

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

ANNUAL FINANCIAL REPORT

2006

CITY OF MICHIGAN CITY

LAPORTE COUNTY, INDIANA



**FILED**  
07/10/2007



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	John J. Schaefer	01-01-06 to 12-31-07
Mayor	Charles E. Oberlie	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Anthony Metzcus	01-01-06 to 12-31-07
President of the Common Council	Ronald Meer Willie Milsap	01-01-06 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Water Utility	Randall E. Russell	01-01-06 to 12-31-07
Sanitary District Manager	Alan J. Walus	01-01-06 to 12-31-07
Port Authority Harbormaster	Timothy Frame	01-01-06 to 12-31-07



**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 MICHIGAN CITY, LAPORTE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Michigan City (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated April 19, 2007, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

The Schedules of Funding Progress, Schedules of Contributions From the Employer and Other Contributing Entities, Budgetary Comparison Schedules, and Notes to Required Supplementary Information, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

STATE BOARD OF ACCOUNTS

April 19, 2007



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF MICHIGAN CITY, LAPORTE COUNTY, INDIANA

We have audited the financial statements of the City of Michigan City (City), as of and for the year ended December 31, 2006, and have issued our report thereon dated April 19, 2007. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-1.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Of the reportable conditions described above, we consider item 2006-1 to be a material weakness.

This report is intended solely for the information and use of the City's management 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

April 19, 2007

CITY OF MICHIGAN CITY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	Michigan City Port Authority
Primary government:								
Governmental activities:								
General government	\$ 19,316,658	\$ 1,695,064	\$ 956,025	\$ 4,270,885	\$ (12,394,684)	\$ -	\$ (12,394,684)	\$ -
Public safety	12,880,652	55,110	45,670	-	(12,779,872)	-	(12,779,872)	-
Highways and streets	1,383,330	6,900	2,126,806	7,331,061	8,081,437	-	8,081,437	-
Health and welfare	-	1,059	-	-	1,059	-	1,059	-
Culture and recreation	4,477,428	1,882,125	199,352	611,145	(1,784,806)	-	(1,784,806)	-
Urban redevelopment and housing	1,781,971	-	-	1,248,920	(533,051)	-	(533,051)	-
Debt service	190,863	-	-	-	(190,863)	-	(190,863)	-
Interest on long-term debt	249,255	-	-	-	(249,255)	-	(249,255)	-
Capital outlay	6,570,640	-	-	-	(6,570,640)	-	(6,570,640)	-
Total governmental activities	46,850,797	3,640,258	3,327,853	13,462,011	(26,420,675)	-	(26,420,675)	-
Business-type activities:								
Water	8,250,984	8,850,286	-	-	-	599,302	599,302	-
Sanitary District	12,202,225	6,681,632	-	67,490	-	(5,453,103)	(5,453,103)	-
Total business-type activities	20,453,209	15,531,918	-	67,490	-	(4,853,801)	(4,853,801)	-
Total primary government	\$ 67,304,006	\$ 19,172,176	\$ 3,327,853	\$ 13,529,501	(26,420,675)	(4,853,801)	(31,274,476)	-
Component unit:								
Michigan City Port Authority	\$ 2,521,255	\$ 2,989,549	\$ -	\$ -	-	-	-	468,294
General receipts:								
Property taxes					17,221,023	2,489,474	19,710,497	219,913
Intergovernmental revenues:								
Excise taxes					890,838	-	890,838	16,135
Financial institution taxes					106,935	-	106,935	1,351
CAGIT					1,536,341	-	1,536,341	-
CEDIT					2,226,111	-	2,226,111	-
Gaming taxes					12,565,659	250,600	12,816,259	-
Cigarette and alcohol gallonage taxes					98,960	-	98,960	-
Other local sources					2,127,521	-	2,127,521	-
Bonds and loans					-	78,427	78,427	-
Unrestricted investment earnings					2,155,618	299,564	2,455,182	171,933
Transfers					(2,189,048)	2,189,048	-	-
Total general receipts and transfers					36,739,958	5,307,113	42,047,071	409,332
Change in net assets					10,319,283	453,312	10,772,595	877,626
Net assets - beginning					33,489,520	8,037,551	41,527,071	5,274,658
Net assets - ending					\$ 43,808,803	\$ 8,490,863	\$ 52,299,666	\$ 6,152,284
<u>Assets</u>								
Cash and investments					\$ 19,913,516	\$ 2,260,361	\$ 22,173,877	\$ 2,483,955
Restricted assets:								
Cash and investments					23,895,287	6,230,502	30,125,789	3,668,329
Total assets					\$ 43,808,803	\$ 8,490,863	\$ 52,299,666	\$ 6,152,284
<u>Net Assets</u>								
Restricted for:								
Debt service					\$ 1,981,335	\$ 1,942,903	\$ 3,924,238	\$ 862,742
Capital projects					18,830,585	3,584,966	22,415,551	639,929
Customer deposits					-	547,906	547,906	2,821
Other purposes					3,083,367	154,727	3,238,094	2,162,837
Unrestricted					19,913,516	2,260,361	22,173,877	2,483,955
Total net assets					\$ 43,808,803	\$ 8,490,863	\$ 52,299,666	\$ 6,152,284

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

CITY OF MICHIGAN CITY  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	General	Riverboat Gaming	Major Moves	Franklin Square Project	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 12,442,507	\$ -	\$ -	\$ 1,564,499	\$ 3,214,208	\$ 17,221,214
Licenses and permits	449,304	-	-	-	5,448	454,752
Intergovernmental	3,362,561	12,565,659	6,988,724	-	6,626,168	29,543,112
Charges for services	422,218	-	-	-	2,636,854	3,059,072
Fines and forfeits	90,389	-	-	-	-	90,389
Other	1,461,674	169,097	-	159,774	6,272,453	8,062,998
<b>Total receipts</b>	<b>18,228,653</b>	<b>12,734,756</b>	<b>6,988,724</b>	<b>1,724,273</b>	<b>18,755,131</b>	<b>58,431,537</b>
<b>Disbursements:</b>						
General government	6,313,290	10,752,475	-	-	2,396,249	19,462,014
Public safety	12,819,277	-	-	-	61,375	12,880,652
Highways and streets	-	-	-	-	1,383,330	1,383,330
Culture and recreation	-	-	-	-	4,477,428	4,477,428
Urban redevelopment and housing	-	-	-	-	1,798,857	1,798,857
<b>Debt service:</b>						
Principal	-	-	-	-	190,863	190,863
Interest	-	-	-	-	249,255	249,255
Capital outlay	-	-	-	516,079	6,054,561	6,570,640
<b>Total disbursements</b>	<b>19,132,567</b>	<b>10,752,475</b>	<b>-</b>	<b>516,079</b>	<b>16,611,918</b>	<b>47,013,039</b>
Excess (deficiency) of receipts over disbursements	(903,914)	1,982,281	6,988,724	1,208,194	2,143,213	11,418,498
<b>Other financing sources (uses)</b>						
Transfers in	417,500	-	-	-	776,638	1,194,138
Transfers out	(3,118)	(352,520)	-	-	(2,727,548)	(3,083,186)
<b>Total other financing sources (uses)</b>	<b>414,382</b>	<b>(352,520)</b>	<b>-</b>	<b>-</b>	<b>(1,950,910)</b>	<b>(1,889,048)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(489,532)	1,629,761	6,988,724	1,208,194	192,303	9,529,450
Cash and investment fund balance - beginning	2,202,402	9,737,502	-	4,082,256	12,550,135	28,572,295
Cash and investment fund balance - ending	<u>\$ 1,712,870</u>	<u>\$ 11,367,263</u>	<u>\$ 6,988,724</u>	<u>\$ 5,290,450</u>	<u>\$ 12,742,438</u>	<u>\$ 38,101,745</u>
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:						
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						
						5,707,058
Net assets of governmental activities						<u>\$ 43,808,803</u>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ 1,712,870	\$ 11,367,263	\$ -	\$ -	\$ 1,126,325	\$ 14,206,458
Restricted assets:						
Cash and investments	-	-	6,988,724	5,290,450	11,616,113	23,895,287
<b>Total cash and investment assets - December 31</b>	<u>\$ 1,712,870</u>	<u>\$ 11,367,263</u>	<u>\$ 6,988,724</u>	<u>\$ 5,290,450</u>	<u>\$ 12,742,438</u>	<u>\$ 38,101,745</u>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 1,981,335	\$ 1,981,335
Capital projects	-	-	6,988,724	5,290,450	6,551,411	18,830,585
Other purposes	-	-	-	-	3,083,367	3,083,367
Unrestricted	1,712,870	11,367,263	-	-	1,126,325	14,206,458
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 1,712,870</u>	<u>\$ 11,367,263</u>	<u>\$ 6,988,724</u>	<u>\$ 5,290,450</u>	<u>\$ 12,742,438</u>	<u>\$ 38,101,745</u>

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

CITY OF MICHIGAN CITY  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2006

	Water Utility	Sanitary District	Total	Internal Service Fund
Operating receipts:				
Charges for services	\$ 6,324,372	\$ 6,245,634	\$ 12,570,006	\$ -
Local tax distribution for stormwater and refuse	-	2,489,474	2,489,474	-
Employee contributions	-	-	-	650,659
Employer contributions	-	-	-	5,448,094
Other	<u>2,525,914</u>	<u>435,998</u>	<u>2,961,912</u>	<u>41,560</u>
Total operating receipts	<u>8,850,286</u>	<u>9,171,106</u>	<u>18,021,392</u>	<u>6,140,313</u>
Operating disbursements:				
Water - operations and maintenance	3,477,511	-	3,477,511	-
Collection system - operations and maintenance	-	1,603,295	1,603,295	-
Pumping - operations and maintenance	-	2,273,868	2,273,868	-
Stormwater - operations and maintenance	-	152,871	152,871	-
Refuse - operations and maintenance	-	2,373,430	2,373,430	-
Administration and general	-	1,062,744	1,062,744	19,213
Insurance claims and premiums	82,503	-	82,503	5,283,525
Miscellaneous disbursements	<u>3,478,339</u>	<u>-</u>	<u>3,478,339</u>	<u>-</u>
Total operating disbursements	<u>7,038,353</u>	<u>7,466,208</u>	<u>14,504,561</u>	<u>5,302,738</u>
Excess of operating receipts over operating disbursements	<u>1,811,933</u>	<u>1,704,898</u>	<u>3,516,831</u>	<u>837,575</u>
Nonoperating receipts (disbursements):				
Loan proceeds	-	78,427	78,427	-
Interest and investment receipts	195,704	103,860	299,564	235,372
Intergovernmental	-	250,600	250,600	-
Debt service of principal	(720,000)	(2,603,865)	(3,323,865)	-
Interest and investment disbursement	(492,631)	(534,410)	(1,027,041)	-
Capital outlay	<u>-</u>	<u>(1,597,742)</u>	<u>(1,597,742)</u>	<u>-</u>
Total nonoperating receipts (disbursements)	<u>(1,016,927)</u>	<u>(4,303,130)</u>	<u>(5,320,057)</u>	<u>235,372</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	795,006	(2,598,232)	(1,803,226)	1,072,947
Capital contributions	-	67,490	67,490	-
Transfers in	-	2,189,048	2,189,048	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	<u>795,006</u>	<u>(341,694)</u>	<u>453,312</u>	<u>772,947</u>
Cash and investment fund balance - beginning	<u>4,250,204</u>	<u>3,787,347</u>	<u>8,037,551</u>	<u>4,934,111</u>
Cash and investment fund balance - ending	<u>\$ 5,045,210</u>	<u>\$ 3,445,653</u>	<u>\$ 8,490,863</u>	<u>\$ 5,707,058</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 1,354,183	\$ 906,178	\$ 2,260,361	\$ 5,707,058
Restricted assets:				
Cash and investments	<u>3,691,027</u>	<u>2,539,475</u>	<u>6,230,502</u>	<u>-</u>
Total cash and investment assets - December 31	<u>\$ 5,045,210</u>	<u>\$ 3,445,653</u>	<u>\$ 8,490,863</u>	<u>\$ 5,707,058</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 410,385	\$ 1,532,518	\$ 1,942,903	\$ -
Capital improvements	2,732,736	852,230	3,584,966	-
Customer deposits	547,906	-	547,906	-
Other purposes	-	154,727	154,727	-
Unrestricted	<u>1,354,183</u>	<u>906,178</u>	<u>2,260,361</u>	<u>5,707,058</u>
Total cash and investment fund balance - December 31	<u>\$ 5,045,210</u>	<u>\$ 3,445,653</u>	<u>\$ 8,490,863</u>	<u>\$ 5,707,058</u>

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

CITY OF MICHIGAN CITY  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Employer	\$ 961,953	\$ -	\$ -
Plan members	29,358	-	-
State	1,960,500	-	-
Other	<u>2,553</u>	<u>12,848</u>	<u>-</u>
Total contributions	<u>2,954,364</u>	<u>12,848</u>	<u>-</u>
Investment earnings:			
Interest	<u>-</u>	<u>947</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>-</u>	<u>3,606,875</u>
Total additions	<u>2,954,364</u>	<u>13,795</u>	<u>3,606,875</u>
Deductions:			
Benefits	3,218,440	-	-
Administrative and general	5,183	36,361	-
Agency fund deductions	<u>-</u>	<u>-</u>	<u>3,887,463</u>
Total deductions	<u>3,223,623</u>	<u>36,361</u>	<u>3,887,463</u>
Deficiency of total additions under total deductions	(269,259)	(22,566)	(280,588)
Cash and investment fund balance - beginning	<u>2,088,954</u>	<u>67,918</u>	<u>1,499,608</u>
Cash and investment fund balance - ending	<u>\$ 1,819,695</u>	<u>\$ 45,352</u>	<u>\$ 1,219,020</u>

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

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Primary Government:	City of Michigan City Michigan City Water Utility Michigan City Sanitary District
Blended Component Unit:	Michigan City Redevelopment Authority
Discretely Presented Component Unit:	Michigan City Port Authority

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

Blended Component Unit

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

<u>Component Unit</u>	<u>Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Michigan City Redevelopment Authority	The primary government appoints a voting majority of the Michigan City Redevelopment Authority's board and a financial benefit/burden relationship exists between the City and the Michigan City Redevelopment Authority. Although it is legally separate from the City, the Michigan City Redevelopment Authority is reported as if it were a part of the City because it provides services entirely or almost entirely to the City.	Nonmajor Fund Governmental Activities

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is presented below:

CITY OF MICHIGAN CITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

<u>Component Unit</u>	<u>Description/Inclusion Criteria</u>
Michigan City Port Authority	The Michigan City Port Authority is a significant discretely presented component unit of the City. The primary government appoints a voting majority of the Michigan City Port Authority's board and a financial benefit/burden relationship exists between the City and the Michigan City Port Authority.

Related Organization

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints the board members of the Michigan City Housing Authority.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

The riverboat gaming fund is a special revenue fund. It accounts for the financial resources received from the State of Indiana as gaming admissions taxes.

The major moves fund is a capital projects fund. It accounts for the financial resources received from the State of Indiana from the sale of the Indiana Toll Road.

The franklin square project fund is a capital projects fund. It accounts for the financial resources received from the County for the tax increment financing taxes.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The sanitary district fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

Additionally, the City reports the following fund types:

The permanent funds report trust arrangements under which only earnings are used for the maintenance of the cemeteries.

The internal service fund accounts for employee health insurance provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit certain family gravesites.

Agency funds account for assets held by the City as an agent for federal, state, and other local governmental and non-governmental entities.

C. Measurement Focus and Basis of Accounting

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

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

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

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

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

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

3. Long-Term Debt

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

4. Equity Classification

Government-Wide Statements

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

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

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2006, disbursements exceeded budgeted appropriations within the general fund by the amounts below:

Fund	2006
General Fund:	
Transportation Department	\$ 6,347
Central Services	<u>213</u>
Total	<u><u>\$ 6,560</u></u>

These disbursements were funded by available cash balances from other departments within the general fund. The excess of expenditures over appropriations resulted from the failure to obtain additional appropriation authority from the Indiana Department of Local Government Finance.

CITY OF MICHIGAN CITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

C. Cash and Investment Balance Deficits

At December 31, 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006
Golf	\$ 49,095
Municipal Coach Capital Improvement	69,871
Airport Improvement Grants	2,585

Cash and investment deficits in the Golf Fund arose primarily from disbursements exceeding golf receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts. The Municipal Coach Capital Improvement and Airport Improvement Grants Funds are reimbursement grant funds where cash is required to be expended first; these deficits are to be repaid from future grant reimbursements.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the City had the following investments:

Investment Type	Primary Government Market Value
U.S. Agencies	\$ 6,468,518
Mutual funds	<u>304,880</u>
Total	<u><u>\$ 6,773,398</u></u>

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investment Policies

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

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

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments. At December 31, 2006, the City held investments in U.S. Agencies and Mutual Funds in the amount of \$6,773,398. Of these investments \$6,773,398 were held by the counterparty's trust department.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
U.S. Agencies	\$ 2,229,385	\$ 1,172,780	\$ 3,066,353
Mutual funds	304,880	-	-
Totals	<u>\$ 2,534,265</u>	<u>\$ 1,172,780</u>	<u>\$ 3,066,353</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

Standard and Poor's Rating	City's Investments	
	U.S. Agency Bonds	Mutual Funds
AAA	\$ 6,468,518	\$ -
Unrated	-	304,880
Totals	<u>\$ 6,468,518</u>	<u>\$ 304,880</u>

Concentration of Credit Risk

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

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

Transfer From	Transfer To	2006
General	Other governmental	\$ 3,118
Riverboat Gaming	General	117,500
Riverboat Gaming	Other governmental	235,020
Other governmental	Other governmental	538,500
Other governmental	Sanitary District	2,189,048
Internal service	General	300,000
Total		<u>\$ 3,383,186</u>

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

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

IV. Other Information

A. Risk Management

The City, including the component unit, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents

The City, including the component unit, has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Employee Health and Life Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund based upon each fund's percentage of current payroll. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

Job Related Illnesses or Injuries to Employees

During 1992, the City joined with other governmental entities in the Indiana Public Employer's Plan, Inc. (IPEP), a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The City pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Conduit Debt Obligation

From time to time, the City has issued Economic Development and Health Facility Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statements.

As of December 31, 2006, there were three series of Economic Development Revenue Bonds and one series of Health Facility Revenue Bonds outstanding. The aggregate principal amount payable for two series issued after July 1, 1995, was \$8,087,289. The aggregate principal amount payable for the two series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$10,185,000.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City on or after attaining age 55 to 65 with at least 20 years of service. Currently, 9 retirees meet these eligibility requirements. The City and retirees provide 66 2/3% and 33 1/3%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

D. Subsequent Events

In 2007, the Water Utility Board of Directors awarded the Phase II On-Shore Intake Placement Project to Woodruff and Sons in the amount of \$2,054,325.

E. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on March 31, 2004.

Sanitary District

The current rate structure was approved by the Board of Sanitary District Commissioners and the City Common Council on December 21, 2004.

F. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

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

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

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City, the Sanitary District, and the Port Authority is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 559,453	\$ 3,031,600	\$ 2,822,300
Interest on net pension obligation	(12,969)	693,000	427,600
Adjustment to annual required contribution	<u>14,779</u>	<u>(1,210,800)</u>	<u>(747,100)</u>
Annual pension cost	561,263	2,513,800	2,502,800
Contributions made	<u>542,191</u>	<u>1,867,676</u>	<u>1,560,983</u>
Increase in net pension obligation	19,072	646,124	941,817
Net pension obligation, beginning of year	<u>(178,881)</u>	<u>10,267,368</u>	<u>6,335,263</u>
Net pension obligation, end of year	<u>\$ (159,809)</u>	<u>\$ 10,913,492</u>	<u>\$ 7,277,080</u>

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	6.5%	482%	1,304%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-05	01-01-05
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed 40 years	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years
Amortization period	40 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Actuarial Assumptions</u>	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

\*2.75% converted members; 4% nonconverted members.

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 520,680	84%	\$ (145,792)
	06-30-04	467,021	107%	(178,881)
	06-30-05	561,263	116%	(159,809)
1925 Police Officers' Pension Plan	12-31-02	2,549,200	46%	8,943,422
	12-31-03	2,514,200	47%	10,267,368
	12-31-04	2,513,800	74%	10,913,492
1937 Firefighters' Pension Plan	12-31-02	2,389,900	73%	5,174,882
	12-31-03	2,464,500	53%	6,335,263
	12-31-04	2,502,800	62%	7,277,080

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, was comprised of the following:

	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Retirees and beneficiaries currently receiving benefits	65	78
Current active employees	13	5

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$1,520,881, \$1,405,941, and \$1,394,578, respectively, equal to the required contributions for each year.

3. Defined Contribution Pension Plan

Water Utility Pension

Plan Description

The Water Utility has a defined contribution pension plan administered by McKready and Keene, Inc., as authorized by Indiana Code 8-1.5-3-7. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the governing board of the unit (Water Board of Directors) and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

McKready and Kenne, Inc.  
7941 Castleway Drive  
P.O. Box 50460  
Indianapolis, IN 46250-0460  
Ph. (317) 849-4333

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the governing board of the unit and the Plan Administrator. Plan members are required to contribute 3% of the annual covered salary. The Water Utility is required to contribute at an actuarially determined rate. The current rate is 0% of annual covered payroll. Employer and employee contributions to the plan were \$0 and \$47,130, respectively.

CITY OF MICHIGAN CITY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 6,864,219	\$ 8,392,364	\$ (1,528,145)	82%	\$ 7,622,749	(20%)
07-01-04	7,084,173	9,396,394	(2,312,221)	75%	8,118,274	(28%)
07-01-05	7,513,688	10,997,902	(3,484,214)	68%	8,063,595	(43%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 351,482	\$ 25,285,500	\$ (24,934,018)	1%	\$ 671,800	(3,712%)
01-01-01	440,286	25,998,500	(25,558,214)	2%	670,700	(3,811%)
01-01-02	1,022,597	25,920,400	(24,897,803)	4%	697,500	(3,570%)
01-01-03	1,182,865	24,739,300	(23,556,435)	5%	765,700	(3,076%)
01-01-04	1,141,261	25,178,500	(24,037,239)	5%	628,700	(3,823%)
01-01-05	1,480,160	23,995,600	(22,515,440)	6%	628,700	(3,581%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 358,365	\$ 24,324,600	\$ (23,966,235)	1%	\$ 252,400	(9,495%)
01-01-01	335,907	23,451,300	(23,115,393)	1%	252,400	(9,158%)
01-01-02	1,344,751	23,988,000	(22,643,249)	6%	275,600	(8,216%)
01-01-03	1,784,058	21,295,000	(19,510,942)	8%	291,500	(6,693%)
01-01-04	1,585,094	24,054,900	(22,469,806)	7%	303,100	(7,413%)
01-01-05	1,334,831	22,054,700	(20,719,869)	6%	216,500	(9,570%)

The accompanying Notes to Required Supplementary Information are an integral part of the required supplementary information.

CITY OF MICHIGAN CITY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF CONTRIBUTIONS FROM THE  
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan				
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed		
		City	State	
12-31-99	\$ 2,623,000	17%	21%	
12-31-00	2,609,200	13%	24%	
12-31-01	2,764,800	20%	42%	
12-31-02	2,856,600	14%	29%	
12-31-03	2,917,600	6%	26%	
12-31-04	3,031,600	36%	26%	

1937 Firefighters' Pension Plan				
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed		
		City	State	
12-31-99	\$ 2,426,200	27%	28%	
12-31-00	2,432,500	21%	34%	
12-31-01	2,423,700	34%	61%	
12-31-02	2,573,600	32%	38%	
12-31-03	2,698,000	6%	34%	
12-31-04	2,822,300	22%	34%	

The accompanying Notes to Required Supplementary Information are an integral part of the required supplementary information.

CITY OF MICHIGAN CITY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULES  
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS  
 For The Year Ended December 31, 2006

	General Fund				Riverboat Gaming Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>Revenues:</b>								
<b>Taxes:</b>								
Property	\$ 11,926,342	\$ 11,926,342	\$ 11,880,429	\$ (45,913)	\$ -	\$ -	\$ -	\$ -
Other taxes	2,344,360	2,344,360	2,481,239	136,879	9,560,000	9,560,000	12,565,659	3,005,659
Licenses and permits	456,000	456,000	449,304	(6,696)	-	-	-	-
Intergovernmental	797,200	797,200	881,421	84,221	-	-	-	-
Charges for services	398,200	398,200	439,083	40,883	-	-	-	-
Fines and forfeits	44,750	44,750	73,524	28,774	-	-	-	-
Other	1,215,500	1,215,500	1,461,675	246,175	-	-	169,097	169,097
<b>Total revenues</b>	<b>17,182,352</b>	<b>17,182,352</b>	<b>17,666,675</b>	<b>484,323</b>	<b>9,560,000</b>	<b>9,560,000</b>	<b>12,734,756</b>	<b>3,174,756</b>
<b>Expenditures:</b>								
<b>Current:</b>								
<b>General government:</b>								
Controller	286,031	280,966	277,491	3,475	-	-	-	-
Clerk	145,471	146,534	138,390	8,144	-	-	-	-
Mayor	173,777	175,399	170,483	4,916	-	-	-	-
Common council	138,108	135,608	131,655	3,953	-	-	-	-
Board of public works and safety	869,600	878,530	838,662	39,868	13,017,798	11,594,689	10,843,245	751,444
Planning and inspection	459,776	472,603	437,634	34,969	-	-	-	-
Personnel	68,010	69,001	67,036	1,965	-	-	-	-
Central maintenance	1,292,805	1,488,087	1,455,778	32,309	-	-	-	-
City hall	243,372	264,266	243,977	20,289	-	-	-	-
Historic review board	6,900	6,400	3,595	2,805	-	-	-	-
City attorney	215,441	244,365	216,184	28,181	-	-	-	-
Public transit	984,249	981,808	988,155	(6,347)	-	-	-	-
City engineer	106,560	105,542	100,615	4,927	-	-	-	-
Human rights commission	138,802	141,854	110,169	31,685	-	-	-	-
Central services	224,814	224,412	224,625	(213)	-	-	-	-
Tree board	8,800	7,100	5,233	1,867	-	-	-	-
Other	-	-	516,118	(516,118)	-	-	-	-
<b>Total general government</b>	<b>5,362,516</b>	<b>5,622,475</b>	<b>5,925,800</b>	<b>(303,325)</b>	<b>13,017,798</b>	<b>11,594,689</b>	<b>10,843,245</b>	<b>751,444</b>
<b>Public safety:</b>								
Police commission	33,362	33,654	23,447	10,207	-	-	-	-
Fire commission	21,820	21,820	21,670	150	-	-	-	-
Emergency management agency	58,118	58,411	57,647	764	-	-	-	-
Fire department	6,342,972	6,295,201	5,989,370	305,831	-	-	-	-
Police department	6,744,890	6,748,314	6,555,671	192,643	-	-	-	-
Vector control	80,594	82,143	81,533	610	-	-	-	-
Animal control	89,978	90,623	89,940	683	-	-	-	-
<b>Total public safety</b>	<b>13,371,734</b>	<b>13,330,166</b>	<b>12,819,278</b>	<b>510,888</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>18,734,250</b>	<b>18,952,641</b>	<b>18,745,078</b>	<b>207,563</b>	<b>13,017,798</b>	<b>11,594,689</b>	<b>10,843,245</b>	<b>751,444</b>
<b>Other financing sources (uses):</b>								
Operating transfers in	132,500	132,500	1,462,616	1,330,116	-	-	-	-
Operating transfers out	-	-	(486,256)	(486,256)	-	-	(261,750)	(261,750)
<b>Total other financing sources (uses)</b>	<b>132,500</b>	<b>132,500</b>	<b>976,360</b>	<b>843,860</b>	<b>-</b>	<b>-</b>	<b>(261,750)</b>	<b>(261,750)</b>
<b>Special item:</b>								
Unappropriated expenditures	-	-	(387,489)	(387,489)	-	-	-	-
<b>Net change in fund balances</b>	<b>(1,419,398)</b>	<b>(1,637,789)</b>	<b>(489,532)</b>	<b>1,148,257</b>	<b>(3,457,798)</b>	<b>(2,034,689)</b>	<b>1,629,761</b>	<b>3,664,450</b>
<b>Fund balances - beginning</b>	<b>37,529</b>	<b>1,484,547</b>	<b>2,202,402</b>	<b>717,855</b>	<b>1,959,375</b>	<b>(712,920)</b>	<b>9,737,502</b>	<b>10,450,422</b>
<b>Fund balances - December 31</b>	<b>\$ (1,381,869)</b>	<b>\$ (153,242)</b>	<b>\$ 1,712,870</b>	<b>\$ 1,866,112</b>	<b>\$ (1,498,423)</b>	<b>\$ (2,747,609)</b>	<b>\$ 11,367,263</b>	<b>\$ 14,114,872</b>

The accompanying Notes to Required Supplementary Information are an integral part of the required supplementary information.

CITY OF MICHIGAN CITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note I. Budgets and Budgetary Accounting

The government follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedules:

- A. After conferring with members of the Common Council, the City Controller, and department heads, the Mayor submits to the Common Council a proposed operating and capital budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- B. Prior to adoption, the City advertises the budget and the Common Council holds public hearings to obtain taxpayer comments. The Common Council may reduce, but not increase the budget from the advertised amounts.
- C. No later than September 30<sup>th</sup> of each year, the budget for the next year is approved by the Common Council through the passage of an ordinance.
- D. Copies of the budget ordinance and advertisements for funds for which property taxes are levied or for which highway use taxes are received and sent to the Indiana Department of Local Government Finance (DLGF) for their review and approval. The budget becomes legally enacted after the City Controller receives approval from the DLGF. This approval is required by Indiana statute and ad valorem property tax rates are to be set by February 15<sup>th</sup> of the year budgeted. The budget ordinance as approved by the DLGF becomes the City's expenditure budget. The City's maximum tax levy is restricted by Indiana law, with certain adjustments and exceptions. If the advertised budget, for funds for which property taxes are levied or for which highway use taxes are received, exceeds the spending and tax limits of the state control laws, an excess levy can be granted by the DLGF, upon appeal by the City.
- E. The legal level of budgetary control (the level at which expenditures may not exceed appropriations without the governing body's approval) is by object classification for all funds except for the General Fund and Parks and Recreation Fund, which are by object classification within each department. The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the Common Council. Any revisions that alter the total appropriations for any fund or any department of the General Fund or Parks and Recreation Fund must be approved by the Common Council and, in some instances, by the DLGF.
- F. Formal budgetary integration is required by State statute for those funds for which property taxes or highway use taxes are received and is employed as a management control device. In addition, the Common Council has enacted legislation to require that formal budgets be prepared for certain funds (the budgets for these funds do not require approval by the DLGF). Annual budgets were legally adopted for the following funds:

CITY OF MICHIGAN CITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
(Continued)

Major funds:

- General
- Riverboat Gaming (special revenue fund)
- Major Moves

Nonmajor funds:

Special revenue funds:

- Local Road and Street
- Motor Vehicle Highway
- Barker Civic Center
- Police Continuing Education
- Parks and Recreation
- Zoo Education Nonreverting
- Recreation Nonreverting
- Golf Nonreverting
- Park Concessions Nonreverting
- Aviation Operating
- Aviation Fuel
- Cemetery Operating
- DEA Forfeiture
- Patriot Park Nonreverting

Capital projects funds:

- Cumulative Capital Improvement
- Cumulative Capital Development
- Senior Center Nonreverting
- Blue Chip Development
- County Economic Development Income Tax (capital projects fund)

Pension trust funds:

- Fire Pension
- Police Pension

Component unit – Port Authority:

- Cumulative Channel Maintenance

- G. The City's budgetary process is based upon cash outflows, which is a Non-GAAP basis. Appropriations lapse with the expiration of the budgetary period unless encumbered by a purchase order or contract. Encumbered appropriations are carried over and added to the subsequent year's budget.
- H. Budgeted amounts are as originally adopted, or as amended by the Common Council and approved by the DLGF in the regular legal manner. The net effect of individual amendments increased the original appropriations by \$8,957,454 in 2006.

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS - NONMAJOR FUNDS BY FUND TYPE  
 For The Year Ended December 31, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Trust Funds	Total Nonmajor Funds
<b>Receipts:</b>					
Taxes	\$ 1,975,899	\$ 809,480	\$ 428,829	\$ -	\$ 3,214,208
Licenses and permits	5,448	-	-	-	5,448
Intergovernmental	3,576,718	-	3,049,450	-	6,626,168
Charges for services	2,287,099	-	349,755	-	2,636,854
Other	<u>1,011,006</u>	<u>66,502</u>	<u>4,401,044</u>	<u>793,901</u>	<u>6,272,453</u>
<b>Total receipts</b>	<u>8,856,170</u>	<u>875,982</u>	<u>8,229,078</u>	<u>793,901</u>	<u>18,755,131</u>
<b>Disbursements:</b>					
General government	1,237,185	398,283	-	760,781	2,396,249
Public safety	61,375	-	-	-	61,375
Highways and streets	1,383,330	-	-	-	1,383,330
Culture and recreation	4,477,428	-	-	-	4,477,428
Urban redevelopment and housing	1,798,857	-	-	-	1,798,857
Debt service:					
Principal	-	190,863	-	-	190,863
Interest	-	249,255	-	-	249,255
Capital outlay	-	-	6,054,561	-	6,054,561
<b>Total disbursements</b>	<u>8,958,175</u>	<u>838,401</u>	<u>6,054,561</u>	<u>760,781</u>	<u>16,611,918</u>
Excess (deficiency) of receipts over disbursements	<u>(102,005)</u>	<u>37,581</u>	<u>2,174,517</u>	<u>33,120</u>	<u>2,143,213</u>
<b>Other financing sources (uses)</b>					
Transfers in	192,368	493,500	90,770	-	776,638
Transfers out	<u>(42,500)</u>	<u>(493,500)</u>	<u>(2,191,548)</u>	<u>-</u>	<u>(2,727,548)</u>
<b>Total other financing sources (uses)</b>	<u>149,868</u>	<u>-</u>	<u>(2,100,778)</u>	<u>-</u>	<u>(1,950,910)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	47,863	37,581	73,739	33,120	192,303
Cash and investment fund balance - beginning	<u>2,844,265</u>	<u>1,943,754</u>	<u>6,405,216</u>	<u>1,356,900</u>	<u>12,550,135</u>
Cash and investment fund balance - ending	<u>\$ 2,892,128</u>	<u>\$ 1,981,335</u>	<u>\$ 6,478,955</u>	<u>\$ 1,390,020</u>	<u>\$ 12,742,438</u>
<b>Cash and Investment Assets - December 31</b>					
Cash and investments	\$ 1,198,781	\$ -	\$ (72,456)	\$ -	\$ 1,126,325
Restricted assets:					
Cash and investments	<u>1,693,347</u>	<u>1,981,335</u>	<u>6,551,411</u>	<u>1,390,020</u>	<u>11,616,113</u>
<b>Total cash and investment assets - December 31</b>	<u>\$ 2,892,128</u>	<u>\$ 1,981,335</u>	<u>\$ 6,478,955</u>	<u>\$ 1,390,020</u>	<u>\$ 12,742,438</u>
<b>Cash and Investment Fund Balance - December 31</b>					
Restricted for:					
Debt service	\$ -	\$ 1,981,335	\$ -	\$ -	\$ 1,981,335
Capital projects	-	-	6,551,411	-	6,551,411
Other purposes	1,693,347	-	-	1,390,020	3,083,367
Unrestricted	<u>1,198,781</u>	<u>-</u>	<u>(72,456)</u>	<u>-</u>	<u>1,126,325</u>
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 2,892,128</u>	<u>\$ 1,981,335</u>	<u>\$ 6,478,955</u>	<u>\$ 1,390,020</u>	<u>\$ 12,742,438</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
 For The Year Ended December 31, 2006

	Motor Vehicle Highway	Local Road and Street	Parks and Recreation	Aviation	Park and Recreation Nonreverting	Park Concession Nonreverting	Golf
Receipts:							
Taxes	\$ -	\$ -	\$ 1,702,123	\$ 129,302	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,237,011	342,337	135,286	10,591	-	-	-
Charges for services	6,900	-	480,742	-	168,971	96,821	812,551
Other	5,321	-	53,148	13,139	14,820	1,134	6,079
<b>Total receipts</b>	<b>1,249,232</b>	<b>342,337</b>	<b>2,371,299</b>	<b>153,032</b>	<b>183,791</b>	<b>97,955</b>	<b>818,630</b>
Disbursements:							
General government	-	-	-	177,725	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	1,031,339	351,953	-	-	-	-	-
Culture and recreation	-	-	2,345,096	-	144,187	101,573	809,783
Urban redevelopment and housing	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>1,031,339</b>	<b>351,953</b>	<b>2,345,096</b>	<b>177,725</b>	<b>144,187</b>	<b>101,573</b>	<b>809,783</b>
Excess (deficiency) of receipts over disbursements	217,893	(9,616)	26,203	(24,693)	39,604	(3,618)	8,847
Other financing sources (uses)							
Transfers in	131,250	-	23,000	35,000	-	-	-
Transfers out	-	-	-	-	-	(7,500)	-
<b>Total other financing sources (uses)</b>	<b>131,250</b>	<b>-</b>	<b>23,000</b>	<b>35,000</b>	<b>-</b>	<b>(7,500)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	349,143	(9,616)	49,203	10,307	39,604	(11,118)	8,847
Cash and investment fund balance - beginning	401,972	168,280	331,226	13,223	74,749	52,577	(57,942)
Cash and investment fund balance - ending	<u>\$ 751,115</u>	<u>\$ 158,664</u>	<u>\$ 380,429</u>	<u>\$ 23,530</u>	<u>\$ 114,353</u>	<u>\$ 41,459</u>	<u>\$ (49,095)</u>
<b>Cash and Investment Assets - December 31</b>							
Cash and investments	\$ -	\$ -	\$ 380,429	\$ 23,530	\$ 114,353	\$ 41,459	\$ (49,095)
Restricted assets:							
Cash and investments	751,115	158,664	-	-	-	-	-
<b>Total cash and investment assets - December 31</b>	<b>\$ 751,115</b>	<b>\$ 158,664</b>	<b>\$ 380,429</b>	<b>\$ 23,530</b>	<b>\$ 114,353</b>	<b>\$ 41,459</b>	<b>\$ (49,095)</b>
<b>Cash and Investment Fund Balance - December 31</b>							
Restricted for:							
Other purposes	\$ 751,115	\$ 158,664	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	380,429	23,530	114,353	41,459	(49,095)
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 751,115</b>	<b>\$ 158,664</b>	<b>\$ 380,429</b>	<b>\$ 23,530</b>	<b>\$ 114,353</b>	<b>\$ 41,459</b>	<b>\$ (49,095)</b>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
 For the Year Ended December 31, 2006  
 (Continued)

	Building Demolition	Barker Civic Center	Law Enforcement Continuing Education	Redevelopment	Aviation Nonreverting	Tree Fund	Youth Council
Receipts:							
Taxes	\$ -	\$ 144,283	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	5,448	-	-	-	-
Intergovernmental	-	11,850	-	-	-	48,000	-
Charges for services	-	10,734	13,445	-	194,677	-	-
Other	-	100	21,318	357,249	264	2,070	280
<b>Total receipts</b>	<b>-</b>	<b>166,967</b>	<b>40,211</b>	<b>357,249</b>	<b>194,941</b>	<b>50,070</b>	<b>280</b>
Disbursements:							
General government	9,780	-	-	-	166,517	-	-
Public safety	-	-	21,143	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	159,441	-	-	-	4,365	68
Urban redevelopment and housing	-	-	-	533,084	-	-	-
<b>Total disbursements</b>	<b>9,780</b>	<b>159,441</b>	<b>21,143</b>	<b>533,084</b>	<b>166,517</b>	<b>4,365</b>	<b>68</b>
Excess (deficiency) of receipts over disbursements	(9,780)	7,526	19,068	(175,835)	28,424	45,705	212
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(35,000)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35,000)</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,780)	7,526	19,068	(175,835)	(6,576)	45,705	212
Cash and investment fund balance - beginning	11,855	25,045	67,546	413,907	64,729	-	-
Cash and investment fund balance - ending	<u>\$ 2,075</u>	<u>\$ 32,571</u>	<u>\$ 86,614</u>	<u>\$ 238,072</u>	<u>\$ 58,153</u>	<u>\$ 45,705</u>	<u>\$ 212</u>
<b>Cash and Investment Assets - December 31</b>							
Cash and investments	\$ 2,075	\$ 32,571	\$ -	\$ 238,072	\$ 58,153	\$ 45,705	\$ 212
Restricted assets:							
Cash and investments	-	-	86,614	-	-	-	-
<b>Total cash and investment assets - December 31</b>	<u>\$ 2,075</u>	<u>\$ 32,571</u>	<u>\$ 86,614</u>	<u>\$ 238,072</u>	<u>\$ 58,153</u>	<u>\$ 45,705</u>	<u>\$ 212</u>
<b>Cash and Investment Fund Balance - December 31</b>							
Restricted for:							
Other purposes	\$ -	\$ -	\$ 86,614	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,075	32,571	-	238,072	58,153	45,705	212
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 2,075</u>	<u>\$ 32,571</u>	<u>\$ 86,614</u>	<u>\$ 238,072</u>	<u>\$ 58,153</u>	<u>\$ 45,705</u>	<u>\$ 212</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
 For the Year Ended December 31, 2006  
 (Continued)

	Law Enforcement Block Grants	Community Events Promotion	Zoo Education Nonreverting	Hometown Forestry Grant	Controlled Substance Excise	DEA Forfeiture	Brownsfield Assessment Grant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 191	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	23,240	-	-	11,042	-	-	-
Charges for services	-	-	4,889	-	-	20,023	-
Other	672	40,372	14,496	-	-	3,041	17,978
<b>Total receipts</b>	<b>23,912</b>	<b>40,372</b>	<b>19,385</b>	<b>11,042</b>	<b>191</b>	<b>23,064</b>	<b>17,978</b>
Disbursements:							
General government	-	-	-	-	-	-	56,034
Public safety	5,333	-	-	-	-	26,805	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	40,966	5,984	1,851	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>5,333</b>	<b>40,966</b>	<b>5,984</b>	<b>1,851</b>	<b>-</b>	<b>26,805</b>	<b>56,034</b>
Excess (deficiency) of receipts over disbursements	18,579	(594)	13,401	9,191	191	(3,741)	(38,056)
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	18,579	(594)	13,401	9,191	191	(3,741)	(38,056)
Cash and investment fund balance - beginning	1,352	2,294	38,211	(9,191)	1,498	84,075	98,414
<b>Cash and investment fund balance - ending</b>	<b>\$ 19,931</b>	<b>\$ 1,700</b>	<b>\$ 51,612</b>	<b>\$ -</b>	<b>\$ 1,689</b>	<b>\$ 80,334</b>	<b>\$ 60,358</b>
<b>Cash and Investment Assets - December 31</b>							
Cash and investments	\$ -	\$ 1,700	\$ 51,612	\$ -	\$ 1,689	\$ -	\$ -
Restricted assets:							
Cash and investments	19,931	-	-	-	-	80,334	60,358
<b>Total cash and investment assets - December 31</b>	<b>\$ 19,931</b>	<b>\$ 1,700</b>	<b>\$ 51,612</b>	<b>\$ -</b>	<b>\$ 1,689</b>	<b>\$ 80,334</b>	<b>\$ 60,358</b>
<b>Cash and Investment Fund Balance - December 31</b>							
Restricted for:							
Other purposes	\$ 19,931	\$ -	\$ -	\$ -	\$ -	\$ 80,334	\$ 60,358
Unrestricted	-	1,700	51,612	-	1,689	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 19,931</b>	<b>\$ 1,700</b>	<b>\$ 51,612</b>	<b>\$ -</b>	<b>\$ 1,689</b>	<b>\$ 80,334</b>	<b>\$ 60,358</b>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
 For the Year Ended December 31, 2006  
 (Continued)

	Patriot Park Nonreverting	Fire Equipment Grant	Millenium Park Bricks	Park Gift and Donations	Animal Control	Zoo Gift and Donations
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Other	14,650	-	2,031	8,620	-	100,000
<b>Total receipts</b>	<u>14,650</u>	<u>-</u>	<u>2,031</u>	<u>8,620</u>	<u>-</u>	<u>100,000</u>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	7,939	-	-	8,129	-	62,054
Urban redevelopment and housing	-	-	-	-	-	-
<b>Total disbursements</b>	<u>7,939</u>	<u>-</u>	<u>-</u>	<u>8,129</u>	<u>-</u>	<u>62,054</u>
Excess (deficiency) of receipts over disbursements	6,711	-	2,031	491	-	37,946
Other financing sources (uses)						
Transfers in	-	-	-	-	3,118	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,118</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,711	-	2,031	491	3,118	37,946
Cash and investment fund balance - beginning	4,943	36,587	70,126	11,599	-	126,161
Cash and investment fund balance - ending	<u>\$ 11,654</u>	<u>\$ 36,587</u>	<u>\$ 72,157</u>	<u>\$ 12,090</u>	<u>\$ 3,118</u>	<u>\$ 164,107</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 11,654	\$ -	\$ -	\$ 12,090	\$ 3,118	\$ 164,107
Restricted assets:						
Cash and investments	-	36,587	72,157	-	-	-
<b>Total cash and investment assets - December 31</b>	<u>\$ 11,654</u>	<u>\$ 36,587</u>	<u>\$ 72,157</u>	<u>\$ 12,090</u>	<u>\$ 3,118</u>	<u>\$ 164,107</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Other purposes	\$ -	\$ 36,587	\$ 72,157	\$ -	\$ -	\$ -
Unrestricted	11,654	-	-	12,090	3,118	164,107
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 11,654</u>	<u>\$ 36,587</u>	<u>\$ 72,157</u>	<u>\$ 12,090</u>	<u>\$ 3,118</u>	<u>\$ 164,107</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
 For the Year Ended December 31, 2006  
 (Continued)

	Police Donations	Fire Donations	Indiana Tobacco Prevention Grant	Health Commission Gift and Donations	CZM Projects	Cemetery
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	1,800	-	504,000	-
Charges for services	-	-	-	-	-	416,253
Other	7,058	150	-	-	-	129,460
	<u>7,058</u>	<u>150</u>	<u>1,800</u>	<u>-</u>	<u>504,000</u>	<u>545,713</u>
Total receipts	<u>7,058</u>	<u>150</u>	<u>1,800</u>	<u>-</u>	<u>504,000</u>	<u>545,713</u>
Disbursements:						
General government	-	-	1,800	-	-	544,643
Public safety	8,094	-	-	-	-	-
Highways and streets	-	-	-	38	-	-
Culture and recreation	-	-	-	-	764,515	-
Urban redevelopment and housing	-	-	-	-	-	-
	<u>8,094</u>	<u>-</u>	<u>1,800</u>	<u>38</u>	<u>764,515</u>	<u>544,643</u>
Total disbursements	<u>8,094</u>	<u>-</u>	<u>1,800</u>	<u>38</u>	<u>764,515</u>	<u>544,643</u>
Excess (deficiency) of receipts over disbursements	<u>(1,036)</u>	<u>150</u>	<u>-</u>	<u>(38)</u>	<u>(260,515)</u>	<u>1,070</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,036)</u>	<u>150</u>	<u>-</u>	<u>(38)</u>	<u>(260,515)</u>	<u>1,070</u>
Cash and investment fund balance - beginning	<u>8,547</u>	<u>3,473</u>	<u>-</u>	<u>38</u>	<u>491,000</u>	<u>53,143</u>
Cash and investment fund balance - ending	<u>\$ 7,511</u>	<u>\$ 3,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,485</u>	<u>\$ 54,213</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 7,511	\$ 3,623	\$ -	\$ -	\$ -	\$ 54,213
Restricted assets:						
Cash and investments	-	-	-	-	230,485	-
Total cash and investment assets - December 31	<u>\$ 7,511</u>	<u>\$ 3,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,485</u>	<u>\$ 54,213</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ 230,485	\$ -
Unrestricted	7,511	3,623	-	-	-	54,213
Total cash and investment fund balance - December 31	<u>\$ 7,511</u>	<u>\$ 3,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,485</u>	<u>\$ 54,213</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Cemetery Merchandise	Trail Creek Archaeological Grant	Singing Sands Bike Trail Project	CDBG 2004	CDBG 2005	Totals
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,975,899
Licenses and permits	-	-	-	-	-	5,448
Intergovernmental	-	2,641	-	881,982	366,938	3,576,718
Charges for services	61,093	-	-	-	-	2,287,099
Other	197,556	-	-	-	-	1,011,006
<b>Total receipts</b>	<b>258,649</b>	<b>2,641</b>	<b>-</b>	<b>881,982</b>	<b>366,938</b>	<b>8,856,170</b>
<b>Disbursements:</b>						
General government	273,495	7,191	-	-	-	1,237,185
Public safety	-	-	-	-	-	61,375
Highways and streets	-	-	-	-	-	1,383,330
Culture and recreation	-	-	21,477	-	-	4,477,428
Urban redevelopment and housing	-	-	-	883,323	348,678	1,765,085
<b>Total disbursements</b>	<b>273,495</b>	<b>7,191</b>	<b>21,477</b>	<b>883,323</b>	<b>348,678</b>	<b>8,924,403</b>
Excess (deficiency) of receipts over disbursements	(14,846)	(4,550)	(21,477)	(1,341)	18,260	(68,233)
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	192,368
Transfers out	-	-	-	-	-	(42,500)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>149,868</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,846)	(4,550)	(21,477)	(1,341)	18,260	81,635
Cash and investment fund balance - beginning	114,313	4,550	119,079	1,374	(18,260)	2,810,493
Cash and investment fund balance - ending	\$ 99,467	\$ -	\$ 97,602	\$ 33	\$ -	\$ 2,892,128
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,198,781
Restricted assets:						
Cash and investments	99,467	-	97,602	33	-	1,693,347
<b>Total cash and investment assets - December 31</b>	<b>\$ 99,467</b>	<b>\$ -</b>	<b>\$ 97,602</b>	<b>\$ 33</b>	<b>\$ -</b>	<b>\$ 2,892,128</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Other purposes	\$ 99,467	\$ -	\$ 97,602	\$ 33	\$ -	\$ 1,693,347
Unrestricted	-	-	-	-	-	1,198,781
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 99,467</b>	<b>\$ -</b>	<b>\$ 97,602</b>	<b>\$ 33</b>	<b>\$ -</b>	<b>\$ 2,892,128</b>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS  
 For The Year Ended December 31, 2006

	Southside TIF District	Northeast TIF District	Redevelopment Authority	Totals
Receipts:				
Taxes	\$ 729,120	\$ 80,360	\$ -	\$ 809,480
Other	38,608	2,841	25,053	66,502
Total receipts	<u>767,728</u>	<u>83,201</u>	<u>25,053</u>	<u>875,982</u>
Disbursements:				
General government	395,453	-	2,830	398,283
Debt service:				
Principal	-	60,863	130,000	190,863
Interest	-	59,025	190,230	249,255
Total disbursements	<u>395,453</u>	<u>119,888</u>	<u>323,060</u>	<u>838,401</u>
Excess (deficiency) of receipts over disbursements	<u>372,275</u>	<u>(36,687)</u>	<u>(298,007)</u>	<u>37,581</u>
Other financing sources (uses)				
Transfers in	-	-	493,500	493,500
Transfers out	(493,500)	-	-	(493,500)
Total other financing sources (uses)	<u>(493,500)</u>	<u>-</u>	<u>493,500</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(121,225)	(36,687)	195,493	37,581
Cash and investment fund balance - beginning	<u>1,197,653</u>	<u>173,565</u>	<u>572,536</u>	<u>1,943,754</u>
Cash and investment fund balance - ending	<u>\$ 1,076,428</u>	<u>\$ 136,878</u>	<u>\$ 768,029</u>	<u>\$ 1,981,335</u>
<u>Cash and Investment Assets - December 31</u>				
Restricted assets:				
Cash and investments	<u>\$ 1,076,428</u>	<u>\$ 136,878</u>	<u>\$ 768,029</u>	<u>\$ 1,981,335</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	<u>\$ 1,076,428</u>	<u>\$ 136,878</u>	<u>\$ 768,029</u>	<u>\$ 1,981,335</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS  
 For The Year Ended December 31, 2006

	Cumulative Capital Improvement	Cumulative Capital Development	CEDIT	Park and Recreation Capital Improvement	Municipal Coach Capital Improvement	Airport Improvement Grant Runway Rehabilitation
Receipts:						
Taxes	\$ -	\$ 428,829	\$ -	\$ -	\$ -	\$ -
Intergovernmental	117,536	34,083	2,226,111	-	284,667	-
Charges for services	-	-	-	259,735	-	-
Other	18,000	-	-	-	-	-
<b>Total receipts</b>	<b>135,536</b>	<b>462,912</b>	<b>2,226,111</b>	<b>259,735</b>	<b>284,667</b>	<b>-</b>
Disbursements:						
Capital outlay	150,711	453,880	1,880,710	198,860	82,525	4,203
Excess (deficiency) of receipts over disbursements	(15,175)	9,032	345,401	60,875	202,142	(4,203)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(2,189,048)	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(2,189,048)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,175)	9,032	(1,843,647)	60,875	202,142	(4,203)
Cash and investment fund balance - beginning	95,526	667,230	3,070,820	18,504	(272,013)	68,804
Cash and investment fund balance - ending	<u>\$ 80,351</u>	<u>\$ 676,262</u>	<u>\$ 1,227,173</u>	<u>\$ 79,379</u>	<u>\$ (69,871)</u>	<u>\$ 64,601</u>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ (69,871)	\$ -
Restricted assets:						
Cash and investments	80,351	676,262	1,227,173	79,379	-	64,601
<b>Total cash and investment assets - December 31</b>	<b>\$ 80,351</b>	<b>\$ 676,262</b>	<b>\$ 1,227,173</b>	<b>\$ 79,379</b>	<b>\$ (69,871)</b>	<b>\$ 64,601</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Capital projects	\$ 80,351	\$ 676,262	\$ 1,227,173	\$ 79,379	\$ -	\$ 64,601
Unrestricted	-	-	-	-	(69,871)	-
<b>Total cash and investment assets - December 31</b>	<b>\$ 80,351</b>	<b>\$ 676,262</b>	<b>\$ 1,227,173</b>	<b>\$ 79,379</b>	<b>\$ (69,871)</b>	<b>\$ 64,601</b>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Aviation Grant	Senior Center Nonreverting	Airport Improvement Grants	Sidewalk	Blue Chip Development	Blue Chip Donation
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	38,020	-	-	-
Charges for services	-	24,260	-	-	-	-
Other	-	-	-	504	3,830,158	-
<b>Total receipts</b>	<b>-</b>	<b>24,260</b>	<b>38,020</b>	<b>504</b>	<b>3,830,158</b>	<b>-</b>
Disbursements:						
Capital outlay	-	12,070	115,834	504	2,773,469	18,396
Excess (deficiency) of receipts over disbursements	-	12,190	(77,814)	-	1,056,689	(18,396)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(2,500)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(2,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	9,690	(77,814)	-	1,056,689	(18,396)
Cash and investment fund balance - beginning	19,460	46,463	75,229	-	2,358,499	193,782
Cash and investment fund balance - ending	<u>\$ 19,460</u>	<u>\$ 56,153</u>	<u>\$ (2,585)</u>	<u>\$ -</u>	<u>\$ 3,415,188</u>	<u>\$ 175,386</u>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ -	\$ -	\$ (2,585)	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	19,460	56,153	-	-	3,415,188	175,386
<b>Total cash and investment assets - December 31</b>	<b>\$ 19,460</b>	<b>\$ 56,153</b>	<b>\$ (2,585)</b>	<b>\$ -</b>	<b>\$ 3,415,188</b>	<b>\$ 175,386</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Capital projects	\$ 19,460	\$ 56,153	\$ -	\$ -	\$ 3,415,188	\$ 175,386
Unrestricted	-	-	(2,585)	-	-	-
<b>Total cash and investment assets - December 31</b>	<b>\$ 19,460</b>	<b>\$ 56,153</b>	<b>\$ (2,585)</b>	<b>\$ -</b>	<b>\$ 3,415,188</b>	<b>\$ 175,386</b>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Police Equipment Bulletproof Vest	Cemetery Extension	Coolspring Avenue Reconstruction Project	Geberet Project	Totals
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 428,829
Intergovernmental	719	-	148,314	200,000	3,049,450
Charges for services	-	65,760	-	-	349,755
Other	-	552,382	-	-	4,401,044
<b>Total receipts</b>	<b>719</b>	<b>618,142</b>	<b>148,314</b>	<b>200,000</b>	<b>8,229,078</b>
Disbursements:					
Capital outlay	3,556	199,372	193,363	(32,892)	6,054,561
Excess (deficiency) of receipts over disbursements	(2,837)	418,770	(45,049)	232,892	2,174,517
Other financing sources (uses)					
Transfers in	-	-	90,770	-	90,770
Transfers out	-	-	-	-	(2,191,548)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>90,770</b>	<b>-</b>	<b>(2,100,778)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,837)	418,770	45,721	232,892	73,739
Cash and investment fund balance - beginning	2,837	145,290	147,677	(232,892)	6,405,216
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 564,060</u>	<u>\$ 193,398</u>	<u>\$ -</u>	<u>\$ 6,478,955</u>
<b>Cash and Investment Assets - December 31</b>					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ (72,456)
Restricted assets:					
Cash and investments	-	564,060	193,398	-	6,551,411
<b>Total cash and investment assets - December 31</b>	<b>\$ -</b>	<b>\$ 564,060</b>	<b>\$ 193,398</b>	<b>\$ -</b>	<b>\$ 6,478,955</b>
<b>Cash and Investment Fund Balance - December 31</b>					
Restricted for:					
Capital projects	\$ -	\$ 564,060	\$ 193,398	\$ -	\$ 6,551,411
Unrestricted	-	-	-	-	(72,456)
<b>Total cash and investment assets - December 31</b>	<b>\$ -</b>	<b>\$ 564,060</b>	<b>\$ 193,398</b>	<b>\$ -</b>	<b>\$ 6,478,955</b>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS - PERMANENT TRUST FUNDS  
 For The Year Ended December 31, 2006

	<u>Greenwood Maintenance Trust Fund</u>	<u>Swan Lake Maintenance Trust Fund</u>	<u>Totals</u>
Receipts:			
Other	\$ 505,390	\$ 288,511	\$ 793,901
Disbursements:			
General government	486,473	274,308	760,781
Excess of receipts over disbursements	18,917	14,203	33,120
Cash and investment fund balance - beginning	977,449	379,451	1,356,900
Cash and investment fund balance - ending	<u>\$ 996,366</u>	<u>\$ 393,654</u>	<u>\$ 1,390,020</u>
<u>Cash and Investment Assets - December 31</u>			
Restricted assets:			
Cash and investments	<u>\$ 996,366</u>	<u>\$ 393,654</u>	<u>\$ 1,390,020</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Other purposes	<u>\$ 996,366</u>	<u>\$ 393,654</u>	<u>\$ 1,390,020</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For The Year Ended December 31, 2006

	Police Pension	Firefighters' Pension	Total
Additions:			
Contributions:			
Employer	\$ 558,459	\$ 403,494	\$ 961,953
Plan members	16,024	13,334	29,358
State	985,379	975,121	1,960,500
Other	1,371	1,182	2,553
Total additions	1,561,233	1,393,131	2,954,364
Deductions:			
Benefits	1,648,454	1,569,986	3,218,440
Administrative and general	2,584	2,599	5,183
Total deductions	1,651,038	1,572,585	3,223,623
Deficiency of total additions over total deductions	(89,805)	(179,454)	(269,259)
Cash and investment fund balance - beginning	921,821	1,167,133	2,088,954
Cash and investment fund balance - ending	\$ 832,016	\$ 987,679	\$ 1,819,695

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For The Year Ended December 31, 2006

	Flower Fund	Dabbert Vault	Lutz Vault	Cemetery Blanket and Wreath Fund	Total
Additions:					
Contributions:					
Other	\$ 90	\$ -	\$ 11	\$ 12,747	\$ 12,848
Investment earnings:					
Interest	746	49	94	58	947
Total additions	836	49	105	12,805	13,795
Deductions:					
Administrative and general	326	-	-	36,035	36,361
Excess (deficiency) of total additions over total deductions	510	49	105	(23,230)	(22,566)
Cash and investment fund balance - beginning	25,820	2,249	3,920	35,929	67,918
Cash and investment fund balance - ending	\$ 26,330	\$ 2,298	\$ 4,025	\$ 12,699	\$ 45,352

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2006

	<u>Excess Levy</u>	<u>Payroll Deduction</u>	<u>Radio Tower</u>	<u>Aviation Tax Escrow Account</u>	<u>Intergovernmental Wagering Tax</u>	<u>Total</u>
Additions:						
Agency fund additions	<u>\$ 591,590</u>	<u>\$ 236,577</u>	<u>\$ 2,710</u>	<u>\$ -</u>	<u>\$ 2,775,998</u>	<u>\$ 3,606,875</u>
Deductions:						
Agency fund deductions	<u>1,045,116</u>	<u>61,836</u>	<u>2,717</u>	<u>1,801</u>	<u>2,775,993</u>	<u>3,887,463</u>
Excess (deficiency) of total additions over total deductions	(453,526)	174,741	(7)	(1,801)	5	(280,588)
Cash and investment fund balance - beginning	<u>780,232</u>	<u>716,290</u>	<u>736</u>	<u>2,287</u>	<u>63</u>	<u>1,499,608</u>
Cash and and investment fund balance - ending	<u><u>\$ 326,706</u></u>	<u><u>\$ 891,031</u></u>	<u><u>\$ 729</u></u>	<u><u>\$ 486</u></u>	<u><u>\$ 68</u></u>	<u><u>\$ 1,219,020</u></u>

CITY OF MICHIGAN CITY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
For The Year Ended December 31, 2006

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 (those reported by governmental activities) are included regardless of their acquisition date or amount. 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	\$ 6,456,989
Construction in progress	<u>1,489,388</u>
Total capital assets, not being depreciated	<u>7,946,377</u>
Capital assets, being depreciated (net of depreciation)	
Buildings	11,882,100
Improvements other than buildings	4,933,315
Machinery and equipment	7,419,015
Infrastructure	<u>39,459,704</u>
Total capital assets, being depreciated, net	<u>63,694,134</u>
Total governmental activities, capital assets net	<u>\$ 71,640,511</u>
 <u>Primary Government</u>	
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 91,291
Construction in progress	<u>151,974</u>
Total capital assets, not being depreciated	<u>243,265</u>
Capital assets, being depreciated (net of depreciation)	
Buildings	16,384,236
Improvements other than buildings	20,087,507
Machinery and equipment	<u>4,360,283</u>
Total capital assets being depreciated, net	<u>40,832,026</u>
Total Water Utility capital assets net	<u>41,075,291</u>
Sanitary District:	
Capital assets, not being depreciated:	
Land	720,231
Construction in progress	<u>2,952,958</u>
Total capital assets, not being depreciated	<u>3,673,189</u>
Capital assets, being depreciated (net of depreciation)	
Land improvements	462,589
Buildings	13,149,306
Building improvements	2,291,361
Infrastructure	27,637,377
Machinery and equipment	3,491,265
Transportation equipment	<u>585,665</u>
Total capital assets being depreciated, net	<u>47,617,563</u>
Total Sanitary District capital assets net	<u>51,290,752</u>
Total business-type activities capital assets	<u>\$ 92,366,043</u>
 <u>Discretely Presented Component Unit</u>	
Port Authority:	
Capital assets, not being depreciated:	
Land	\$ <u>2,353,501</u>
Capital assets, being depreciated (net of depreciation)	
Land improvements	330,574
Infrastructure	1,999,197
Buildings	4,427,355
Machinery and equipment	<u>217,717</u>
Total capital assets being depreciated, net	<u>6,974,843</u>
Total discretely presented component unit capital assets net	<u>\$ 9,328,344</u>

CITY OF MICHIGAN CITY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental activities:		
Notes and loans payable	\$ 176,482	\$ 48,015
Bonds payable:		
General obligation bonds:		
1997 Park and Recreation improvement bonds	1,740,000	250,000
Revenue bonds:		
1999 Redevelopment Authority lease rental revenue	3,160,000	140,000
TIF revenue bonds	<u>136,878</u>	<u>136,878</u>
Total governmental activities long-term debt	<u>\$ 5,213,360</u>	<u>\$ 574,893</u>
Business-type activities:		
Water Utility		
Revenue bonds:		
2004 Waterworks refunding revenue	\$ 8,515,000	\$ 690,000
Loan payable	<u>6,239,916</u>	<u>55,000</u>
Total Water Utility	<u>14,754,916</u>	<u>745,000</u>
Sanitary District		
General obligation bonds:		
1995 Sanitary District improvement bonds	4,170,000	2,025,000
Revenue bonds:		
2005 Refunding revenue bonds	7,020,000	685,000
Loans payable	<u>1,016,162</u>	<u>25,480</u>
Total Sanitary District	<u>12,206,162</u>	<u>2,735,480</u>
Total business-type activities	<u>\$ 26,961,078</u>	<u>\$ 3,480,480</u>
Component unit:		
Port Authority:		
Revenue bonds:		
1998 marina revenue, fifth issue	<u>\$ 2,890,000</u>	<u>\$ 180,000</u>

\* TIF Revenue Bonds Payable

The government issued \$1,824,893.70 of Economic Development Taxable Revenue Bonds (Bonds), Series 1999 (Capital Appreciation Bonds), to provide funds for a portion of the cost of land acquisition in the Northeast Roeske Avenue Economic Development Area and pay incidental expenses in connection with an economic development project and costs associated with issuance of the bonds. The bonds do not constitute a corporate obligation of the government, but constitute a limited obligation of the government, payable solely from the tax increment financing (TIF) revenues. The government is not obligated to pay the debt service on the bonds from any source other than the TIF revenues. Neither the full faith and credit nor the taxing power of the government is pledged to the payment of the bonds. Accrued interest at 10.5% will compound semiannually on each February 1 and August 1, commencing February 1, 2000. The government received \$80,360 of TIF revenues as of December 31, 2006. Thus, the government is obligated to pay the debt service of the bonds up to \$136,878 which includes the TIF revenues received in 2006 in addition to the long-term amount from the prior audit report. Therefore, a TIF Revenue Bonds Payable was reported for the principal and interest payments due within one year of \$136,878.

CITY OF MICHIGAN CITY  
OTHER REPORTS

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

Sanitary District  
Water Utility

CITY OF MICHIGAN CITY  
AUDIT RESULTS AND COMMENTS

CONDITION OF COMPUTERIZED RECORDS

The officials implemented new accounting software in July 2003. The following internal control issues were noted:

- (1) The computer system allows the "back dating" of receipts.
- (2) The account detail ledger does not identify the check number; thus, it was difficult to identify a check as posted or to identify the corresponding claim to the disbursement posted.

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)

CASH BOND RECEIPTS - POLICE DEPARTMENT

We noted the following deficiencies concerning receipts for cash bonds collected at the police department:

- (1) The Michigan City Police Department does not receive a memo or a receipt from the Clerk's office to document that the cash bond was delivered to the Clerk's office.
- (2) The Michigan City Police Department cash bond receipts are not prescribed forms.
- (3) Two of the voided receipts did not have the original receipt attached, nor did they have any explanation about why the receipt was voided.

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)

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)

RECEIPT ISSUANCE - BUILDING DEPARTMENT

Building receipts were posted to the computer without collections being remitted for deposit. The items held were circled on the "Detail Fees Report" and noted "hold." Officials stated permits were issued to contractors calling in a request for a permit without completing an application or remitting payment.

Furthermore, receipts were completed with a payment type of "transfer." Officials stated that "transfers" indicate a permit was issued to a contractor who was not awarded the project. Rather than issuing a refund through the claims process, a credit was given to the contractor for a future project.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MICHIGAN CITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

CUSTOMER BILLINGS AND RECEIPTS – PORT AUTHORITY

As stated in prior audit reports, customers of the Port Authority are billed for slip rentals, rack rentals, storage fees, and other services. The billings are done on a computerized program developed specifically for the Port Authority. Some enhancements to the system were made, but the software vendor sold the company so support services for the program are no longer available. The following deficiencies still exist with this system:

1. Neither prescribed nor approved receipts are issued for payments received for invoiced items. When a payment is received, the computer assigns each payment a number and that payment number, date, check number, and amount are recorded on the invoice. Two copies of this updated invoice are printed; one is issued to the customer, the other is placed with the daily deposit documentation.
2. Daily or monthly billing reports are not run and the information cannot be retrieved at a later date.
3. Invoices can be deleted from the billing program. Employees are no longer routinely deleting invoices when slip rentals are transferred or canceled, however, the ability to do so still exist.

As of March 2007, the Port Authority is currently working on converting to a new billing and payment software.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. These audit trails must be protected from modification and deletion.

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. Procedures must also exist to assure that only authorized individuals have access to computer generated output. All receipts or payments generated by the accounting system must include unique document identification numbers preprinted on the form. If the application system prints other numbers on the form (document control numbers) adequate security must be implemented to prevent unauthorized modification of the number sequence. Individuals responsible for computer processing of receipts or payment documents must not have access to the storage locations of these documents. Receipt and payment documents must not include preprinted signatures. All output reports must clearly indicate the effective dates of the information regardless of when the report is generated. Output reports must have appropriate subtotals to allow reconciliation of reports within the system and reconciliation to external documentation. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 11)

The ability must not exist to change data after being posted. If an error is discovered after the entry has been posted, then a separate correcting entry must be made. Both the correcting entry and the original entry must be maintained. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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 Special Districts, Chapter 10)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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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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 MICHIGAN CITY, LAPORTE COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Michigan City (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, 2006. 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; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-2.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the City's management 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

April 19, 2007

CITY OF MICHIGAN CITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2006

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 COMMERCE</u>			
Pass-Through Indiana Department of Natural Resources Coastal Zone Management Administration Awards Grant	11.419	CZ0303	\$ 29,805
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant CDBG-Entitlement and (HUD Administrator) Small Cities Cluster Community Development Block Grants/Entitlement Grants	14.218	B-04-MC-18-0022 B-05-MC-18-0022	648,519 366,599
Total for federal grantor agency			<u>1,015,118</u>
<u>U.S. DEPARTMENT JUSTICE</u>			
Direct Grant Edward Byrne Memorial Formula Grant Program	16.579	IN0460200 06-DEA-465301 06-DEA-467040	26,805 3,055 1,095
Total for program			<u>30,955</u>
Direct Grant Local Law Enforcement Block Grant Program	16.592	2004 LB-BX-0898	<u>1,064</u>
Direct Grant Bulletproof Vest Partnership Program	16.607	OBM11210235	<u>3,556</u>
Direct Grant Edward Byrne Justice Assistance Grant Program	16.738	2005-DJ-BX-1371	<u>4,000</u>
Total for federal grantor agency			<u>39,575</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Grant Federal Transit Cluster Federal Transit - Capital Investment Grants	20.500	IN-90-X487-01	82,525
Federal Transit - Formula Grants	20.507	IN-90-X480-01	<u>450,076</u>
Total for cluster			<u>532,601</u>
Highway Safety Cluster State and Community Highway Safety Grant Operation Pull Over	20.600	PT-06-04-07-40	<u>11,288</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants Big City/Big County Seat Belt Enforcement Program	20.601	PT-07-04-01-15	<u>4,041</u>
Total for cluster			<u>15,329</u>
Direct Grant Airport Improvement Program	20.106	AIP 3-18-0055-0602 AIP 3-18-0055-08 AIP 3-18-0055-09	13,385 388 2,648
Total for program			<u>16,421</u>
Total for federal grantor agency			<u>564,351</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant Brownfield Pilots Cooperative Agreements	66.811	BP-9757 1501-0	<u>38,056</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Emergency Management Performance Grant	97.042	C-44P-6-068	<u>22,280</u>
Total federal awards expended			<u>\$ 1,709,185</u>

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

CITY OF MICHIGAN CITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Michigan City (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2006:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 103,927
Brownfield Pilots Cooperative Agreements	66.811	23,477

CITY OF MICHIGAN CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	yes

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

FINDING 2006-1, CONDITION OF COMPUTERIZED RECORDS

The officials implemented new accounting software in July 2003. The following internal control issues were noted:

- (1) The computer system allows the "back dating" of receipts.
- (2) The account detail ledger does not identify the check number; thus, it was difficult to identify a check as posted or to identify the corresponding claim to the disbursement posted.

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

The lack of internal controls over accountability for all transactions posted timely decreases the reliability of the financial records.

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)

We recommended officials report the receipt and check numbers on the detail ledgers and implement safeguards in the system so no back dating of receipts can be posted.

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-2, ALLOWABLE COSTS

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/Entitlement Grants  
CFDA Number: 14.218  
Award Numbers: B-04-MC-18-0022, B-05-MC-18-0022

Federal grant awards are allocated for specific programs, as determined by city officials. During 2006, funds from the 2004 and the 2005 grant awards totaling \$385,502 were applied to incorrect programs. Cash draws in the amount of \$108,971 from the 2005 grant were applied to 2004 programs and cash draws in the amount \$276,531 from the 2004 grant were applied to 2005 programs. Although all of these expenditures were allowable costs under CDBG guidelines, the expenditures were not properly applied to the programs outlined in the unit's consolidated budget plans. Internal control procedures were not in place to adequately detect these funds being misapplied to projects approved for the 2004 and 2005 grants.

OMB Circular A-87 (Paragraph 3.c), states: "Any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons. However, this prohibition would not preclude governmental units from shifting costs that are allowable under two or more awards in accordance with existing program agreements."

OMB Circular A-110 (Paragraph b) states in part: "Recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions . . ." (Paragraph f) states in part: ". . . No Federal awarding agency shall permit a transfer that would cause any Federal appropriation or part thereof to be used for purposes other than those consistent with the original intent of the appropriation."

Failure to use the allocations accurately may result in funds not being available in the future to pay for the designated projects.

We recommended that the City design and properly monitor procedures that would ensure that federal funds are applied to the appropriate project.



# MICHIGAN CITY

*the place is here, the time is now!*

Office of City Controller – John J. Schaefer, CPA – Phone: 219.873.1404 – Fax: 219.873.1542 – e-mail: jschaefer@emichigancity.com

May 3, 2007

## STATUS OF PRIOR AUDIT FINDINGS

Finding No. 2005-2, Schedule of Expenditures of Federal Awards

Original SBA Audit Report Number: B27857

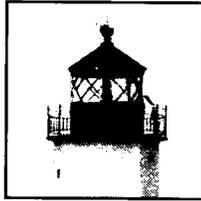
Auditee Contact Person: John J. Schaefer

Title of Contact Person: City Controller

Telephone Number: (219) 873-1404

Status of Finding: Although at December 31, 2005, our Schedule of Expenditures of Federal Awards was not complete, we are making every effort to gather all grant information from the various City departments that administer our federal funding. The Schedule presented to the State Board of Accounts for the year 2006 was complete.

  
John J. Schaefer, Controller



# MICHIGAN CITY

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May 3, 2007

## CORRECTIVE ACTION PLAN

### Finding No. 2006-1, Condition of Computerized Records

Two issues were noted in the finding:

1. The system allows the back dating of receipts. We have been in contact with our software consultant and we have been assured that there are controls in the system that can prevent this from happening. During his next visit, we will engage those controls.
2. The account detail ledger does not identify the check number. The design of the system does not allow for the check number to appear on the account detail ledger. This condition does not prevent an audit of expenditures; there are alternate reference numbers on the ledger that must be used when auditors select their sample of transactions to test. We will work with our auditors to ensure that they can satisfactorily trace a transaction through the system.

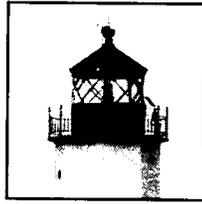
### Finding No. 2006-2, Allowable Costs

The finding states that errors were made by the City in applying program costs to the appropriate grant year for the HUD Community Development Block Grant. The finding notes that all of the costs were allowable under the grant, but were posted to the wrong year's funding. The City will attempt to correct the errors with HUD and a procedure will be established to review the postings on a monthly basis.

  
\_\_\_\_\_  
John J. Schaefer, Controller

CITY OF MICHIGAN CITY  
EXIT CONFERENCE

The contents of this report were discussed on May 3, 2007, with Charles E. Oberlie, Mayor; John J. Schaefer, Controller; and Yvonne Hoffmaster, Deputy Controller. The official response has been made a part of this report and may be found on pages 61 and 62.



# MICHIGAN CITY

*the place is here, the time is now!*

Office of City Controller – John J. Schaefer, CPA – Phone: 219.873.1404 – Fax: 219.873.1542 – e-mail: jschaefer@emichigancity.com

May 3, 2007

State Board of Accounts  
302 W. Washington St.  
Indianapolis, IN 46204

This is the official response of the City of Michigan City to the audit results and comments contained in the City's audit report for the year 2006.

## CONDITION OF COMPUTERIZED RECORDS – Controller's Office

Two issues are noted in the comment:

1. The system allows the back dating of receipts. We have been in contact with our software consultant and we have been assured that there are controls in the system that can prevent this from happening. During his next visit, we will engage those controls.
2. The account detail ledger does not identify the check number. The design of the system does not allow for the check number to appear on the account detail ledger. This condition does not prevent an audit of expenditures; there are alternate reference numbers (generated by the system) on the ledger that must be used when auditors select their sample of transactions to test. We will work with our auditors to ensure that they can satisfactorily trace a transaction through the system.

## CASH BOND RECEIPTS – Police Department

Three deficiencies were noted in the comment:

1. When Michigan City Police Department (MCPD) personnel deliver a cash bond to the County Clerk's office, no receipt or other documentation is received. Since the City has no authority to direct the County Clerk's office to provide a receipt, MCPD will design a form for County Clerk staff to sign acknowledging delivery of cash bonds.
2. MCPD does not use prescribed or approved receipt forms for cash bonds. The City will purchase the appropriate forms.
3. Two receipts were voided without the original being retained or without an explanation as to the reason the receipts were voided. MCPD will make every effort to correct this situation.

- 61 -

CHUCK OBERLIE – MAYOR

City of Michigan City ~ City Hall ~ 100 East Michigan Boulevard, Michigan City, IN 46360 ~ 219.873.1400 ~ fax 219.873.1515  
web ~ emichigancity.com e-mail ~ mayorchucko@michigancity.com

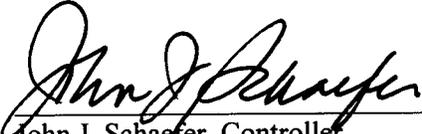
RECEIPT ISSUANCE – Building Department

The comment notes that permits and receipts are processed prior to payment being received. In addition, when permits are issued to contractors and later voided, the contractors are given credit toward future permits rather than being issued a refund. This practice will be discontinued immediately.

CUSTOMER BILLINGS AND RECEIPTS – Port Authority

The comment describes several deficiencies in the receipt process at the Michigan City Port Authority (MCPA). As is noted in the comment, the MCPA is currently converting to new billing and payment software. The problems noted in the comment have been provided to the new software vendor and they should be resolved when the conversion is complete.

As always, the audit team assigned to the City was professional, courteous, and helpful. I appreciate their assistance.

  
\_\_\_\_\_  
John J. Schaefer, Controller