstanding checks to clear the account for the allowable two year period before the checks can be voided by the City. The following items were noted based on our review of the December 2010 reconciliation:

CITY OF HAMMOND
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

- a. The City's reconciliation included a reconciling item for old outstanding checks that were already voided and properly receipted to the ledger in 2010.
 - b. The City's reconciliation did not include the bank's account analysis charge, totaling \$4,452.93 from the prior audit, as a reconciling item nor were the charges posted to the City's ledger in 2010.
 - c. In March 2011, the Deputy Controller determined that checks totaling \$19,750 had actually cleared the bank in 2009 and 2010 without being cleared in the City's accounting system and remained on the City's detail of outstanding checks at year end.
 - d. The Deputy Controller also determined that during 2010 three amended payroll checks cleared the dormant payroll bank account that should have been processed through the City's new payroll bank account. A \$3,142.46 reconciling item reflecting the bank to bank transfer between the dormant and new payroll bank accounts were not included on either reconciliations.
6. The City's December reconciliation for the main checking account included reconciling items outstanding since the beginning of the year. The reconciling items were for \$4,148.26 of nonsufficient checks (NSF) returned to the City, \$1,988.52 of bank service charges not posted to the ledger, and \$18.75 of net bank adjustments. The bank adjustments included differences noted with the federal and state taxes paid.

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 reconciliations 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.

The record balance at the end of every month shall be reconciled with the bank balance. [IC 5-13-6-1] Thus, any errors may be discovered and adjusted monthly. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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.

CITY OF HAMMOND
 AUDIT RESULT(S) AND COMMENT(S)
 (Continued)

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 2010 that was materially inaccurate. The City's grant schedule did not include the proper Catalog of Federal Domestic Assistance (CFDA) titles and numbers for the following grants:

Program Title	CFDA# Per City	Federal CFDA#
CDBG - Entitlement Grants Custer - Neighborhood Stabilization Program	14.859	14.218
ARRA Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	--	14.253
Emergency Shelter Grants Program	14.218	14.231
HOME Investment Partnerships Program	14.403	14.239
ARRA Homelessness Prevention and Rapid Re-Housing Program	14.235	14.257
Fair Housing Assistance Program - State and Local	14.403	14.401
Federal Equity Sharing	--	16.xxx
ARRA Federal Transit - Formula Grants	--	20.507
State and Community Highway Safety	20.604	20.600
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.604	20.601
Capitalization Grants for Clean Water State Revolving Funds	--	66.458
ARRA Capitalization Grants for Drinking Water State Revolving Funds	--	66.468
ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	--	81.128

In addition, grants awarded through the American Recovery and Reinvestment Act of 2009 (ARRA) were not identified on the City's grant schedule. The following grants were determined to be ARRA funded grants:

CFDA#	Program Title	Expended
14.253	ARRA Community Development Block Grant ARRA Entitlement Grants (CDBG-R) \$	549,779
14.257	ARRA Homelessness Prevention and Rapid Re-Housing Program	864,720
20.205	ARRA Highway Planning and Construction	58,484
20.507	ARRA Federal Transit - Formula Grants	209,378
66.468	ARRA Capitalization Grants for Drinking Water State Revolving Funds	1,072,682
81.128	ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	336,337

Furthermore, the City's grant schedule included receipts and disbursements of the Technology Grant Fund #288; however, these receipts and disbursements were determined to not be federal funding. The Technology Grant Fund accounts for the City's Certified Technology Park established by Indiana Code 36-7-32 whereby the City can capture incremental sales and income taxes from the State of Indiana.

CITY OF HAMMOND
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

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.

§___.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."

2 CFR 176.210 for Recovery Act transactions listed in Schedule of Expenditures of Federal Awards states in part:

"The award term described in this section shall be used by agencies to clarify recipient responsibilities regarding tracking and documenting Recovery Act expenditures: . . .

(b) For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, 'Audits of States, Local Governments, and Non-Profit Organizations,' recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data

CITY OF HAMMOND
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

Collection Form (SF-SAC) required by OMB Circular A-133. OMB Circular A-133 is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>. This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix 'ARRA-' in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC."

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 County Auditors of Indiana, Chapter 14)

ANNUAL REPORT

The City Controller completed and filed the required Annual Report within 60 days after the year end. However, a comparison of the Annual Report to the ledgers noted the following:

1. Part 1 - Statement of Receipts, Disbursements, Cash Balances, and Investment Balances (Governmental Funds) did not agree to the City's cash and investments balance at year end. The Annual Report cash and investment balance was \$8,383,205 less than the City's ledger balance.
2. The Public Defender, Inspection/Rental, and Riverboat Loan Funds were omitted from the Annual Report. The total annual receipts, disbursements, and ending cash balance for all omitted funds were \$7,628,065, \$1,700,000, and \$5,928,065, respectively.
3. The Annual Report omitted \$6,120,425 of transfers in and out between funds. The omission of the transfers caused 14 funds ending reported cash balances to disagree with the City's ledger balances.
4. The Cabela's Bond Fund (#408) did not include \$2,101,385 of receipts posted to the City's detail of receipts ledger.
5. The Energy Efficiency and Conservation Block Grant Fund (#017) and the State Forfeited Fund (#220) did not include \$336,337 and \$113,542, respectively, of disbursements posted to the City's detail of disbursements ledgers.

The City Controller corrected the discrepancies noted above and filed an amended Annual Report with the State Examiner. In addition, the City Controller approved the adjustments to the financial statements presented herein to reflect the total receipt and disbursement activity.

Furthermore, the City advertised Part 1 - Statement of Receipts, Disbursements, Cash Balances, and Investment Balances (Governmental Funds). The totals advertised did not agree to the City's ledger. The advertised cash and investment balance was \$6,246,674 greater than the City's ledger balance. In addition, even though the City's Annual Report filed with the State Examiner included the activity of the City's Sanitary District, Water Utility, and Port Authority, the activity advertised did not include the receipt, disbursements, and ending cash balance of the City's Sanitary District, Water Utility, and Port Authority. Therefore, the receipts and disbursements of the City's Sanitary District, Water Utility, and Port Authority were not published as required by law. A similar comment appeared in the prior report.

CITY OF HAMMOND
 AUDIT RESULT(S) AND COMMENT(S)
 (Continued)

Indiana Code 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

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

Indiana Code 5-3-1-3(a) states: "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 during the preceding calendar year." Indiana Code 5-3-1-9 states: "A person who fails to comply with this article commits a Class C infraction."

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn as of December 31, 2010:

Fund Name	Amount
General	\$ 28,203,730
Motor Vehicle Highway	1,069,267
Transit	375,309
Parks and Recreation	2,159,874
Task Force	62,767
Redevelopment Commission Operating	205,111
Public Safety	14,148
Water Hydrant Rental	181,419
Affordable Housing	9,860
Homelessness Prevention and Rapid Re-Housing Program (HPRP)	16,083
Neighborhood Stabilization Program (NSP)	21,557
EECBG (Energy Efficiency & Conservation Block Grant)	70,322
Corporation Bond	432,938
Lost Marsh Golf Course	244,270
Centrex	15,437
Diesel Fuel Tax	6,341
Self-Insurance	2,216
Unemployment	332,998
Payroll Withholding	5,545
Total Overdrawn Funds	\$ 33,429,192

CITY OF HAMMOND
 AUDIT RESULT(S) AND COMMENT(S)
 (Continued)

The City did not receive the final 2010 property tax settlement distribution from the Auditor of Lake County until January 2011. However, the General and Water Hydrant Rental Funds would still have had negative cash balances of \$12,822,321 and \$101,662, respectively, at year end if the distribution was received and posted by year end.

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)

DISBURSEMENTS NOT COUNCIL APPROVED

The City prepares an annual budget for the Gaming Revenues Fund. The budget includes line items that allow for the Mayor and six Council members to have "discretionary" funds. The Mayor and each six district Council members decide how to spend their specific allotment restricted to the purposes described in the ordinance. Some of the funds are used to pay for street paving, sidewalk repairs, repayment of debt, etc. In these instances, the vendor is paid directly from the Gaming Revenues Fund and the claim is submitted to the Common Council for approval.

However, in other instances, the Mayor or district Council member may decide to donate or transfer funds to other City departments for specific projects. For example, funds are donated or transferred to the General, Park Gaming 2, Task Force, Engineering, College Bound, Facade Rebate Program, Demolition, Cut and Clean, Graffiti Removal, Homebound, and Public Safety Funds. In these instances, a request for a transfer is approved by the Mayor and the Board of Works. After approvals are granted, the City Controller records a cash disbursement, classified as a transfer, to the Gaming Revenues Fund. The disbursements classified as transfers are not submitted to the Common Council for approval as required by Indiana Code 5-11-10-1.6(c). The breakdown of the Gaming Revenues Fund disbursements that were properly approved by the Common Council and the disbursements classified as transfers that were not properly approved are detailed below:

	<u>Approved</u> <u>Disbursements</u>	<u>Transfers Not</u> <u>Approved</u>	<u>Total</u> <u>Disbursements</u>
District One	\$ 148,390	\$ 3,734,705	\$ 3,883,095
District Two	460,091	2,891,759	3,351,850
District Three	922,571	3,821,031	4,743,602
District Four	645,002	4,726,448	5,371,450
District Five	887,043	2,799,533	3,686,576
District Six	1,215,472	3,299,738	4,515,210
Shared 10%	6,652,497	3,302,000	9,954,497
Mayor 30%	<u>4,197,708</u>	<u>7,107,600</u>	<u>11,305,308</u>
 Total	 <u>\$ 15,128,774</u>	 <u>\$ 31,682,814</u>	 <u>\$ 46,811,588</u>

CITY OF HAMMOND
 AUDIT RESULT(S) AND COMMENT(S)
 (Continued)

Indiana Code 5-11-10-1.6 states in part:

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

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (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. . . .

(d) The fiscal officer of a governmental entity shall issue checks or warrants for claims by the governmental entity that meet all of the requirements of this section. The fiscal officer does not incur personal liability for disbursements:

- (1) processed in accordance with this section; and
- (2) for which funds are appropriated and available."

DISBURSEMENTS EXCEED APPROPRIATIONS

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

Fund	Disbursements in Excess of Approved Appropriations
General	\$ 2,711,309
Redevelopment Commission Operating	387,322
Water Hydrant Rental	136,387
Police Pension	534,035
Fire Pension	686,248

For the Redevelopment Commission Operating Fund, the Indiana Department of Local Government Finance (IDLGF) did not approve a 2010 budget. The Redevelopment Commission had the opportunity to provide a written response to the IDLGF for any errors noticed. The Redevelopment Commission did not respond at that time to restore the budget that was denied but opted to obtain additional appropriations. However, the Redevelopment Commission did not initiate the additional appropriation process during 2010, resulting in the Redevelopment Commission Operating Fund to not have an appropriation from which a warrant could have been drawn upon.

CITY OF HAMMOND
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

Indiana Code 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."

Indiana Code 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."

Indiana Code 6-1.1-18-10(a) states:

"If the proper officers of a political subdivision make an appropriation for an item which exceeds the amount which they are permitted to appropriate under this chapter, they are guilty of malfeasance in office and are liable to the political subdivision in an amount equal to the sum of one hundred and twenty-five percent (125%) of the excess so appropriated and court costs."

Indiana Code 36-4-8-2 states in part:

"Money may be paid out of the city treasury only on warrant of the city fiscal officer. Unless a statute provides otherwise, the fiscal officer may draw a warrant against a fund of the city only if:

- (1) an appropriation has been made for that purpose and the appropriation is not exhausted; . . ."

PAYROLL DEFICIENCIES

1. The City's salaried employees are paid bi-weekly on Friday based on "Payroll Earnings Forecast" submitted by the departments to the City Controller's office on the previous Friday. The pay period for the salaried employees is the week of pay day and the week before pay day. The "Payroll Earnings Forecasts," which are signed by each department head, states in part: "I, hereby certify . . . that each employee has performed the services for which the salary or compensation is paid; . . ." However, since the "Payroll Earnings Forecasts" are delivered to the Controller's office usually by Monday or Tuesday of pay

CITY OF HAMMOND
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

week, salaried employees have not yet completely performed the service for which department heads certify. The certified forecasts received by the Controller's office are for the pay period ending the day after the pay date. Thus, salaried employees receive their pay a day before the last day of the pay period which results in salaried employees being compensated in advance of service.

Indiana Code 5-7-3-1 states in part: "Public officers may not draw or receive their salaries in advance . . ."

2. A payroll claim is submitted to and subsequently approved by the Common Council for the City's bi-weekly gross pay total and taxes. The payroll claim includes all departments of the City including the park and redevelopment departments. However, the bi-weekly gross payroll and related taxes for the park and redevelopment departments should be approved by the Park Board and Redevelopment Commission, respectively.

Indiana Code 5-11-10-1.6 states in part:

"(c) 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. . . ."

3. Ordinance #9024 approved in September 2009 fixed the salaries and wages of all police and fire personnel, excluding civilian employees, for 2010. A comparison of the annual salary approved for police lieutenants per the salary ordinance did not agree to the annual salary actually paid to police lieutenants in 2010. Per the salary ordinance, a police lieutenant's base annual salary was approved at \$55,065. However, police lieutenants were actually paid \$55,605. The \$55,605 was determined to be the amount calculated based upon the scheduled increases per the contract agreement with the Fraternal Order of Police and the amount listed in the City's budget line item for police lieutenants.

Ordinance #9023 approved in September 2009 fixed the salaries and wages of all city officials and employees, excluding police, fire, and elected officials, for 2010. A comparison of the annual salary approved for street department foreman per the salary ordinance did not agree to the annual salary actually paid to street department foreman in 2010. Per the salary ordinance, a street department foreman salary was approved at \$41,225. However, the street department foremen were paid \$41,255, which was the amount approved in the City's budget line item for foremen. Employees are to be paid based upon the amounts approved in the salary ordinance.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

4. The City Clerk's office and Fire Department did not maintain appropriate payroll records reflecting the actual number of hours worked each day by an employee. The City Clerk's office did not provide a time sheet nor did the prescribed employee service record provided note the actual number of hours worked each day. The Fire Department provided an attendance record and an overtime report to support the payroll tested.

CITY OF HAMMOND
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

However, the attendance record provided does not note the actual number of hours worked each day, did not post the actual numbers of overtime worked, only records the amount of leave used and not accrued, and the form is not the prescribed or an approved Employee's Service Record (General Form No. 99A).

The Employee's Service Record (General Form 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." (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)

COMMON COUNCIL EMPLOYEE'S TIME

The Common Council's Administrative Assistant and Secretary alternate working the Monday evening Council meetings. Based on a conversation with the Common Council's Administrative Assistant on Thursday, May 12, 2011, the following are the procedures they follow for working during the council meetings:

The normal work day for the Administrative Assistant and Secretary is 8:30 to 4:30 for an 8-hour work day. Whoever covers the Council meeting that evening returns to City Hall. Council meetings start at 8 p.m. and can vary on the time they end. For the first seven Council meetings in 2011, the meetings adjourned anywhere from 8:25 p.m. to 10:15 p.m.. The Administrative Assistant or Secretary remains until everyone has departed the meeting room. Whoever works the Council meeting on Monday evening does not report to work on the following Tuesday at their offices.

On Monday, May 9, 2011, we obtained copies of the 2011 Employee's Service Record maintained by the Council office employees. The record of hours worked are only noted on the prescribed Employee's Service Record, a separate time sheet or card is not maintained noting actual start and ending times. The Administrative Assistant had stated that the time clock is no longer used since it is inoperable. We inspected the 2011 Employee's Service Record provided for the Administrative Assistant and Secretary, and found that 8 hours is reported as worked on Monday (which doesn't include the hours at the meeting) and 8 hours for the Tuesday following the meetings even though they did not report to work. Therefore, it appears that the Employee Service Record does not accurately reflect the hours worked even though the Council President has certified the hours of attendance.

The City's personnel policy states the following:

"Overtime/Compensatory Time - Eligibility for compensable overtime will be determined by the Fair Labor Standards Act. All overtime must be approved and authorized by an employee's department head or supervisor. Under no circumstances, may an employee authorize his/her own overtime. All non exempt employees will be granted compensatory time at the rate of one and one-half (1-1/2) hours for all hours worked over forty (40) hours in any given work week.

Time Sheet Requirement - It shall be the responsibility of the department head to ensure that an accurate daily attendance record is kept on every employee in the department.

CITY OF HAMMOND
 AUDIT RESULT(S) AND COMMENT(S)
 (Continued)

Falsification of Time Records - Any individual who is involved in the falsification of time records or who knowingly causes improper reporting may be subject to disciplinary action up to and including dismissal."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 35-44-2-4 states in part:

"(a) A public servant who knowingly or intentionally:

- (1) hires an employee for the governmental entity that he serves; and
- (2) fails to assign to the employee any duties, or assigns to the employee any duties not related to the operation of the governmental entity;

commits ghost employment, a Class D felony."

"(c) A person employed by a governmental entity who, knowing that he has not been assigned any duties to perform for the entity, accepts property from the entity commits ghost employment, a Class D felony."

"(e) Any person who accepts property from a governmental entity in violation of this section and any public servant who permits the payment of property in violation of this section are jointly and severally liable to the governmental entity for that property. The attorney general may bring a civil action to recover that property in the county where the governmental entity is located or the person or public servant resides."

ACCOUNTS PAYABLE VOUCHERS

Use of Credit Cards

Payments made by the City for the Mayor's American Express Card were not always supported by detailed receipts. From April 22, 2010 through March 8, 2011, the Mayor charged a total of \$3,916.85 to the American Express Card. The accounts payable vouchers for the American Express Card payments did not provide the proper supporting detail invoices for 50 percent of the charges as detailed below:

Vendor	Amount
American Airlines	\$ 553.40
AT&T	464.28
Giovanis Restaurant	179.60
Indiana Newspapers	176.06
Sixers 73, Marathon Petroleum, Lukes	147.18
Embassy Suites	133.49
Oil Express	134.79
MobileMe Apple	105.93
Enterprise Rent-a-Car	72.14
Total with no detail invoices	\$ 1,966.87

CITY OF HAMMOND
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

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)

Advance Payments – Redevelopment

Four Redevelopment Commissioners were advanced \$252 each for hotel costs for the ReCon Convention held in Las Vegas, Nevada, on May 23-25, 2010. Three of the advance checks were dated April 22, 2010, and the other check was dated May 10, 2010. The accounts payable vouchers included the hotel confirmations attached which detailed the arrival and departure dates and the related nightly room rates. The \$252 was calculated by using the nightly room rates for May 22, 23, and 24 plus applicable taxes.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Park and Redevelopment Accounts Payable Vouchers

- A. 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 three board members signatures stamped to 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.

Starting in October 2010, the Park Department prepared a claim listing of the claims approved by the Park Board. However, the claim listing was not prepared on the prescribed Accounts Payable Voucher Register (General Form No. 364) or an approved form which contained all the appropriate columns and certification language. In addition, a comparison of the disbursements posted to the park funds for October and November 2010 to the claim listing noted \$143,883 additional disbursements posted to park funds than what was listed on the claim list.

CITY OF HAMMOND
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

B. The City Controller does not certify the accounts payable vouchers (claims) or a register of accounts payable vouchers for the Redevelopment Department. When a claim is paid from funds for which the Board of Redevelopment Commissioners oversees, the Redevelopment Commissioners sign each claim. The City Controller is to sign certifying either the claim itself or a register of claims listing each claim approved by the Board of Redevelopment Commissioners to attest that the attached invoice(s), or bill(s) is(are) true and correct and that the claims were audited in accordance with Indiana Code 5-11-10-1.6.

Indiana Code 36-4-8-7(b) states in part:

". . . 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 . . ."

The Accounts Payable Voucher Register (General Form No. 364) shall be prepared by, or filed with; the Clerk-Treasurer or Controller of the municipality together with the supporting account payable vouchers and all such documents shall be carefully preserved by the disbursing officer as a part of the official records of the office. It will be optional with each Clerk-Treasurer or Controller and each governing board having jurisdiction over the allowance of accounts payable vouchers as to whether to sign each voucher or to sign only General Form No. 364, Accounts Payable Voucher Register. [IC 5-11-10-2 (c)]

Where a mechanized or computerized accounting system is in use, it is permissible to prepare the Accounts Payable Voucher Register on an alternate form. The alternate form must contain the same headings and information shown on the prescribed form and, if accounts payable vouchers are not individually allowed, the form must contain the certification and signatures of the governing body as shown on the prescribed form. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

CONTRACTS

In 2010, payments were made to the law firms of Eichhorn & Eichhorn, LLP and Baker & Daniels in 2010 totaling \$476,216 and \$18,211, respectively, for litigation and professional services. These payments were made without written contracts. The hourly rates charged for services for Eichhorn & Eichhorn, LLP and Baker & Daniels varied. Without written contracts outlining the hourly rates for various services, we could not determine if the attorneys were properly compensated for services rendered.

In addition, payments were made to Bose Public Affairs Group totaling \$60,137 for public affairs services without a written contract. On January 6, 2011, the Board of Public Works & Safety approved a representation agreement between Bose Public Affairs Group and the City of Hammond effective January 1, 2011 through December 31, 2011, for \$60,000 to be paid in quarterly increments of \$15,000 per quarter.

Furthermore, the Park Board approved payments to Lisa Berdine and Dennis Hardesty in 2010 totaling \$24,113 and \$21,282, respectively, for legal services and boxing club management services without written contracts. The hourly rates charged for services for Lisa Berdine were \$125 per hour and Dennis Hardesty was paid approximately \$1,667 monthly.

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)

CITY OF HAMMOND
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

LEVY EXCESS FUND

The City did not comply with a directive of the Auditor of State, conveyed through the Auditor of Lake County, concerning where to receipt the House Enrolled Act (HEA) 1001-2007 reconciliation of 2008 Property Tax Replacement Credit (PTRC) & Homestead Credit (HSC) distribution received in October 2010. A memo from the Auditor of Lake County states in part, "Enclosed you will find your HEA 1001-2007 Reconciliations of 2008 PTRC & HSC distribution. Per Auditor of the State: Each taxing unit shall receipt the taxing unit's distribution into the taxing unit's Levy Excess Fund." The City and the Redevelopment Commission received \$119,653.80 and \$1,216.75, respectively, and receipted the distribution to the City's General and Redevelopment Commission Operating Funds.

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

FESTIVAL OF THE LAKES

Board Approved Rates

The Park Department collects fees for the Festival of the Lakes for a boat cruise, sponsorships, vendor clean up deposits, parking, ice/pop sales, beer sales, and a 5K run event. An approved rate schedule for the 2010 Festival of the Lakes related fees charged was not provided for audit.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Concession Agreement

The agreement between the Hammond Fire Fighters Association and the Hammond Parks and Recreation states in part, "The Hammond Fire Fighters Association have agreed to split 18% of the profit from the 2010 Festival of the Lakes beer concessions after product is paid for . . ." Per the summary report, the total beer concessions collected were \$89,208 and per the claim to reimburse the Hammond Fire Fighters Association, the product cost were \$4,908.50. Thus, the beer concession profit was \$84,299.50. Based on the agreement, 18 percent of the \$84,299.50 profit was \$15,173.91. The amount remitted to the Hammond Firefighters Association per the ledger was \$16,057.44. The Hammond Firefighters Association was paid an additional \$883.53 over the terms of the contract. The Hammond Firefighters Association reimbursed the City \$883.53 on May 24, 2011, for the overpayment. A similar comment appeared in the prior report.

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)

Funds Ledger

Since 2004, the Festival of the Lakes receipts and disbursements had been posted to the Festival of the Lakes Fund (#277). In 2010, the festival's receipts and disbursements were posted to the Park Gaming 2 Fund (#282). The Festival of the Lakes Fund (#277) \$89,379 cash balance was also

CITY OF HAMMOND
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

transferred to the Park Gaming 2 Fund (#282). The City established the Park Gaming 2 Fund in March 2007 with Ordinance No. 8833. Ordinance No. 8833 states in part: "the City Controller wishes to formally recognize, dedicate and establish the open account numbers in use . . . 282 To account for monies received from council districts to be used for park improvement." In accordance with Indiana Code 36-10-4-16(g), the City's legislative body established a special Nonreverting Capital Fund for the Park Department with the passing of Ordinance No. 8833. Thus, the Festival of the Lakes receipts and disbursements should not have been posted to the Park Gaming 2 Funds.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-10-4-16 states in part:

"(g) The city legislative body may establish by ordinance upon request of the board:

- (1) a special nonreverting operating fund for park purposes from which expenditures may be made as provided by ordinance, either by appropriation by the board or by the city legislative body; or
- (2) a special nonreverting capital fund for the purpose of acquiring land or making specific capital improvements from which expenditures may be made by appropriation by the city legislative body.

The city legislative body shall designate the fund or funds into which the city fiscal officer shall deposit fees from golf courses, swimming pools, skating rinks, or other major facilities requiring major expenditures for management and maintenance. Money received from fees other than from major facilities or received from the sale of surplus property shall be deposited by the city fiscal officer either in the special nonreverting operating fund or in the nonreverting capital fund, as directed by the board. However, if neither fund has been established, money received from fees or from the sale of surplus property shall be deposited in the general park fund. Money from either special fund may be disbursed only on approved claims allowed and signed by the president and secretary of the board.

(h) Money placed in the special nonreverting capital fund may not be withdrawn except for the purposes for which the fund was created, unless the fiscal body repeals the ordinance establishing the fund. The fiscal body may not repeal the ordinance under suspension of the rules."

Indiana Code 36-10-1-4 states:

"'Capital improvement' means the building, facilities, or improvements that a capital improvement board determines will be of general public benefit or welfare and will promote the cultural, recreational, public, or civic well-being of the community, including a convention center. This includes the land comprising the site, equipment, heating and air-conditioning facilities, sewage disposal facilities, landscaping, walks, drives, parking facilities, and other structures, facilities, appurtenances, materials, and supplies that are necessary to make any building, facility, or improvement suitable for the use for which it was constructed."

CITY OF HAMMOND
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

VENDING SERVICES

As a convenience to City employees and the public while conducting business at a City facility, the City provides several vending services such as Automated Teller Machines (ATM), snack machines, drink machines, newspaper machines, and pay telephones. On the advice of the City attorney, the City does not engage in any contractual agreement with any of the vendors for these types of convenience services since there is no consideration exchanged. Instead, the City provides "letters of permission" to place their machine at the requested locations. However, these "letters of permission" are not approved by the Board of Public Works and Safety.

Indiana Code 36-9-6-3 states:

"(a) Unless otherwise provided by statute or ordinance, the works board has custody of and may maintain all real and personal property of the city.

(b) A city works board may design, order, contract for, and execute:

- (1) all work required to improve or repair any real or personal property that belongs to or is used by the city; and
- (2) the erection of all buildings and other structures needed for any public purpose."

HUMAN RELATIONS COMMISSION

In accordance with Indiana Code 22-9-1-12.1, the City passed Ordinance No. 3706 in September 1970 creating the Human Relations Commission. Hammond's City Code 34.231(A) states in part:

"To achieve the purposes of this subchapter and 37.045 et seq., The Commission is to:

- (7) Hold a regular meeting each month; and (All meetings of the Commission and notice thereof shall be conducted in conformity with I.C. 5-14-1.5-1 et seq.) . . ."

The Human Relations Commissioners were paid \$50 each per meeting they attended. Based on a review of the disbursements ledger, the Human Relations Commission held a meeting each month in 2010 except for February and two meetings in the months of June and September. On May 6th, 2011, the 2010 and 2011 Human Relations Commission minutes were provided for audit. However, the minutes for the January, March, May, June (2nd and 17th), September (8th and 15th), and November 2010 meetings were not provided. In 2011, the Commission has held a meeting in January, February, March, and two in April 2011. The minutes for the February 8, April 5 or April 7, 2011 Commission meetings were not provided for audit.

Indiana Code 5-14-1.5-2 states in part:

"(a) 'Public agency' . . . means the following: . . .

- (5) Any advisory commission, committee, or body created by statute, ordinance, or executive order to advise the governing body of a public agency . . .

CITY OF HAMMOND
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

(b) 'Governing body' means two (2) or more individuals who are:

(1) a public agency that:

(A) is a board, a commission, an authority, a council, a committee, a body, or other entity; and

(B) takes official action on public business;

(2) the board, commission, council, or other body of a public agency which takes official action upon public business; or

(3) any committee appointed directly by the governing body or its presiding officer to which authority to take official action upon public business has been delegated."

Indiana Code 5-14-1.5-4 states:

"(a) A governing body of a public agency utilizing an agenda shall post a copy of the agenda at the entrance to the location of the meeting prior to the meeting. A rule, regulation, ordinance, or other final action adopted by reference to agenda number or item alone is void.

(b) As the meeting progresses, the following memoranda shall be kept:

(1) The date, time, and place of the meeting.

(2) The members of the governing body recorded as either present or absent.

(3) The general substance of all matters proposed, discussed, or decided.

(4) A record of all votes taken, by individual members if there is a roll call.

(5) Any additional information required under IC 5-1.5-2-2.5.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

CRIME INSURANCE POLICIES

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

Indiana Code 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.

CITY OF HAMMOND
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

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

COUNTY'S SHARE OF COURT COSTS

Monthly distributions for court costs are made from the Court Cost Fund 503 to the Lake County Auditor. The County's share of court costs should be distributed to the county auditor once a month. The City distributed the January through April 2010 monthly distributions together in May 2010. The distributions for April through July 2010 were distributed all together in July 2010. The April 2010 collections of \$13,638 were included in both the May and July 2010 distribution, resulting in an overpayment to the County without the City resolving the overpayment as of May 2011. No distributions were made to the County in November or December 2010.

Indiana Code 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)

CAPITAL ASSETS

The City records capital asset additions for completed infrastructure projects; however, the cost of the original infrastructure that was replaced is not being deleted. In addition, properties acquired by the City's Department of Planning and Development were not added to the City's capital asset records in 2010.

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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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, 2010. 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.

As described in items 2010-3, 2010-5, and 2010-6 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Davis-Bacon Act, Procurement, Suspension, and Debarment that are applicable to its Community Development Block Grants/Entitlement Grants, ARRA – Community Development Block Grant ARRA Entitlement Grants (CDBG-R), and ARRA Energy Efficiency and Conservation Block Grant Program (EECBG). Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended December 31, 2010. The results of our auditing procedures also disclosed other 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 2010-4, 2010-7, 2010-8, 2010-9, and 2010-10.

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)

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2010-3, 2010-5, and 2010-6 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2010-4, 2010-7, 2010-8, 2010-9, and 2010-10 to be significant deficiencies.

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

This report is intended solely for the information and use of the City's management, Common Council, Board of Public Works and Safety, Redevelopment Commission, Water Utility Service Board, Sanitary District Board of Commissioners, Port Authority Board of Directors, others within the entity, 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 20, 2011

CITY OF HAMMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

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-06-MC-18-0006	\$ 438,240
		B-07-MC-18-0006	415,906
		B-08-MC-18-0006	1,165,838
		B-09-MC-18-0006	981,665
Neighborhood Stabilization Program (NSP1)		B-08-MN-18-0006	<u>1,823,397</u>
Total for program			<u>4,825,046</u>
ARRA Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	14.253	B-09-MY-18-0006	<u>549,779</u>
Total for cluster			<u>5,374,825</u>
Emergency Shelter Grants Program	14.231	S-09-MC-18-0006	61,513
		S-10-MC-18-0006	<u>52,796</u>
Total for program			<u>114,309</u>
HOME Investment Partnerships Program	14.239	M-00-MC-18-0204	31,790
		M-06-MC-18-0204	86,800
		M-07-MC-18-0204	56,128
		M-08-MC-18-0204	60,068
		M-09-MC-18-0204	67,076
		M-10-MC-18-0204	<u>15,974</u>
Total for program			<u>317,836</u>
ARRA Homelessness Prevention and Rapid Re-Housing Program	14.257	S-09-MY-18-0006	<u>864,720</u>
Fair Housing Assistance Program - State and Local	14.401	FF205K105024	<u>31,231</u>
Total for federal grantor agency			<u>6,702,921</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct grant			
Federal Equity Sharing	16.xxx		<u>130,620</u>
Total for federal grantor agency			<u>130,620</u>

The accompanying note(s) 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, 2010
(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</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster ARRA Highway Planning and Construction	20.205	DES #0900660	58,484
Highway Planning and Construction	20.205	Des. No. 0900070 9945046 DES No. 0201176	196,675 <u>263,539</u>
Total for cluster			<u>518,698</u>
Pass-Through Northwestern Indiana Regional Planning Commission Federal Transit Cluster ARRA Federal Transit - Formula Grants	20.507	IN-96-X017	<u>209,378</u>
Total for cluster			<u>209,378</u>
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety Big City/Big County Seat Belt Enforcement Program	20.600	PT-11-04-04-23	<u>12,546</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants Big City/Big County Seat Belt Enforcement Program	20.601	PT-10-04-04-23	<u>47,064</u>
Total for cluster			<u>59,610</u>
Total for federal grantor agency			<u>787,686</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	Project #WW0516452	<u>598,118</u>
ARRA Capitalization Grants for Drinking Water State Revolving Funds	66.468	Project #DW09654501	<u>1,072,682</u>
Total for federal grantor agency			<u>1,670,800</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Grant ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	SC0001386	<u>336,337</u>
Total federal awards expended			<u>\$ 9,628,364</u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF HAMMOND
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. 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.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2010:

Program Title	Federal CFDA Number	2010
Community Development Block Grants/Entitlement Grants	14.218	\$ 160,103
Emergency Shelter Grants Program	14.231	105,488
HOME Investment Partnerships Program	14.239	138,458

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement(s):

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Unqualified, except for Community Development Block Grants/Entitlement Grants and ARRA Energy Efficiency and Conservation Block Grant Program (EECBG), which are qualified.
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 or Cluster
	CDBG – Entitlement Grants Cluster
14.239	HOME Investment Partnerships Program
14.257	ARRA Homelessness Prevention and Rapid Re-Housing Program
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	ARRA Capitalization Grants for Drinking Water State Revolving Funds
81.128	ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)

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

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

FINDING 2010-1 - INTERNAL CONTROLS OVER BANK RECONCILEMENTS

Monthly reconcilements shall be prepared to verify the existence/occurrence and completeness of the City's accounting records. Documentation of management review of the monthly bank reconcilements was not provided. Management should review the monthly bank reconcilements to ensure the reconciled bank balances agree to the ledger balances and that reconciling items are appropriate and supportable. Reconciling items noted should then be timely posted to the ledgers within the following month to ensure informed management decisions. Monthly reconcilements should be expected to be completed within the following month after month end. A similar comment was stated in the prior report.

CITY OF HAMMOND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Continued

A review of the 2010 monthly bank reconcilements prepared by the City noted the following items:

1. The dates designated on the 2010 monthly bank reconcilements indicated that the monthly reconcilements were not completed timely. Untimely reconciling of the City's bank accounts inhibits management's ability to make informed financial decisions. The following details the month to be reconciled and when the monthly reconciliation was actually completed:

Month	Reconciliation Date
January	May 2010
February	Sept 2010
March	Sept 2010
April	Sept 2010
May	Nov 2010
June	Nov 2010
July	Nov 2010
August	Nov 2010
September	Dec 2010
October	March 2011
November	March 2011
December	March 2011

2. The City's bank account activity included deposits and/or electronic fund transfers (EFTs) received by the bank which were not receipted and posted to the City's ledger by month end. Monthly bank reconcilements, performed on a timely basis, would allow for outstanding deposits to be receipted and posted to the ledger during the following month. An analysis of the City's monthly bank reconcilements outstanding deposit amounts noted that outstanding deposits are not timely receipted and posted to the City's ledger. The following table details the monthly outstanding deposits not receipted and posted by the following month:

Month	Outstanding Deposits Not Posted By The Following Month
January	\$ 131,330
February	477,641
March	453,540
April	563,771
May	416,799
June	416,799
July	420,901
August	1,832,495
September	985,041
October	5,050,241
November	11,675
December	10,730

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Continued

3. The City's general bank account for December 2010 included a \$154,694 reconciling item for two March 2010 electronic wire transfers out for vendor payments that had not been posted to the City's ledger. However, upon further review of the disbursement ledger, the electronic transfers out were posted to the City's ledger on March 29 and April 3, 2010. Once the City posted the disbursement to the City's ledger to support the electronic transfers out, the reconciling item should not have been a reconciling issue on the City's monthly reconciliation after March 2010. However, a monthly "outstanding wire xfers" reconciling item was carried on the monthly reconciliements from April to December 2010.
4. During our review of the City's annual debt payments, we discovered that a \$77,737.85 Section 108 loan repayment to the U.S. Department of Housing and Urban Development was paid by both, a written check and electronic wire transfer in January 2010. The loan trustee sent a reimbursement check to the City for the duplicate payment. The reimbursement check was deposited and receipted back to the fund from which it was paid. On January 15, 2010, a \$77,737.85 disbursement was posted for the check issued for the loan payment. However, the City voided the original check even though it cleared the bank and a negative (\$77,737.85) disbursement was posted on March 18, 2010, to reverse the January 15, 2010 entry. Thus, the City's attempt to correct the situation netted to an overstatement of the fund by \$155,475.70. The overstatement was not identified as a reconciling item on the April to December 2010 bank reconciliation until it was discovered by the field examiner in March 2011. On March 31, 2011, the City posted a negative (\$155,475.70) receipt to correct the 2010 posting errors.
5. A dormant payroll bank account remains open to allow any outstanding checks to clear the account for the allowable two-year period before the checks can be voided by the City. The following items were noted based on our review of the December 2010 reconciliation:
 - a. The City's reconciliation included a reconciling item for old outstanding checks that were already voided and properly receipted to the ledger in 2010.
 - b. The City's reconciliation did not include the bank's account analysis charge, totaling \$4,452.93 from the prior audit, as a reconciling item nor were the charges posted to the City's ledger in 2010.
 - c. In March 2011, the Deputy Controller determined that checks totaling \$19,750 had actually cleared the bank in 2009 and 2010 without being cleared in the City's accounting system and remained on the City's detail of outstanding checks at year end.
 - d. The Deputy Controller also determined that during 2010 three amended payroll checks cleared the dormant payroll bank account that should have been processed through the City's new payroll bank account. A \$3,142.46 reconciling item reflecting the bank to bank transfer between the dormant and new payroll bank accounts were not included on either reconciliements.

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Continued

6. The City's December reconciliation for the main checking account included reconciling items outstanding since the beginning of the year. The reconciling items were for \$4,148.26 of nonsufficient checks (NSF) returned to the City, \$1,988.52 of bank service charges not posted to the ledger, and \$18.75 of net bank adjustments. The bank adjustments included differences noted with the federal and state taxes paid.

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 reconciliations 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.

The record balance at the end of every month shall be reconciled with the bank balance. [IC 5-13-6-1] Thus, any errors may be discovered and adjusted monthly. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

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 2010-2 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City prepared a Schedule of Federal Grant Receipts and Disbursements for 2010 that was materially inaccurate. The City's grant schedule did not include the proper Catalog of Federal Domestic Assistance (CFDA) titles and numbers for the following grants:

CITY OF HAMMOND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Continued

Program Title	CFDA# Per City	Federal CFDA#
CDBG - Entitlement Grants Custer - Neighborhood Stabilization Program	14.859	14.218
ARRA Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	--	14.253
Emergency Shelter Grants Program	14.218	14.231
HOME Investment Partnerships Program	14.403	14.239
ARRA Homelessness Prevention and Rapid Re-Housing Program	14.235	14.257
Fair Housing Assistance Program - State and Local	14.403	14.401
Federal Equity Sharing	--	16.xxx
ARRA Federal Transit - Formula Grants	--	20.507
State and Community Highway Safety	20.604	20.600
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.604	20.601
Capitalization Grants for Clean Water State Revolving Funds	--	66.458
ARRA Capitalization Grants for Drinking Water State Revolving Funds	--	66.468
ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	--	81.128

Furthermore, the City's grant schedule included receipts and disbursements of the Technology Grant Fund #288; however, these receipts and disbursements were determined to not be federal funding. The Technology Grant Fund accounts for the City's Certified Technology Park established by Indiana Code 36-7-32 whereby the City can capture incremental sales and income taxes from the State of Indiana.

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:

- (e) 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.
- (f) 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.
- (g) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (h) 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 County Auditors of Indiana, Chapter 14)

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 2010-3 - DAVIS-BACON ACT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
ARRA Community Development Block Grant ARRA Entitlement Grants (CDBG-R)
CFDA Number: 14.218, 14.253
Award Number: B-09-MC-18-0006, B-10-MC-18-0006, B-09-MY-18-0006

Compliance with the Davis-Bacon Act requires payment of federal prevailing wage rates for construction, repair or alteration work. The grantee must establish controls for monitoring wages paid by contractors. They must obtain recent and applicable wage rates from the U.S. Department of Labor and incorporate them into the construction contract.

According to a U.S. Department of Housing and Urban Development on-site review conducted on March 24, 2011, three projects in which Davis Bacon laws were applicable, adequate payroll records were not maintained nor were the proper labor standards provisions and correct wage decision included in the bid specifications or the construction contract. The City also failed to conduct the appropriate wage interviews for all three projects reviewed.

The lack of monitoring of compliance with the Davis-Bacon Act could result in cancellation of contracts and/or the repayment of federal funds.

29 CFR 5.5(a) states in part:

"The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Continued

make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in Sec. 5.1, the following clauses (or any modifications thereof to meet the particular needs of the agency, Provided, That such modifications are first approved by the Department of Labor):

(1) Minimum wages. (i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of paragraph (a)(1)(iv) of this section; also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period. Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in Sec. 5.5(a)(4)."

29 CFR 5.5(a)(3) states in part:

"(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate Federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under § 5.5(a)(3)(i) of Regulations, 29 CFR part 5. This information may be submitted in any form desired. Optional Form WH-347 is available for this purpose and may be purchased from the Superintendent of Documents (Federal Stock Number 029-005-00014-1), U.S. Government Printing Office, Washington, DC 20402. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors.

(B) Each payroll submitted shall be accompanied by a 'Statement of Compliance,' signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following: . . .

(iii) The contractor or subcontractor shall make the records required under paragraph (a)(3)(i) of this section available for inspection, copying, or transcription by authorized representatives of the (write the name of the agency) or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, the

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Continued

Federal agency may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12."

We recommended the City amend all Davis Bacon applicable contracts to incorporate the Federal labor standards provisions and the appropriate wage decisions retroactive to the beginning of construction and compensate the contractor for any increases in wage resulting from such change. We also recommended the City establish controls to ensure these clauses are included in future bid specifications and contracts. We also recommended the City obtain the proper payroll documentation, review such documentation to ensure all employees were paid in accordance with the basic rate plus fringe benefits listed on the correct wage decisions for each contract, and pay any restitution found to the proper employee.

FINDING 2010-4 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Program Title: Neighborhood Stabilization Program (NSP1)
Award Number: B-08-MN-18-0006

The City used funds from the Neighborhood Stabilization Program for acquisition and rehabilitation of foreclosed residential homes. The City expended approximately \$1.8 million dollars purchasing and rehabilitating homes during 2010. The properties purchased with federal dollars were not included in the capital asset records of the City.

24 CFR 85.20 Standards for financial management systems states in part:

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

(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."

24 CFR 85.31 states in part: "(a) *Title.* Subject to the obligations and conditions set forth in this section, title to real property acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantee respectively."

24CFR 85.42(c)(2) states: "The retention period for real property and equipment records starts from the date of the disposition or replacement or transfer at the direction of the awarding agency."

Failure to maintain complete capital asset records of properties purchased with federal grant awards may jeopardize the City's ability to obtain future federal funding.

We recommended that officials establish procedures to ensure that assets purchased with federal funds are adequately recorded in the capital asset ledger of the City in accordance with state and federal guidelines.

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Continued

FINDING 2010-5 - PROCUREMENT

Federal Agency: U.S. Department of Energy
Federal Program: ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)
CFDA Number: 81.128
Award Number: SC0001386

The City submitted their overall goals and objectives for the Energy Efficiency and Conservation Block Grant Program (EECBG) to the U.S. Department of Energy which included the breakdown of activities and the budgeted amounts for these activities. The planned activities included: EECBG strategy development, administration/program delivery, marketing/outreach, light bulb giveaway, and the remaining portion was housing, commercial, and large business audits and retrofits.

The City submitted a Request For Proposal (RFP) for consulting services for the administration of the EECBG program which were due to the City by January 22, 2010. The services included in the RFP were: marketing, evaluation of selected buildings, oversight of contractor selection and the construction work, maintenance of records, assistance with reporting requirements, and facilitation of public presentations. The City received four proposals for consulting services for \$364,000, \$133,500, \$72,600 and \$88,000. The proposal for \$88,000 also included an amount for construction services for another \$640,000 for a total proposal of \$728,000. The City, without supporting documentation to document the reasoning, chose the vendor that proposed both the consulting and construction portion of the project even though the RFP did not provide general plans or specifications for the construction portion of the project. The awarded contract totaled \$530,000 even though the total proposal amount submitted was \$728,000 for both the consulting and construction portion.

The City did not prepare general plans and specifications for the public work, publish notice in accordance with Indiana Code 5-3-1 calling for sealed proposals for the public work needed, or allow for the submission of bids separately for the construction portion of the project; therefore bypassing the City's procurement policy. The City's procurement policy is to follow Indiana Code.

Since the construction services were not let in accordance with Indiana Code, \$323,865 of 2010 grant disbursements made to the construction company are considered questioned costs.

10 CFR 600.236(b) states in part:

"Procurement standards. (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

Indiana Code 36-1-12-4 states in part:

"(a) This section applies whenever the cost of a public work project will be:

(1) at least seventy-five thousand dollars (\$75,000) in:

(A) a consolidated city or second class city;

(B) a county containing a consolidated city or second class city; . . .

(b) The board must comply with the following procedure:

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. If the project involves the resurfacing (as defined by IC 8-14-2-1) of a road, street, or bridge, the specifications must show how the weight or volume of the materials will be accurately measured and verified.
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed.
- (4) The notice must specify the place where the plans and specifications are on file and the date fixed for receiving bids.
- (5) The period of time between the date of the first publication and the date of receiving bids shall be governed by the size of the contemplated project in the discretion of the board. The period of time between the date of the first publication and receiving bids may not be more than:
 - (A) six (6) weeks if the estimated cost of the public works project is less than twenty-five million dollars (\$25,000,000); and . . .
- (6) If the cost of a project is one hundred thousand dollars (\$100,000) or more, the board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts.
- (7) The board may not require a bidder to submit a bid before the meeting at which bids are to be received. The meeting for receiving bids must be open to the public. All bids received shall be opened publicly and read aloud at the time and place designated and not before.
- (8) Except as provided in subsection (c), the board shall:
 - (A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or
 - (B) reject all bids submitted.
- (9) If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection.
- (10) In determining whether a bidder is responsive, the board may consider the following factors:
 - (A) Whether the bidder has submitted a bid or quote that conforms in all material respects to the specifications.

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(B) Whether the bidder has submitted a bid that complies specifically with the invitation to bid and the instructions to bidders.

(C) Whether the bidder has complied with all applicable statutes, ordinances, resolutions, or rules pertaining to the award of a public contract.

(11) In determining whether a bidder is a responsible bidder, the board may consider the following factors:

(A) The ability and capacity of the bidder to perform the work.

(B) The integrity, character, and reputation of the bidder.

(C) The competence and experience of the bidder.

(12) The board shall require the bidder to submit an affidavit:

(A) that the bidder has not entered into a combination or agreement: (i) relative to the price to be bid by a person; (ii) to prevent a person from bidding; or (iii) to induce a person to refrain from bidding; and

(B) that the bidder's bid is made without reference to any other bid."

Indiana Code 36-1-12-16 states: "A contract for public work by a political subdivision or agency is void if it is not let in accordance with this chapter."

Failure to properly procure public works projects in accordance with state and federal guidelines could result in the contract for public work being voided and the City losing future federal awards.

We recommended the City establish control procedures to ensure that all contracts awarded, whether consulting services or construction, are awarded in accordance with state and federal guidelines.

FINDING 2010-6 - PROCUREMENT, SUSPENSION, AND DEBARMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants,
CFDA Number: 14.218
Program Title: Neighborhood Stabilization Program (NSP1)
Award Number: B-08-MN-18-0006

The City used funds from the Neighborhood Stabilization Program (NSP) for acquisition and rehabilitation of foreclosed residential homes. The City expended approximately \$1.8 million dollars purchasing and rehabilitating homes during 2010. The following weaknesses in internal controls over procurement procedures and compliance with procurement, suspension and debarment were noted:

1. As part of the NSP grant, foreclosed properties are being acquired by the City. The City's Department of Planning and Development employees initially prepared two claims for the purchase. One claim was prepared for the estimated purchase price of the property and a second claim was prepared for the estimated closing costs of the property. These estimated claims were submitted to the Hammond Redevelopment Commission (Commission) for approval and signature at an open meeting.

CITY OF HAMMOND
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The approved estimated claims were retained at Planning and Development until the official closing statement from the title company was received which stated the final purchase price of the property, including the closing costs. If the final purchase price was different than the estimated claim initially approved by the Commission, a revised, new claim was prepared for the final purchase price, including the closing costs. The estimated second claim for the closing costs was then voided. The revised, new claim, along with the initial approved claim was submitted to the City Controller's office for payment and posting. The revised, new claim was not resubmitted to the Commission for their approval or signature. Claims that are submitted to the City Controller's office for payment should be accurate, reflect the actual amount of payment, and have been allowed by the Commission before payment.

24 CFR 85.36(b)(1) states:

"Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

Indiana Code 5-11-10-2 states in part:

"(a) Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity as defined in section 1.6 [IC 5-11-10-1.6] of this chapter, the claim must be certified by the fiscal officer."

2. After properties were purchased with NSP funds, the properties were rehabilitated. Bids were solicited and received for the rehabilitation services. Change orders were submitted but were not approved by the Commission. Of the three contracts and change orders tested, all three contracts had change orders that exceeded the 20 percent of the original contract. One of the change orders was completed before the construction services had started.

24 CFR 85.36(b)(1) states:

"Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

Indiana Code 36-1-12-18 states:

"(a) If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor.

(b) If a licensed architect or engineer is assigned to the public work project, the change order must be prepared by that person.

CITY OF HAMMOND
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(c) A change order may not be issued before commencement of the actual construction, reconstruction, or repairs except in the case of an emergency. In that case, the board must make a declaration, and the board's minutes must show the nature of the emergency.

(d) The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project.

(e) All change orders must be directly related to the original public work project.

(f) If additional units of materials included in the original contract are needed, the cost of these units in the change order must be the same as those shown in the original contract."

3. Planning and Development employees did not verify that contractors that were awarded bids for the rehabilitation services were suspended or debarred from federal contracts.

24 CFR 85.35 states:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs subject to 2 CFR part 2424."

Failure to establish the proper controls over the payment of claims in accordance with state statute and to establish internal controls over the issuance and approval of change orders could jeopardize the City's ability to secure future federal awards. The lack of controls allows for the potential of a suspended or disbarred vendor doing business with the City and being paid from federal funds, which could result in the loss of federal funds to the City.

We recommended that City officials review the claims procedure and establish better controls to ensure compliance with Federal and State guidelines. We also recommended that all changes orders be approved by the Commission and no change order should be submitted before the actual start of services. We also recommended the City establish procedures to verify that awarded contractors have not been debarred or suspended.

FINDING 2010-7 - REPORTING

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
ARRA Homelessness Prevention and Rapid Re-Housing Program
CFDA Number: 14.218, 14.257
Program Title: Neighborhood Stabilization Program (NSP1)
Award Number: B-08-MN-18-0006, S-09-MY-18-0006

CITY OF HAMMOND
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 Continued

Quarterly reports are required by the U.S. Department of Housing and Urban Development (HUD) for the Neighborhood Stabilization Program (NSP). When reviewing the NSP quarterly reports, the expenditure amounts were not included in the first two quarters of 2010. Upon verification with HUD officials, notification was not given to the City until the third quarter of 2010 that the expenditure portion of the quarterly reports was to be completed. Based on discussions with City officials and a comparison of the third and fourth quarter reported expenditure amounts to City records, the City's ledger was not used to complete the reports. A comparison of the third and fourth quarterly Federal Cash Transactions Reports to the City's ledger noted the following differences in the expenditure amounts reported:

Description	Reported Expenditure Amount	City's Disbursement Ledger	Difference
3 rd quarter	\$ 482,099	\$ 262,088	\$ 220,011
3 rd quarter year-to-date	482,099	741,287	(259,188)
4 th quarter	574,622	1,143,610	(568,988)
4 th quarter year-to-date	1,056,762	1,884,898	(828,136)

As part of the ARRA Homelessness Prevention and Rapid Re-Housing grant agreement between the City and the U.S. Department of Housing and Urban Development (HUD), the City was required to submit Quarterly Performance Reports. The performance reports were filed with the HUD on a quarterly basis; however, the information reported could not be verified to the City ledgers. The performance reports contain a part for Expenditures by Activity with the following directions: "In the cells below, enter the amount of funds expended (costs incurred, not necessarily drawn down) for each activity type, in the current quarter and for the grant to date. If an expenditure is incurred and reported in the grantee's financial system for the current quarter, report it below. This data will not necessarily reflect draws in IDIS." The performance reports were not completed for the activity of the quarter as required. The amounts reported were not in agreement with either the financial records of the City or with the IDIS drawdown report provided by City officials.

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.

CITY OF HAMMOND
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- (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."

2 CFR 176.50 states:

"Agencies are responsible for ensuring that their recipients report information required under the Recovery Act in a timely manner. The following award term shall be used by agencies to implement the recipient reporting and registration requirements in section 1512:

- (a) This award requires the recipient to complete projects or activities which are funded under the American Recovery and Reinvestment Act of 2009 (Recovery Act) and to report on use of Recovery Act funds provided through this award. Information from these reports will be made available to the public.
- (b) The reports are due no later than ten calendar days after each calendar quarter in which the recipient receives the assistance award funded in whole or in part by the Recovery Act.
- (c) Recipients and their first-tier recipients must maintain current registrations in the Central Contractor Registration (<http://www.ccr.gov>) at all times during which they have active federal awards funded with Recovery Act funds. A Dun and Bradstreet Data Universal Numbering System (DUNS) Number (<http://www.dnb.com>) is one of the requirements for registration in the Central Contractor Registration.
- (d) The recipient shall report the information described in section 1512(c) of the Recovery Act using the reporting instructions and data elements that will be provided online at <http://www.FederalReporting.gov> and ensure that any information that is pre-filled is corrected or updated as needed."

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. No attempt was made to reconcile the City's disbursements ledger to the quarterly reports. Internal controls are not in place to ensure the amounts reported agree to the City's ledger.

Failure to comply with these requirements could cause the City to be ineligible to receive future federal awards.

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. We also recommended that the Quarterly Performance Reports be filed with correct financial information that agrees with supporting documentation for the activity period. The officials should establish controls and procedures to ensure future reports are properly prepared in compliance with the U.S. Department of Housing and Urban Development's guidelines.

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FINDING 2010-8 - SUBRECIPIENT MONITORING

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants,
HOME Investment Partnerships Program

CFDA Number: 14.218, 14.239

Award Number: B-08-MC-18-0006, B-09-MC-18-0006, M-09-MC-18-0204, M-10-MC-18-0204

According to OMB Circular A-133 __.400(d), the pass through entity is responsible to: (1) Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have an audit in compliance with A-133. (2) Issue management decisions on subrecipient audit findings within six months and ensure appropriate and timely corrective action. (3) Review previously detected subrecipient deficiencies and determine whether corrective action was taken. Also according to OMB Circular A-133, responsibilities which should be included in contracts with subrecipients include informing the subrecipient of the CFDA title and number and the Federal Award name and number.

The City, through its Department of Planning and Development, sub grants federal funds to local agencies providing allowable services to residents of the City. We found that the City failed to properly verify an A-133 audit had been performed by a subrecipient they knew required a Federal audit. We also found that the City did not provide the CFDA title and number to its subrecipients at the time of award.

OMB Circular A-133 __.400(d) states:

"A pass-through entity shall perform the following for the Federal awards it makes:

- (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.
- (2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
- (6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.
- (7) Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part."

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The lack of obtaining the proper documentation in regards to A-133 audits of subrecipients made it difficult to verify any noncompliance of the subrecipients and issue a management decision on any audit findings within six months after receipt of the subrecipient's audit report to ensure appropriate and timely corrective action. The lack of communication of the CFDA title and number to the subrecipient made it difficult for the subrecipient to properly identify the federal award and determine whether they are in need of a Federal audit.

We recommended the City develop procedures to ensure that all requirements outlined in __.400(d) of Circular A-133 are being met especially in obtaining the necessary documentation regarding Federal audits of its subrecipients. We also recommended that the City communicate to the subrecipients, at the time of award, the CFDA title and number and the Federal Award name and number for proper reporting.

FINDING 2010-9 - ARRA SPECIAL TEST #1 SEPARATE ACCOUNTABILITY

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R)
CFDA Number: 14.253
Award Number: B-09-MY-18-0006

It was the responsibility of the City to separately identify American Recovery and Reinvestment Act (ARRA) expenditures in its ledger. In our review of the City's ledger and Community Development Block Grant (CDBG) expenditures, we noticed all CDBG and CDBG-R claims were paid from Fund 262. The City failed to separately identify the CDBG-R expenditures within Fund 262.

2 CFR 176.210(a) states:

"To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 'Uniform Administrative Requirements for Grants and Agreements' and OMB Circular A-102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds."

The lack of identification of ARRA funds made it difficult to verify which expenditures were paid with stimulus dollars and which were normal CDBG expenditures. The failure to separate ARRA funds also made it difficult to verify the accuracy of the quarterly reports submitted to the U.S. Department of Housing and Urban Development.

Failure to separately identify each ARRA grant in the City's ledger may cause the award official or other authorized agency action official to take the appropriate enforcement or termination action in accordance with 2 CFR 215.62 or the agency's implementation of the OMB Circular A-102 grants management common rule.

We recommended the City implement controls to ensure any federal stimulus dollars are separately identified in the City's ledger.

CITY OF HAMMOND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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FINDING 2010-10 - ARRA SPECIAL TEST #2 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Agencies: U.S. Department of Housing and Urban Development,
 U.S. Environmental Protection Agency,
 U.S. Department of Energy

Pass-Through Agencies: Indiana Finance Authority

Federal Programs: ARRA Community Development Block Grant ARRA Entitlement Grants (CDBG-R),
 ARRA Homelessness Prevention and Rapid Re-Housing Program, ARRA
 Capitalization Grants for Drinking Water State Revolving Funds, ARRA Energy
 Efficiency and Conservation Block Grant Program (EECBG)

CFDA Numbers: 14.253, 14.257, 66.468, 81.128

Award Numbers: B-09-MY-18-0006, S-09-MY-18-0006, Project #DW09654501, SC0001386

The City prepared a Schedule of Federal Grant Receipts and Disbursements for 2010 that did not properly identify the grants awarded under the American Recovery and Reinvestment Act of 2009 (ARRA). The grants awarded through the ARRA were not separately identified on the City's grant schedule. The following grants were determined to be ARRA funded grants:

CFDA#	Program Title	Expended
14.253	ARRA Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	\$ 549,779
14.257	ARRA Homelessness Prevention and Rapid Re-Housing Program	864,720
20.205	ARRA Highway Planning and Construction	58,484
20.507	ARRA Federal Transit - Formula Grants	209,378
66.468	ARRA Capitalization Grants for Drinking Water State Revolving Funds	1,072,682
81.128	ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	336,337

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.

2 CFR 176.210 for Recovery Act transactions listed in Schedule of Expenditures of Federal Awards states in part:

"The award term described in this section shall be used by agencies to clarify recipient responsibilities regarding tracking and documenting Recovery Act expenditures:

(b) For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, 'Audits of States, Local Governments, and Non-Profit Organizations,' recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. OMB Circular A-133 is

CITY OF HAMMOND
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Continued

available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>. This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix 'ARRA-' in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC."

Failure to properly identify each ARRA grant on the City's Schedule of Expenditures of Federal Awards may cause the award official or other authorized agency action official to take the appropriate enforcement or termination action in accordance with 2 CFR 215.62 or the agency's implementation of the OMB Circular A-102 grants management common rule.

We recommended that officials implement procedures to adequately identify and accurately report all Federal award programs in accordance with federal requirements.



Robert Lendi, CPA
Controller

CITY OF HAMMOND

April 1, 2011

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

RE: SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

This letter pertains to the status of our corrective action plan that we submitted for our 2010 Findings. Below we will show the original finding and recommendation, our corrective action plan that was submitted and the current status of that plan.

FINDING NUMBER 2009-3 EQUIPMENT AND CAPITAL ASSET MANAGEMENT CONTROLS
Corrective Action Plan for Finding Number 2009-3:

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.

CURRENT STATUS OF CORRECTIVE ACTION PLAN FOR FINDING NUMBER 2009-3:

The Hammond Sanitary District has modified the account class of the general ledger accounts from Cost of Service to Construction in Progress. The adjusted beginning balance of said accounts has been adjusted as of January 1, 2009.

The District is still in the process of reconciling "Bond Issue Actual/Budget" (the detail) and the "general Ledger (the control) for the year.

FINDING NUMBER 2009-4 Reporting
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.

CURRENT STATUS OF CORRECTIVE ACTION PLAN FOR FINDING NUMBER 2009-4:

Planning and Development did implement a new system of reporting using numbers directly off of the City's ledger. We have daily communication with the Controller's office to make sure our numbers are accurate

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Robert Lendi, CPA
Controller

CITY OF HAMMOND

according to the ledger. We use this new process to determine any discrepancies between Planning and Development's numbers and the official City Ledger. We then determine what adjustments need to be made if any. Planning and Development had this system in place in June 2010.

FINDING NUMBER 2009-5 Home Allowable Activities
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.

CURRENT STATUS OF CORRECTIVE ACTION PLAN FOR FINDING NUMBER 2009-5:

Planning and Development has internal controls in place to make sure that all disbursements from grants are eligible according to the grant guidelines. We understand that sometimes interpretation of guidelines may differ and in those instances, we contact a representative from whichever department issued the grant to verify the drawdown is allowable.

FINDING NUMBER 2009-6 Home 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.

CURRENT STATUS OF CORRECTIVE ACTION PLAN FOR FINDING NUMBER 2009-6:

Please refer to CPD Notice above. Planning and Development determined this finding should be reversed based on our reference shown.

Robert Lendi

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Robert Lendi, CPA
Controller

CITY OF HAMMOND

June 8, 2011
Indiana State Board of Accounts
302 W Washington St Room E418
Indianapolis, IN 46204

Audit of the City of Hammond Financial Statements for the year ended 12/31/2010

Corrective Action Plan

Section II—Financial Statement Findings

Corrective Action Plan for Finding 2010-1 INTERNAL CONTROLS OVER BANK RECONCILEMENTS

A more thorough and comprehensive procedure has been implemented to improve the timeliness and completeness of bank reconcilements. Reconciling staff has been provided with the new policy and has signed an affirmation of understanding of the new policy. (Attachment #1) The new policy states as follows:

Monthly reports shall be prepared to document the reconciliation of each bank account and the review of entries in the financial records. Reconciliation reports will be completed and reviewed no later than thirty (30) working days after the reconciling staff member has received the bank statements. The person(s) preparing and reviewing the reconciliation reports will date and sign the report indicating the date the reconciliation report was completed and the date management reviewed the report.

Reconciliation reports must include verification that the entries on bank statements and monthly financial reports are accurate and correspond with City financial records. All reconciling items must be identified and journalized (not carried forward). Stale checks must be identified and voided if necessary.

Each monthly reconciliation report must be submitted to the City Controller upon completion.

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

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5925 Calumet Avenue
Hammond, Indiana 46320

219.853.6324
fax: 219.853.6345
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FINDING NUMBER 2010-2 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 2010-2:

The City will make corrections to Schedule of Federal Awards per federal regulations at 2 CFR 176.210 and OMB A-133.

FINDING NUMBER 2010-3 DAVIS BACON ACT

RECOMMENDATION: We recommended the City amend all Davis Bacon applicable contracts to incorporate the Federal labor standards provisions and the appropriate wage decisions retroactive to the beginning of construction and compensate the contractor for any increases in wage resulting from such change. We also recommended the city establish controls to ensure these clauses are included in future bid specifications and contracts. We also recommended the City obtain the proper payroll documentation, review such documentation to ensure all employees were paid in accordance with the basic rate plus fringe benefits listed on the correct wage decisions for each contract, and pay any restitution found to the proper employee.

Corrective Action Plan for Finding Number 2010-3:

Planning and Development has already put together a new Davis-Bacon policy and procedure manual and submitted it to HUD for their suggested changes and/or approval. This manual will be used going forward on all projects that apply to Davis-Bacon. We have also already taken steps to correct the three findings that HUD listed after their monitoring. Also, the City of Hammond has and will make the following changes:

- The City is revising the existing contracts by incorporating the correct wage decision and HUD Form 4010.
- The City has assigned a staff person as the Labor Compliance Officer who will be responsible for labor standards compliance. The Labor Compliance Officer will receive support and oversight from the Housing Manager and the Executive Director.
- The City has drafted a labor standards policy and procedure that will provide a structured process for staff to follow to ensure all future projects are in full compliance with the federal labor standard requirements.
- The City is currently reviewing all submitted payroll documentation for the projects where Davis Bacon is applicable. After review, the City will pay restitution where it is due employees. The City expects this review to be completed by the end of July

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FINDING NUMBER 2010-4 EQUIPMENT AND REAL PROPERTY MANAGEMENT

RECOMMENDATION: We recommended that officials establish procedures to ensure that assets purchased with federal funds are adequately recorded in the capital asset ledger of the City in accordance with state and federal guidelines.

Corrective Action Plan for Finding Number 2010-4:

The City will research to find out at what point in time properties that we acquire through the NSP program are categorized as Capital Assets. The City will institute a procedure for all real property purchases and sales through the NSP, CDBG, and HOME programs and make sure that they are properly recorded on the capital asset ledger. We will have this new program instituted by July 2011.

FINDING NUMBER 2010-5 PROCUREMENT

RECOMMENDATION: We recommended the City establish control procedures to ensure that all contracts awarded, whether consulting services or construction, are awarded in accordance with state and federal guidelines.

Corrective Action Plan for Finding Number 2010-5:

- The City issued an RFP for a service provider to administer the City's EECBG program that included the following scope of work: marketing, evaluation, oversight of contractor selection and construction work, maintenance of records, assistance with reporting requirements, and technical assistance. As this scope of work did not involve a public work, there was no need to follow IC 5-3-1 or IC 36-1-12. Instead, the City correctly followed the procurement policies specified under IC 5-22-6. Based on the four proposals received, the City selected Madison Construction based on qualifications and price for the scope of work included in the RFP. Based on the proposed scope of work, Madison had the lowest price (\$63,000).
- In its current design, the EECBG program has two components: audit and retrofits of homes and audit and retrofits of commercial businesses (the large commercial/industrial was dropped). To date, only the residential component has been implemented. The work involved with the residential component consisted primarily of caulking of doors and windows, the installation of energy efficient light bulbs, and blowing insulation. Again, the City did not feel that this scope of work qualified as a "public work" as defined in IC 36-1-12. Instead, the City would treat the work for each home as its own scope of work and follow regular procurement rules listed under IC 5-22-6. This decision was made to divide the total scope of work into smaller tasks to permit maximum participation by small, minority-owned, and women-owned businesses. The City was also interested in contractors and providers who were willing to provide job opportunities to low-income Hammond residents.

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Robert Lendi, CPA
Controller

CITY OF HAMMOND

- The City contacted several potential providers, including the local weatherization agency and contractors who participate with in the City's other residential rehabilitation programs, to gauge interest in participate in the program and to receive quotes for the type of weatherization expected to be needed. The City did not receive any interest from those contacted. Per IC 5-22-10-10, the City negotiated with Madison to expand the original scope to include the labor and supplies needed to weatherize the homes upon the condition that two unemployed Hammond residents would receive training and perform the work. For each home receiving assistance, the City received a written scope of work and estimated price. Upon determining cost reasonableness, the City issued a Notice to Proceed.
- The commercial component of the EECBG program is expected to start this summer. The City will develop written specifications for the work to be done on each commercial property. This decision was made to divide the total scope of work into smaller tasks to permit maximum participation by small, minority-owned, and women-owned businesses. The City will establish preferences for contractors and providers willing to provide job opportunities to low-income Hammond residents. The City will receive sealed bids for each commercial property and follow sealed bid procedure specified within the Indiana Code.

FINDING NUMBER 2010-6 PROCUREMENT, SUSPENSION, AND DEBARMENT

RECOMMENDATION: We recommended that City officials review the claims procedure and establish better controls to ensure compliance with Federal and State guidelines. We also recommended that all changes orders be approved by the Commission and no change order should be submitted before the actual start of services. We also recommended the City establish procedures to verify that awarded contractors have not been debarred or suspended.

Corrective Action Plan for Finding Number 2010-6:

The City will create a new ordinance and/or resolution that will state that the closing amount on a property can change based on changes with "credits" that we receive during the closing process. We do not receive the amount of the "credits" until two to three days prior to closing and therefore will very rarely be able to get an exact approval of the final amount. We will start working with our attorney as well as the common council to get this new resolution approved. Barring any additional issues, we will have this new ordinance and/or resolution passed by September 2011.

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FINDING 2010-7 REPORTING

RECOMMENDATION: 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. We also recommended that the Quarterly Performance Reports be filled with correct financial information that agrees with supporting documentation for the activity period. The officials should establish controls and procedures to ensure future reports are properly prepared in compliance with the U.S. Department of Housing and Urban Development's guidelines.

Corrective Action Plan for Finding Number 2010-7:

The Department of Planning and Development HPRP Program is complete. However, moving forward we will improve on the communication with the City's Controller's office by contacting them on a daily basis to ensure that our financial data through HUD's Integrated Disbursement and Information System (IDIS) and the Controller's Office ledger balance. We will ensure that all financial, accounting, internal and budget control procedures will be followed so that we will be in compliance with all regulations set by HUD.

FINDING 2010-8 SUBRECIPIENT MONITORING

RECOMMENDATION: We recommended the City develop procedures to ensure that all requirements outlined in .400(d) of Circular A-133 are being met especially in obtaining the necessary documentation regarding Federal audits of its subrecipients. We also recommended that the City communicate to the subrecipients, at the time of award, the CFDA title and number and the Federal Award name and number for proper reporting.

Corrective Action Plan for Finding Number 2010-8:

The City is going to get updated training on subrecipient monitoring as well as put together a new procedures manual that will ensure all requirements outlined in .400(d) of Circular A-133 are being met. We will have this new procedures manual in place by July 2011. The City will communicate at the time of award, the CFDA title and number and the Federal Award name and number for proper reporting. This process will of course be listed in the new procedures manual.



Robert Lendi, CPA
Controller

CITY OF HAMMOND

FINDING 2010-9 ARRA SPECIAL TEST#1 SEPARATE ACCOUNTABILITY

RECOMMENDATION: We recommended the City implement controls to ensure any federal stimulus dollars are separately identified in the City's ledger.

Corrective Action Plan for Finding Number 2010-9:

The City made the error of commingling their CDBG funds with their CDBG-R funds, which as we know is a separate federal grant. The City will implement controls to make sure federal stimulus dollars are always separately identified in the City's ledger.

FINDING 2010-10 ARRA SPECIAL TEST #2 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

RECOMMENDATION: We recommended that officials implement procedures to adequately identify and accurately report all Federal award programs in accordance with federal requirements.

Corrective Action Plan for Finding Number 2010-10:

The City will take additional training on implementing procedures to adequately identify and accurately report all Federal award programs in accordance with federal requirements. The City will prepare a Schedule of Federal Grant Receipts and Disbursements for 2010 and 2011 that will properly identify the grants awarded under the American Recovery and Reinvestment Act of 2009 (ARRA). We will separately identify the grants on the city's grant schedule.

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Bank Reconciliation Policy

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I, the undersigned, understand the above policy and procedure:

Carolyn Franks

Robert Lendi
6/6/11

Rashidah Roger

Kimberly Labris

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CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on June 8, 2011, with Thomas M. McDermott, Jr., Mayor; Anthony Higgs, President of the Common Council; Robert Markovich, City Councilman; Robert Lendi, CPA, Controller; Kristina Kantar, City Attorney; and Tom Dabertin, Interim Chief of Staff. The Official Response has been made a part of this report and may be found on page 98.

The comments for the Redevelopment Commission were discussed on June 8, 2011, with Robert Lendi, CPA, Controller; Philip Taillon, Executive Director; Jimmie Lambert, President of the Redevelopment Commission; Owana Miller, Community Development Director; Caryn Janiga, Planning and Development Finance Manager; and Beth Jacobson, Economic Development.

The comments for the Park Department were discussed on June 8, 2011, with Robert Lendi, CPA, Controller; Patrick Moore, Sr., Park Administrator; and Arthur Peschke, Jr., President of the Park Board.



Robert Lendi, CPA
Controller

CITY OF HAMMOND

June 13, 2011

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

The City of Hammond is pleased that the State Board of Accounts has found and concurred that the financial statements have presented fairly, in all material respects, the financial position of the City of Hammond at December 31, 2010. In addition, the City of Hammond is pleased that the State Board of Accounts agrees that the financial statements can be relied upon by all users to be materially accurate, appropriate, and in compliance with the cash and investment basis of accounting and the budgetary laws of the State of Indiana.

The City of Hammond is undertaking corrective action measures for all of the Federal Findings for the audit of the fiscal period ending 12/31/10.

In addition, the City of Hammond is considering the Audit results and comments provided by the State Board of Accounts for continued improvement.

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