

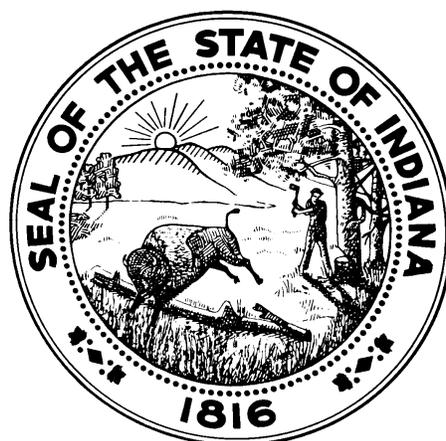
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2008

CITY OF MICHIGAN CITY

LAPORTE COUNTY, INDIANA



**FILED**  
02/12/2010



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	3
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	4-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....	6-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds .....	9-10
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	11
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds .....	12
Notes to Financial Statements .....	13-30
Required Supplementary Information:	
Schedules of Funding Progress .....	31
Schedules of Contributions From the Employer and Other Contributing Entities .....	32
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	33-44
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Internal Service Funds .....	45
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds .....	46

TABLE OF CONTENTS  
(Continued)

<u>Description</u>	<u>Page</u>
Supplementary Information (continued):	
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds .....	47
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Permanent Trust Funds.....	48
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds.....	49
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balance – Cash and Investment Basis – Discrete Component Unit .....	50
Schedule of Capital Assets.....	51
Schedule of Long-Term Debt .....	52
Other Reports.....	53
Audit Results and Comments:	
City/Town Annual Report.....	54
Zoo Education Nonreverting Fund.....	54
Overdrawn Cash Balances.....	55
Elected Official/Employee Compensation .....	55
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	58-59
Schedule of Expenditures of Federal Awards .....	60
Note to Schedule of Expenditures of Federal Awards.....	61
Schedule of Findings and Questioned Costs .....	62
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings .....	63
Exit Conference.....	64
Official Response .....	65-66

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	John J. Schaefer	01-01-08 to 12-31-10
Mayor	Charles E. Oberlie	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Anthony A. Metzcus	01-01-08 to 12-31-10
President of the Common Council	Ronald Meer Robert McKee Marc A. Espar	01-01-08 to 12-31-08 01-01-09 to 12-31-09 01-01-10 to 12-31-10
Superintendent of Water Utility	Randall E. Russell	01-01-08 to 12-31-10
Sanitary District Manager	Alan J. Walus	01-01-08 to 12-31-10
Port Authority Harbormaster	Timothy Frame	01-01-08 to 12-31-10



**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, 2008, 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, 2008, 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 December 22, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

The Schedules of Funding Progress and the Schedules of Contributions From the Employer and Other Contributing Entities, 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 required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 25, 2010



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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

Compliance and Other Matters

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

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

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

January 25, 2010

CITY OF MICHIGAN CITY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Totals	Port Authority
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ 21,367,739	\$ 688,100	\$ -	\$ -	\$ (20,679,639)	\$ -	\$ (20,679,639)	\$ -
Public safety	15,210,660	490,080	30,778	354,489	(14,335,313)	-	(14,335,313)	-
Highways and streets	2,724,675	500,984	2,227,325	318,556	322,190	-	322,190	-
Sanitation	98,442	40,384	-	-	(58,058)	-	(58,058)	-
Health and welfare	118,962	303,219	-	-	184,257	-	184,257	-
Economic development	4,031,442	-	-	649,135	(3,382,307)	-	(3,382,307)	-
Culture and recreation	4,284,727	1,388,252	-	18,889	(2,877,586)	-	(2,877,586)	-
Urban redevelopment and housing	7,878,645	-	-	-	(7,878,645)	-	(7,878,645)	-
Principal and interest on indebtedness	356,479	-	-	-	(356,479)	-	(356,479)	-
<b>Total governmental activities</b>	<b>56,071,771</b>	<b>3,411,019</b>	<b>2,258,103</b>	<b>1,341,069</b>	<b>(49,061,580)</b>	<b>-</b>	<b>(49,061,580)</b>	<b>-</b>
<b>Business-type activities:</b>								
Sanitary District	12,464,173	6,817,911	-	1,850,000	-	(3,796,262)	(3,796,262)	-
Water Utility	6,949,118	6,953,533	-	1,070,040	-	1,074,455	1,074,455	-
<b>Total business-type activities</b>	<b>19,413,291</b>	<b>13,771,444</b>	<b>-</b>	<b>2,920,040</b>	<b>-</b>	<b>(2,721,807)</b>	<b>(2,721,807)</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 75,485,062</b>	<b>\$ 17,182,463</b>	<b>\$ 2,258,103</b>	<b>\$ 4,261,109</b>	<b>(49,061,580)</b>	<b>(2,721,807)</b>	<b>(51,783,387)</b>	<b>-</b>
<b>Component unit:</b>								
Port Authority	\$ 2,882,142	\$ 2,550,074	\$ -	\$ -	-	-	-	(332,068)
<b>General receipts:</b>								
Property taxes					27,294,725	3,827,946	31,122,671	407,073
Income taxes					2,341,840	-	2,341,840	-
Intergovernmental					15,062,903	724,139	15,787,042	-
Other local sources					3,181,889	-	3,181,889	-
Net proceeds from borrowings					(1,725,000)	1,463,331	(261,669)	(500,000)
Grants and contributions not restricted to specific programs					3,422,399	-	3,422,399	-
Investment earnings					760,211	158,943	919,154	69,970
Interfund loans					2,100,000	(2,100,000)	-	-
<b>Total general receipts and interfund loans</b>					<b>52,438,967</b>	<b>4,074,359</b>	<b>56,513,326</b>	<b>(22,957)</b>
<b>Change in net assets</b>					<b>3,377,387</b>	<b>1,352,552</b>	<b>4,729,939</b>	<b>(355,025)</b>
<b>Net assets - beginning</b>					<b>27,352,252</b>	<b>8,477,301</b>	<b>35,829,553</b>	<b>5,760,953</b>
<b>Net assets - ending</b>					<b>\$ 30,729,639</b>	<b>\$ 9,829,853</b>	<b>\$ 40,559,492</b>	<b>\$ 5,405,928</b>
<b>Assets</b>								
Cash and investments					\$ 12,641,364	\$ 2,336,011	\$ 14,977,375	\$ 4,298,033
<b>Restricted assets:</b>								
Cash and investments					18,088,275	7,493,842	25,582,117	1,107,895
<b>Total assets</b>					<b>\$ 30,729,639</b>	<b>\$ 9,829,853</b>	<b>\$ 40,559,492</b>	<b>\$ 5,405,928</b>
<b>Net Assets</b>								
<b>Restricted for:</b>								
General government					\$ 185,486	\$ -	\$ 185,486	\$ -
Public safety					169,433	-	169,433	-
Highways and streets					269,052	-	269,052	-
Economic development					200,000	-	200,000	-
Urban redevelopment and housing					482,158	-	482,158	-
Debt service					713,682	2,132,012	2,845,694	914,632
Capital outlay					16,068,464	-	16,068,464	193,263
Other purposes					4,950,695	5,361,830	10,312,525	-
Unrestricted					7,690,669	2,336,011	10,026,680	4,298,033
<b>Total net assets</b>					<b>\$ 30,729,639</b>	<b>\$ 9,829,853</b>	<b>\$ 40,559,492</b>	<b>\$ 5,405,928</b>

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, 2008

	General	Riverboat	Northside TIF	Major Moves Construction	Southside TIF	Blue Chip Development	Other Governmental Funds	Totals	Component Unit Port Authority
<b>Receipts:</b>									
Taxes	\$ 18,574,316	\$ -	\$ 3,553,092	\$ -	\$ 1,574,952	\$ -	\$ 3,655,174	\$ 27,357,534	\$ 407,073
Licenses and permits	432,308	-	-	-	-	-	11,635	443,943	-
Intergovernmental	2,643,080	9,165,237	-	-	-	-	5,596,426	17,404,743	-
Charges for services	512,858	-	-	-	-	-	2,602,653	3,115,511	2,550,074
Fines and forfeits	32,393	-	-	-	-	-	-	32,393	-
Interfund loans	8,500,000	3,870,000	-	7,000,000	-	2,000,000	900,000	22,270,000	-
Other	244,297	-	135,590	216,335	2,475,293	3,422,399	878,541	7,372,455	69,970
<b>Total receipts</b>	<b>30,939,252</b>	<b>13,035,237</b>	<b>3,688,682</b>	<b>7,216,335</b>	<b>4,050,245</b>	<b>5,422,399</b>	<b>13,644,429</b>	<b>77,996,579</b>	<b>3,027,117</b>
<b>Disbursements:</b>									
General government	7,585,560	3,761,622	-	-	-	-	1,799,000	13,146,182	2,273,310
Public safety	15,054,636	-	-	-	-	-	31,090	15,085,726	-
Highways and streets	76,629	-	-	-	-	-	1,855,154	1,931,783	-
Sanitation	98,442	-	-	-	-	-	-	98,442	-
Health and welfare	118,962	-	-	-	-	-	-	118,962	-
Economic development	-	-	-	-	-	-	3,346,465	3,346,465	-
Culture and recreation	8,915	-	-	-	-	-	3,538,785	3,547,700	-
Urban redevelopment and housing	-	-	695,087	-	1,446,547	-	360,836	2,502,470	-
Interfund loans	13,000,000	1,000,000	-	4,375,000	-	4,500,000	2,095,000	24,970,000	-
Debt service:									
Principal	-	-	-	-	-	-	178,056	178,056	200,000
Interest	-	-	-	-	-	-	178,423	178,423	126,600
Capital outlay:									
General government	-	5,435,080	-	-	-	-	860,071	6,295,151	282,232
Public safety	-	-	-	-	-	-	124,935	124,935	-
Highways and streets	-	-	-	345,091	-	97,401	350,400	792,892	-
Economic development	-	-	-	-	-	375,240	309,737	684,977	-
Culture and recreation	-	-	-	-	-	280,775	456,252	737,027	-
Urban redevelopment and housing	-	-	-	-	5,376,175	-	-	5,376,175	-
<b>Total disbursements</b>	<b>35,943,144</b>	<b>10,196,702</b>	<b>695,087</b>	<b>4,720,091</b>	<b>6,822,722</b>	<b>5,253,416</b>	<b>15,484,204</b>	<b>79,115,366</b>	<b>2,882,142</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(5,003,892)</b>	<b>2,838,535</b>	<b>2,993,595</b>	<b>2,496,244</b>	<b>(2,772,477)</b>	<b>168,983</b>	<b>(1,839,775)</b>	<b>(1,118,787)</b>	<b>144,975</b>
<b>Other financing sources (uses):</b>									
Net proceeds from borrowings	-	-	-	-	-	-	75,000	75,000	1,000,000
Net repayments on borrowings	(1,000,000)	-	-	-	-	-	-	(1,000,000)	(1,500,000)
Transfers in	2,900,800	-	-	-	-	-	523,466	3,424,266	-
Transfers out	(4,180)	(2,900,800)	-	-	(371,306)	-	(147,980)	(3,424,266)	-
Other receipts	430,351	1,158,769	81	-	-	-	125,543	1,714,744	-
<b>Total other financing sources (uses)</b>	<b>2,326,971</b>	<b>(1,742,031)</b>	<b>81</b>	<b>-</b>	<b>(371,306)</b>	<b>-</b>	<b>576,029</b>	<b>789,744</b>	<b>(500,000)</b>

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, 2008  
(Continued)

	General	Riverboat	Northside TIF	Major Moves Construction	Southside TIF	Blue Chip Development	Other Governmental Funds	Totals	Component Unit Port Authority
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,676,921)	1,096,504	2,993,676	2,496,244	(3,143,783)	168,983	(1,263,746)	(329,043)	(355,025)
Cash and investment fund balance - beginning	4,937,297	2,686,704	4,659,310	44,225	4,655,450	2,089,993	7,035,008	26,107,987	5,760,953
Cash and investment fund balance - ending	<u>\$ 2,260,376</u>	<u>\$ 3,783,208</u>	<u>\$ 7,652,986</u>	<u>\$ 2,540,469</u>	<u>\$ 1,511,667</u>	<u>\$ 2,258,975</u>	<u>\$ 5,771,262</u>	25,778,944	<u>\$ 5,405,928</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.								<u>4,950,695</u>	
Net assets of governmental activities								<u>\$ 30,729,639</u>	
<u>Cash and Investment Assets - Ending</u>									
Cash and investments	\$ 2,260,377	\$ 3,783,208	\$ -	\$ -	\$ -	\$ -	\$ 1,647,084	\$ 7,690,669	\$ -
Restricted assets:									
Cash and investments	-	-	7,652,986	2,540,469	1,511,667	2,258,975	4,124,178	18,088,275	5,405,928
Total cash and investment assets - ending	<u>\$ 2,260,377</u>	<u>\$ 3,783,208</u>	<u>\$ 7,652,986</u>	<u>\$ 2,540,469</u>	<u>\$ 1,511,667</u>	<u>\$ 2,258,975</u>	<u>\$ 5,771,262</u>	<u>\$ 25,778,944</u>	<u>\$ 5,405,928</u>
<u>Cash and Investment Fund Balance - Ending</u>									
Restricted for:									
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 185,486	\$ 185,486	\$ 5,405,928
Public safety	-	-	-	-	-	-	169,433	169,433	-
Highways and streets	-	-	-	-	-	-	269,052	269,052	-
Economic development	-	-	-	-	-	-	200,000	200,000	-
Urban redevelopment and housing	-	-	-	-	-	-	482,158	482,158	-
Debt service	-	-	-	-	-	-	713,682	713,682	-
Capital outlay	-	-	7,652,986	2,540,469	1,511,667	2,258,975	2,104,367	16,068,464	-
Unrestricted	<u>2,260,377</u>	<u>3,783,208</u>	-	-	-	-	<u>1,647,084</u>	<u>7,690,669</u>	-
Total cash and investment fund balance - ending	<u>\$ 2,260,377</u>	<u>\$ 3,783,208</u>	<u>\$ 7,652,986</u>	<u>\$ 2,540,469</u>	<u>\$ 1,511,667</u>	<u>\$ 2,258,975</u>	<u>\$ 5,771,262</u>	<u>\$ 25,778,944</u>	<u>\$ 5,405,928</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, 2008

	Sanitary District	Water Utility	Totals	Internal Service Funds
Operating receipts:				
Charges for services	\$ 5,927,162	\$ 4,787,747	\$ 10,714,909	\$ 5,756,769
Sales for resale	-	471,117	471,117	-
Fire protection receipts	-	1,133,894	1,133,894	-
Penalties	-	33,490	33,490	-
Miscellaneous	890,749	527,285	1,418,034	120,464
<b>Total operating receipts</b>	<b>6,817,911</b>	<b>6,953,533</b>	<b>13,771,444</b>	<b>5,877,233</b>
Operating disbursements:				
Salaries and wages	-	1,614,603	1,614,603	-
Employee pensions and benefits	-	474,587	474,587	-
Purchased power	-	406,995	406,995	-
Chemicals	-	80,783	80,783	-
Material and supplies	-	210,111	210,111	-
Contractual services	-	295,771	295,771	-
Transportation	-	93,771	93,771	-
Insurance claims and expense	-	74,855	74,855	6,169,092
Administration and general	-	25,385	25,385	-
Refunds	-	99,847	99,847	-
Sewage operations	5,345,701	-	5,345,701	-
Sanitation operations	2,810,985	-	2,810,985	-
Sewage capital items	264,391	-	264,391	-
Sanitation capital items	863,850	-	863,850	-
Miscellaneous	-	2,358,991	2,358,991	1,711
<b>Total operating disbursements</b>	<b>9,284,927</b>	<b>5,735,699</b>	<b>15,020,626</b>	<b>6,170,803</b>
Excess (deficiency) of operating receipts over operating disbursements	<u>(2,467,016)</u>	<u>1,217,834</u>	<u>(1,249,182)</u>	<u>(293,570)</u>
Nonoperating receipts (disbursements):				
Property taxes	3,827,946	-	3,827,946	-
Intergovernmental	724,139	-	724,139	-
Investment income	50,986	107,957	158,943	-
Net proceeds from borrowings	38,331	-	38,331	-
Debt service of principal	(2,888,331)	(765,000)	(3,653,331)	-
Interest disbursements	(290,915)	(448,419)	(739,334)	-
<b>Total nonoperating receipts (disbursements)</b>	<b>1,462,156</b>	<b>(1,105,462)</b>	<b>356,694</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(1,004,860)</u>	<u>112,372</u>	<u>(892,488)</u>	<u>(293,570)</u>
Capital contributions	1,850,000	1,070,040	2,920,040	-
Interfund loans	(675,000)	-	(675,000)	4,000,000
Transfers in	1,108,000	1,965,673	3,073,673	-
Transfers out	(1,108,000)	(1,965,673)	(3,073,673)	-
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	<u>170,140</u>	<u>1,182,412</u>	<u>1,352,552</u>	<u>3,706,430</u>
Cash and investment fund balance - beginning	<u>3,255,986</u>	<u>5,221,315</u>	<u>8,477,301</u>	<u>1,244,265</u>
Cash and investment fund balance - ending	<b><u>\$ 3,426,126</u></b>	<b><u>\$ 6,403,727</u></b>	<b><u>\$ 9,829,853</u></b>	<b><u>\$ 4,950,695</u></b>
<b><u>Cash and Investment Assets - December 31</u></b>				
Cash and investments	\$ 1,524,492	\$ 811,519	\$ 2,336,011	\$ 4,950,695
Restricted assets:				
Cash and investments	<u>1,901,634</u>	<u>5,592,208</u>	<u>7,493,842</u>	<u>-</u>
<b>Total cash and investment assets - December 31</b>	<b><u>\$ 3,426,126</u></b>	<b><u>\$ 6,403,727</u></b>	<b><u>\$ 9,829,853</u></b>	<b><u>\$ 4,950,695</u></b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>				
Restricted for:				
Debt service	\$ 1,727,122	\$ 404,890	\$ 2,132,012	\$ -
Other purposes	174,512	5,187,318	5,361,830	4,950,695
Unrestricted	<u>1,524,492</u>	<u>811,519</u>	<u>2,336,011</u>	<u>-</u>
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 3,426,126</u></b>	<b><u>\$ 6,403,727</u></b>	<b><u>\$ 9,829,853</u></b>	<b><u>\$ 4,950,695</u></b>

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, 2008

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Permanent Trust Funds</u>	<u>Agency Funds</u>
Additions:				
Contributions:				
Employer	\$ 1,633,197	\$ -	\$ -	\$ -
Plan members	5,970	-	-	-
State	1,809,250	-	-	-
Other	<u>-</u>	<u>11,161</u>	<u>18,125</u>	<u>-</u>
Total contributions	<u>3,448,417</u>	<u>11,161</u>	<u>18,125</u>	<u>-</u>
Investment earnings:				
Interest	<u>-</u>	<u>961</u>	<u>66,036</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,981,812</u>
Total additions	<u>3,448,417</u>	<u>12,122</u>	<u>84,161</u>	<u>1,981,812</u>
Deductions:				
Benefits	3,323,481	-	-	-
Administrative and general	8,018	5,914	64,406	-
Agency fund deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,745,921</u>
Total deductions	<u>3,331,499</u>	<u>5,914</u>	<u>64,406</u>	<u>2,745,921</u>
Excess (deficiency) of total additions over total deductions	116,918	6,208	19,755	(764,109)
Other financing sources:				
Transfers out	(1,126,272)	-	-	-
Interfund loan received	<u>800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - beginning	<u>1,498,248</u>	<u>50,789</u>	<u>1,442,237</u>	<u>764,661</u>
Cash and investment fund balance - ending	<u>\$ 1,288,894</u>	<u>\$ 56,997</u>	<u>\$ 1,461,992</u>	<u>\$ 552</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, sanitation, storm water management, and urban redevelopment.

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

Primary Government:	City of Michigan City Michigan City Department of Water Works 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:

Component Unit	Description/Inclusion Criteria	Fund Included In
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  (Redevelopment Operating, Operating and Reserve, Reserve, Bond Sinking)

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)

Component Unit	Description/Inclusion Criteria
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 Port Authority's board and a financial benefit/burden relationship exists between the City and the Michigan City Port Authority.

Joint Venture

The City is a participant with Lake, Porter, and LaPorte Counties, and all municipalities in the three counties, in a joint venture to operate the Northwestern Indiana Regional Planning Commission (NIRPC) which was created as a multi-purpose area-wide planning agency for such fields as economic development, transportation, environmental protection, and comprehensive planning. NIRPC's enabling legislation (Indiana Code 36-7) provides that participating counties must provide an annual appropriation at a minimum level of thirty cents per capita. Complete financial statements for NIRPC can be obtained from their administrative offices at 6100 Southport Road, Portage, IN 46368.

Related Organizations

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 Mayor appoints all seven board members of the Michigan City Housing Authority; of the nine board members of the Michigan City Urban Enterprise Association, the Mayor appoints five and the Common Council appoints four; the Mayor appoints four of the twelve board members of the Michigan City Economic Development Corporation; of the nine board members of the Michigan City Enrichment Corporation, the Mayor appoints five and the Common Council appoints three.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 fund is a special revenue fund. It accounts for the financial resources received from the State of Indiana as gaming income and admission taxes.

The northside tax increment financing (TIF) fund is a capital projects fund. It accounts for the financial resources received from the County for the tax increment financing taxes.

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

The southside tax increment financing (TIF) fund is a capital projects fund. It accounts for the financial resources received from the County for the tax increment financing taxes.

The blue chip development fund is a capital projects fund. It accounts for contributions received from the riverboat and the subsequent use of this money for economic development projects.

The City reports the following major proprietary funds:

The sanitary district fund accounts for the operation of the wastewater treatment plant, the storm water management district, pumping stations, collection systems, and sanitation services.

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

Additionally, the City reports the following fund types:

The internal service funds account for employee health and workers' compensation insurance provided to 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 funds report a trust arrangement under which principal and income benefit certain family gravesites.

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

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.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City, the Water Utility, and the 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. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. 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.

4. 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.

5. 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.

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.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit 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.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. Cash and Investment Balance Deficits

At December 31, 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2008
Golf Course	\$ 79,745
Zoo Donation	60,357
Fire Training Infrastructure Grant	94,157
CZM Trail Creek Fish Habitat	38,826
Park and Recreation Improvements	45,249

The deficit in the Golf Course Fund was caused by disbursements exceeding receipts several years past. The City's 2009 budget contains provisions to eliminate this deficit.

The Zoo Donation Fund and the Park and Recreation Improvements Fund deficits were caused by capital expenditures being made prior to the receipt of a planned revenue source to fund the expenditures.

The remaining fund deficits are due to grant disbursements not yet reimbursed by the federal and state grantor agencies.

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 City does not have a deposit policy for custodial credit risk. At December 31, 2008, the City had deposit balances in the amount of \$40,732,155. 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.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Investments

As of December 31, 2008, the City had the following investments:

<u>Investment Type</u>	<u>Primary Government Market Value</u>
U.S. agencies	\$ 2,201,387
Mutual funds	<u>434,120</u>
Total	<u>\$ 2,635,507</u>

Statutory Authorization for Investments

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

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

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investment Custodial Credit Risk

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

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

Investment Type	Primary Government Market Value
U.S. agencies	\$ 2,201,387
Mutual funds	<u>434,120</u>
Total	<u>\$ 2,635,507</u>

Interest Rate Risk

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

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
U.S. agencies	\$ 820,705	\$ -	\$ 1,380,682
Mutual funds	<u>434,120</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,254,825</u>	<u>\$ -</u>	<u>\$ 1,380,682</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. The City does not have a formal investment policy for credit risk for investments.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Standard and Poor's Rating	Moody's Rating	City's Investments	
		Mutual Funds	Government Sponsored Enterprise
Unrated	Unrated	\$ 434,120	\$ 2,201,387

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, 2008, were as follows:

Transfer From	Transfer To	2008
Riverboat Fund	General Fund	\$ 2,900,800
General Fund	Other governmental funds	4,180
Southside TIF Fund	Other governmental funds	371,306
Other governmental funds	Other governmental funds	147,980
Total		\$ 3,424,266

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

C. Interfund Loans

Due to delays in the collection of property tax receipts, the City made loans between funds for cash flow purposes. The loans are to be repaid when property tax receipts are received from the County. At December 31, 2008, the interfund loan balances were as follows:

Due From	Due To	
General	Blue Chip Development	\$ 4,500,000
General	Major Moves Construction	4,000,000
Other governmental funds	Riverboat	900,000
Pension Trust Funds	Major Moves Construction	375,000
Pension Trust Funds	Riverboat	100,000
Pension Trust Funds	Other governmental funds	325,000
Total		\$ 10,200,000

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Loan From Discrete Component Unit

The discrete component unit (Michigan City Port Authority) loaned from the Cumulative Channel Maintenance Fund to Other Governmental Funds \$75,000, and to the Sanitary District \$1,425,000. These loans will be repaid when property tax receipts are received from the County.

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 (Excluding Postemployment Benefits)

The City, including the component unit, has chosen to establish a risk financing funds for risks associated with medical benefits to employees, retirees, and dependents. The risk financing funds are accounted for in the Health and Health Insurance Funds, internal service funds, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$150,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the funds by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

Job Related Illnesses or Injuries to Employees

The City (excluding the Water Utility, Sanitary District, and Port Authority) has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees. The risk financing fund is accounted for in the Workers' Compensation 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 \$400,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. A premium is charged to each fund based upon an allocation related to the number of employees in each department.

B. Subsequent Events

Pre-1977 Pension Funds

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund,

CITY OF MICHIGAN CITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Indiana Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

Property Tax Rates

Property tax rates and levies for the year 2006 payable 2007 were certified by the Indiana Department of Local Government Finance (DLGF) on August 31, 2009. Property tax rates and levies for the past two years, 2007 payable 2008 and 2008 payable 2009, have not yet been certified. State statute requires that rates and levies be certified by February 15 of the year of payment. The rates and levies have not been certified due to the delay in the completion of trending of the assessment of properties in LaPorte County and legal challenges to the trending procedure. This has resulted in delays in billing, collection, and distribution of tax revenues by the County in 2007, 2008, and 2009. Under normal circumstances, property tax payments are due on May 10 and November 10 each year. For 2007, provisional property tax bills were due in November 2007 and January 2008. For 2008, provisional property tax bills were due in October 2008 and March 2009. For 2009, provisional tax bills will be due in October 2009 and January 2010. The provisional tax bills are based on 2006 assessed values.

In addition, despite the fact that property tax rates and levies were approved by the DLGF, the LaPorte County Auditor has proposed to use assessed values different from those certified by the County Assessor for the year 2006 payable 2007 to calculate property taxes for that year. The County Assessor has initiated legal action in an attempt to force the County Auditor to use the values originally certified. If the County Auditor proceeds with this plan, the City will experience a shortfall estimated to be approximately \$2,800,000.

It is likely that the property tax issue will not be resolved until 2011. To offset the delay in tax collections, the City has authorized, and will continue to authorize, interfund loans.

Circuit Breaker Tax Credit

In 2008, the Indiana General Assembly passed House Enrolled Act 1001 (HEA 1001) which provides a property tax credit (the Circuit Breaker Tax Credit) when the taxes on any property exceed a certain percentage of the property's assessed value. The credit is phased in over two years. For taxes payable in 2009 and 2010, the applicable percentages are as follows:

	2009	2010
Homestead (owner-occupied) residential property	1.5%	1%
Other residential property	2.5%	2%
Commercial and industrial property	3.5%	3%

The Circuit Breaker Tax Credit will result in a reduction of property tax collections for each political subdivision in which the Circuit Breaker Tax Credit is applied. A political subdivision may not increase its property tax levy or borrow funds to offset the effects of the Circuit Breaker Tax Credit.

Based on data provided by the Indiana Legislative Services Agency, the City of Michigan City anticipates that property tax revenues will be reduced by approximately \$350,000 in 2009 and \$1,500,000 in 2010.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Contingent Liabilities

The City is party to numerous lawsuits. The City is in various court proceedings' phases or settlement phases on lawsuits. Potential damages to the City are undeterminable at this time.

D. Conduit Debt Obligation

From time to time, the City has issued Industrial 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 or in the accompanying supplementary information – Schedule of Long-Term Debt.

As of December 31, 2008, there were five series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the bonds was not available; however, their original issue amounts totaled \$31,000,000.

E. Other 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 with at least 20 years of service. The benefit is available to retirees until they reach age 65. Currently, 14 retirees meet these eligibility requirements. The City and retirees provide two-thirds and one-third, respectively, of these postemployment benefits based on COBRA rates calculated by the City's third-party administrator. Disbursements for those post-employment benefits are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated. The City has not had an actuarial study completed to determine future costs of these benefits.

F. 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 City Council on December 21, 2004.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

G. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

The City (excluding the Water Utility) and the discrete component unit (Port Authority) contribute 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:

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.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 664,279	\$ 1,312,400	\$ 1,538,200
Interest on net pension obligation	(2,190)	291,400	236,700
Adjustment to annual required contribution	<u>2,496</u>	<u>(367,600)</u>	<u>(298,700)</u>
Annual pension cost	664,585	1,236,200	1,476,200
Contributions made	<u>725,229</u>	<u>1,788,624</u>	<u>1,653,519</u>
Decrease in net pension obligation	(60,644)	(552,424)	(177,319)
Net pension obligation, beginning of year	<u>(30,209)</u>	<u>4,856,547</u>	<u>3,945,794</u>
Net pension obligation, end of year	<u>\$ (90,853)</u>	<u>\$ 4,304,123</u>	<u>\$ 3,768,475</u>

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	8%	*	3,218%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-08	01-01-08	01-01-08
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years
Amortization period			
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

\*No covered payroll.

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
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

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 675,643	84%	\$ (48,563)
	06-30-07	636,355	97%	(30,209)
	06-30-08	664,585	109%	(90,853)
1925 Police Officers' Pension Plan	12-31-06	1,586,200	98%	4,842,001
	12-31-07	1,487,400	99%	4,856,547
	12-31-08	1,236,200	145%	4,304,123
1937 Firefighters' Pension Plan	12-31-06	1,652,500	84%	3,782,974
	12-31-07	1,651,900	90%	3,945,794
	12-31-08	1,476,200	112%	3,768,475

CITY OF MICHIGAN CITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2008, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	70	71
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	-	1

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

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

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

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

Funding Policy 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, 2008, 2007, and 2006, were \$1,672,599, \$1,594,003, and \$1,520,881, respectively, equal to the required contributions for each year.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Defined Contribution Pension Plan

Water Utility Employees' Pension

Plan Description

The City (Water Utility) has a defined contribution pension plan administered by McCready 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 Department of Water Works 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:

McCready & Keene, Inc.  
7941 Castleway Dr.  
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 Department of Water Works Board of Directors and the Plan Administrator. Plan members are required to contribute 3% of the annual covered salary. The Department of Water Works is required to contribute at an actuarially determined rate. Because the plan is currently overfunded, the current rate is 0% of annual covered payroll. Employer and employee contributions to the plan were \$0 and \$50,609, 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)
07-01-06	\$ 9,122,818	\$ 11,367,137	\$ (2,244,319)	80%	\$ 8,208,414	(27%)
07-01-07	10,327,589	12,517,413	(2,189,824)	83%	8,539,132	(26%)
07-01-08	11,520,746	13,991,244	(2,470,498)	82%	9,007,021	(27%)

Water Utility Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-07	\$ 8,341,097	\$ 3,640,098	\$ 4,700,999	229%	\$ 1,651,726	285%
01-01-08	8,923,668	5,910,351	3,013,317	151%	1,664,817	181%
01-01-09	7,534,128	6,174,000	1,360,128	122%	1,687,915	81%

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)
01-01-03	\$ 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%)
01-01-06	921,821	21,900,200	(20,978,379)	4%	313,700	(6,687%)
01-01-07	832,016	20,591,100	(19,759,084)	4%	232,000	(8,517%)
01-01-08	671,013	17,841,200	(17,170,187)	4%	-	N/A

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)
01-01-03	\$ 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%)
01-01-06	1,167,133	22,954,300	(21,787,167)	5%	224,100	(9,722%)
01-01-07	987,679	22,717,800	(21,730,121)	4%	232,000	(9,366%)
01-01-08	827,235	20,772,300	(19,945,065)	4%	47,800	(41,726%)

N/A = Not applicable

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

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-03	\$ 2,917,600	*	*
	12-31-04	3,031,600	*	*
	12-31-05	1,858,400	*	*
	12-31-06	1,651,500	34%	60%
	12-31-07	1,558,000	9%	86%
	12-31-08	1,312,400	70%	66%
1937 Firefighters' Pension Plan	12-31-03	2,698,000	*	*
	12-31-04	2,822,300	*	*
	12-31-05	1,614,700	*	*
	12-31-06	1,700,300	24%	57%
	12-31-07	1,707,000	6%	81%
	12-31-08	1,538,200	46%	61%

\*Information not available.

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  
 For The Year Ended December 31, 2008

	Motor Vehicle Highway	Local Road And Street	Cemetery Operating	Aviation	Park Nonreverting Operating	Building Demolition
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ 200,087	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	915,221	318,556	-	-	-	-
Charges for services	13,800	-	381,007	-	170,535	-
Interfund loans	-	-	-	150,000	-	-
Other	-	-	81,109	14,906	4,641	-
<b>Total receipts</b>	<b>929,021</b>	<b>318,556</b>	<b>462,116</b>	<b>364,993</b>	<b>175,176</b>	<b>-</b>
<b>Disbursements:</b>						
General government	-	-	476,626	202,521	-	-
Public safety	-	-	-	-	-	-
Highways and streets	1,479,394	375,760	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	156,489	-
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	-	-	-	120,000	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>1,479,394</b>	<b>375,760</b>	<b>476,626</b>	<b>322,521</b>	<b>156,489</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(550,373)	(57,204)	(14,510)	42,472	18,687	-
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	25,000	-	-
Transfers out	-	-	-	-	-	-
Other receipts	4,250	-	-	260	10,855	-
<b>Total other financing sources (uses)</b>	<b>4,250</b>	<b>-</b>	<b>-</b>	<b>25,260</b>	<b>10,855</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(546,123)	(57,204)	(14,510)	67,732	29,542	-
Cash and investment fund balance - beginning	710,666	161,713	95,201	70,127	119,648	2,075
Cash and investment fund balance - ending	\$ 164,543	\$ 104,509	\$ 80,691	\$ 137,859	\$ 149,190	\$ 2,075
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ 80,691	\$ 137,859	\$ 149,190	\$ 2,075
Restricted assets:						
Cash and investments	164,543	104,509	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 164,543</b>	<b>\$ 104,509</b>	<b>\$ 80,691</b>	<b>\$ 137,859</b>	<b>\$ 149,190</b>	<b>\$ 2,075</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	164,543	104,509	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	80,691	137,859	149,190	2,075
<b>Total cash and investment fund balance - ending</b>	<b>\$ 164,543</b>	<b>\$ 104,509</b>	<b>\$ 80,691</b>	<b>\$ 137,859</b>	<b>\$ 149,190</b>	<b>\$ 2,075</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  
 For The Year Ended December 31, 2008  
 (Continued)

	Transportation	Law Enforcement Continuing Education	Parks And Recreation	Fire Donation	Park Donation	Police Donation
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ 2,486,138	\$ -	\$ -	\$ -
Licenses and permits	-	11,635	-	-	-	-
Intergovernmental	345,191	-	-	-	-	-
Charges for services	-	9,901	628,377	-	-	-
Interfund loans	-	-	750,000	-	-	-
Other	-	-	2,313	898	32,688	5,250
<b>Total receipts</b>	<b>345,191</b>	<b>21,536</b>	<b>3,866,828</b>	<b>898</b>	<b>32,688</b>	<b>5,250</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	-
Public safety	-	21,900	-	2,322	-	6,868
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	2,498,960	-	30,481	-
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	-	-	1,500,000	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	350,400	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>350,400</b>	<b>21,900</b>	<b>3,998,960</b>	<b>2,322</b>	<b>30,481</b>	<b>6,868</b>
Excess (deficiency) of receipts over disbursements	(5,209)	(364)	(132,132)	(1,424)	2,207	(1,618)
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	14,000	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	41,629	3,646	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>41,629</b>	<b>17,646</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,209)	41,265	(114,486)	(1,424)	2,207	(1,618)
Cash and investment fund balance - beginning	24,226	77,087	579,656	3,818	12,318	10,286
Cash and investment fund balance - ending	\$ 19,017	\$ 118,352	\$ 465,170	\$ 2,394	\$ 14,525	\$ 8,668
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ 465,170	\$ 2,394	\$ 14,525	\$ 8,668
Restricted assets:						
Cash and investments	19,017	118,352	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 19,017</b>	<b>\$ 118,352</b>	<b>\$ 465,170</b>	<b>\$ 2,394</b>	<b>\$ 14,525</b>	<b>\$ 8,668</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	118,352	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	19,017	-	-	-	-	-
Unrestricted	-	-	465,170	2,394	14,525	8,668
<b>Total cash and investment fund balance - ending</b>	<b>\$ 19,017</b>	<b>\$ 118,352</b>	<b>\$ 465,170</b>	<b>\$ 2,394</b>	<b>\$ 14,525</b>	<b>\$ 8,668</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  
 For The Year Ended December 31, 2008  
 (Continued)

	Golf Course	Tree	Youth Council	Millennium Park Brick	Mayor Special Events	Blue Chip Donation
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	770,499	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	3,720	-	-	2,133	31,764	-
<b>Total receipts</b>	<b>774,219</b>	<b>-</b>	<b>-</b>	<b>2,133</b>	<b>31,764</b>	<b>-</b>
<b>Disbursements:</b>						
General government	-	6,578	-	-	36,499	88,396
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	769,896	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>769,896</b>	<b>6,578</b>	<b>-</b>	<b>-</b>	<b>36,499</b>	<b>88,396</b>
Excess (deficiency) of receipts over disbursements	4,323	(6,578)	-	2,133	(4,735)	(88,396)
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	230	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>230</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	4,553	(6,578)	-	2,133	(4,735)	(88,396)
Cash and investment fund balance - beginning	(84,298)	27,378	212	74,834	18,474	88,396
Cash and investment fund balance - ending	<u>\$ (79,745)</u>	<u>\$ 20,800</u>	<u>\$ 212</u>	<u>\$ 76,967</u>	<u>\$ 13,739</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ (79,745)	\$ 20,800	\$ 212	\$ -	\$ 13,739	\$ -
Restricted assets:						
Cash and investments	-	-	-	76,967	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ (79,745)</u>	<u>\$ 20,800</u>	<u>\$ 212</u>	<u>\$ 76,967</u>	<u>\$ 13,739</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ 76,967	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	(79,745)	20,800	212	-	13,739	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ (79,745)</u>	<u>\$ 20,800</u>	<u>\$ 212</u>	<u>\$ 76,967</u>	<u>\$ 13,739</u>	<u>\$ -</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  
 For The Year Ended December 31, 2008  
 (Continued)

	Demolition Recovery	Animal Control	Barker Civic Center	Controlled Substance Excise	Zoo Education Non-Reverting	Senior Center Non-Reverting
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ 223,085	\$ 149	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	239	-	12,850	-	18,644	27,482
<b>Total receipts</b>	<b>239</b>	<b>-</b>	<b>235,935</b>	<b>149</b>	<b>18,644</b>	<b>27,482</b>
<b>Disbursements:</b>						
General government	6,000	-	169,819	-	9,519	16,837
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	-	-	150,000	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>6,000</b>	<b>-</b>	<b>319,819</b>	<b>-</b>	<b>9,519</b>	<b>16,837</b>
Excess (deficiency) of receipts over disbursements	(5,761)	-	(83,884)	149	9,125	10,645
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	75,000	-	-	-
Transfers in	-	4,180	-	-	-	-
Transfers out	-	-	-	-	-	(10,000)
Other receipts	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>4,180</b>	<b>75,000</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,761)	4,180	(8,884)	149	9,125	645
Cash and investment fund balance - beginning	15,206	5,277	60,623	1,777	63,855	53,627
Cash and investment fund balance - ending	<u>\$ 9,445</u>	<u>\$ 9,457</u>	<u>\$ 51,739</u>	<u>\$ 1,926</u>	<u>\$ 72,980</u>	<u>\$ 54,272</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 9,445	\$ 9,457	\$ 51,739	\$ 1,926	\$ 72,980	\$ 54,272
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 9,445</u>	<u>\$ 9,457</u>	<u>\$ 51,739</u>	<u>\$ 1,926</u>	<u>\$ 72,980</u>	<u>\$ 54,272</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	9,445	9,457	51,739	1,926	72,980	54,272
<b>Total cash and investment fund balance - ending</b>	<u>\$ 9,445</u>	<u>\$ 9,457</u>	<u>\$ 51,739</u>	<u>\$ 1,926</u>	<u>\$ 72,980</u>	<u>\$ 54,272</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  
 For The Year Ended December 31, 2008  
 (Continued)

	Park Concessions	Zoo Donation	Patriot Park Non-Reverting	Aviation Fuel	DEA Forfeiture	Local Law Enforcement Block Grant 2005
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	103,882	-	32,250	262,712	13,725	-
Interfund loans	-	-	-	-	-	-
Other	2,282	-	-	-	532	52
<b>Total receipts</b>	<b>106,164</b>	<b>-</b>	<b>32,250</b>	<b>262,712</b>	<b>14,257</b>	<b>52</b>
<b>Disbursements:</b>						
General government	100,107	-	-	264,460	34,301	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	16,116	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	107,097	-	-	-	11,615
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>100,107</b>	<b>107,097</b>	<b>16,116</b>	<b>264,460</b>	<b>34,301</b>	<b>11,615</b>
Excess (deficiency) of receipts over disbursements	6,057	(107,097)	16,134	(1,748)	(20,044)	(11,563)
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(4,000)	-	-	(25,000)	-	-
Other receipts	1,349	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(2,651)</b>	<b>-</b>	<b>-</b>	<b>(25,000)</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,406	(107,097)	16,134	(26,748)	(20,044)	(11,563)
Cash and investment fund balance - beginning	69,245	46,740	4,807	45,672	70,816	11,872
Cash and investment fund balance - ending	\$ 72,651	\$ (60,357)	\$ 20,941	\$ 18,924	\$ 50,772	\$ 309
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 72,651	\$ (60,357)	\$ 20,941	\$ 18,924	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	50,772	309
<b>Total cash and investment assets - ending</b>	<b>\$ 72,651</b>	<b>\$ (60,357)</b>	<b>\$ 20,941</b>	<b>\$ 18,924</b>	<b>\$ 50,772</b>	<b>\$ 309</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	50,772	309
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	72,651	(60,357)	20,941	18,924	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 72,651</b>	<b>\$ (60,357)</b>	<b>\$ 20,941</b>	<b>\$ 18,924</b>	<b>\$ 50,772</b>	<b>\$ 309</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  
 For The Year Ended December 31, 2008  
 (Continued)

	Trail Creek Archaeological Grant	EPA Benz Property Cleanup Grant	Cemetery Operating Reserve	Cemetery Merchandise and Commissions	Cemetery Merchandise and Commissions Reserve	Redevelopment Operating
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	149,003	66,962	-
Interfund loans	-	-	-	-	-	-
Other	-	-	1,346	-	-	6,174
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>1,346</b>	<b>149,003</b>	<b>66,962</b>	<b>6,174</b>
<b>Disbursements:</b>						
General government	-	-	1,380	148,959	85,602	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	127,133
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>1,380</b>	<b>148,959</b>	<b>85,602</b>	<b>127,133</b>
Excess (deficiency) of receipts over disbursements	-	-	(34)	44	(18,640)	(120,959)
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	24,018
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,018</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(34)	44	(18,640)	(96,941)
Cash and investment fund balance - beginning	31,980	200,000	6,739	5,904	89,231	550,061
Cash and investment fund balance - ending	<u>\$ 31,980</u>	<u>\$ 200,000</u>	<u>\$ 6,705</u>	<u>\$ 5,948</u>	<u>\$ 70,591</u>	<u>\$ 453,120</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ 6,705	\$ -	\$ -	\$ 453,120
Restricted assets:						
Cash and investments	31,980	200,000	-	5,948	70,591	-
<b>Total cash and investment assets - ending</b>	<u>\$ 31,980</u>	<u>\$ 200,000</u>	<u>\$ 6,705</u>	<u>\$ 5,948</u>	<u>\$ 70,591</u>	<u>\$ 453,120</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ 31,980	\$ -	\$ -	\$ 5,948	\$ 70,591	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	200,000	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	6,705	-	-	453,120
<b>Total cash and investment fund balance - ending</b>	<u>\$ 31,980</u>	<u>\$ 200,000</u>	<u>\$ 6,705</u>	<u>\$ 5,948</u>	<u>\$ 70,591</u>	<u>\$ 453,120</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  
 For The Year Ended December 31, 2008  
 (Continued)

	Redevelopment Operating and Reserve	Redevelopment Reserve	Community Development Block Grant 2004	Community Development Block Grant 2006	Cemetery Permanent Maintenance	Cemetery Extension
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	233,623	-	-
Charges for services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	2,221	8,980	-	-	87,005	62,328
<b>Total receipts</b>	<b>2,221</b>	<b>8,980</b>	<b>-</b>	<b>233,623</b>	<b>87,005</b>	<b>62,328</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	1,330	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	233,623	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	85,370	69,000
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>1,330</b>	<b>-</b>	<b>-</b>	<b>233,623</b>	<b>85,370</b>	<b>69,000</b>
Excess (deficiency) of receipts over disbursements	891	8,980	-	-	1,635	(6,672)
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	(8,980)	-	-	-	-
Other receipts	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(8,980)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	891	-	-	-	1,635	(6,672)
Cash and investment fund balance - beginning	95,254	386,000	13	-	31,155	564,807
Cash and investment fund balance - ending	<u>\$ 96,145</u>	<u>\$ 386,000</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 32,790</u>	<u>\$ 558,135</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	96,145	386,000	13	-	32,790	558,135
<b>Total cash and investment assets - ending</b>	<b>\$ 96,145</b>	<b>\$ 386,000</b>	<b>\$ 13</b>	<b>\$ -</b>	<b>\$ 32,790</b>	<b>\$ 558,135</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	96,145	386,000	13	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	32,790	558,135
Unrestricted	-	-	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 96,145</b>	<b>\$ 386,000</b>	<b>\$ 13</b>	<b>\$ -</b>	<b>\$ 32,790</b>	<b>\$ 558,135</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  
 For The Year Ended December 31, 2008  
 (Continued)

	Northeast TIF	Community Development Block Grant 2007	Fire Training Infrastructure Grant	CZM Trail Creek Fish Habitat	CZM Trail Creek South Shore	CZM Trail Creek WEFM
<b>Receipts:</b>						
Taxes	\$ 62,660	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	415,512	30,778	34,500	196,950	3,050
Charges for services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	697	-	-	-	-	-
<b>Total receipts</b>	<b>63,357</b>	<b>415,512</b>	<b>30,778</b>	<b>34,500</b>	<b>196,950</b>	<b>3,050</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	415,515	-	73,326	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	80	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	124,935	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>80</b>	<b>415,515</b>	<b>124,935</b>	<b>73,326</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	63,277	(3)	(94,157)	(38,826)	196,950	3,050
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
<b>Total other financing sources (uses)</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	63,277	(3)	(94,157)	(38,826)	196,950	3,050
Cash and investment fund balance - beginning	2,204	-	-	-	-	-
Cash and investment fund balance - ending	<u>\$ 65,481</u>	<u>\$ (3)</u>	<u>\$ (94,157)</u>	<u>\$ (38,826)</u>	<u>\$ 196,950</u>	<u>\$ 3,050</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 65,481	\$ (3)	\$ (94,157)	\$ (38,826)	\$ 196,950	\$ 3,050
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 65,481</u>	<u>\$ (3)</u>	<u>\$ (94,157)</u>	<u>\$ (38,826)</u>	<u>\$ 196,950</u>	<u>\$ 3,050</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	65,481	(3)	(94,157)	(38,826)	196,950	3,050
<b>Total cash and investment fund balance - ending</b>	<u>\$ 65,481</u>	<u>\$ (3)</u>	<u>\$ (94,157)</u>	<u>\$ (38,826)</u>	<u>\$ 196,950</u>	<u>\$ 3,050</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  
 For The Year Ended December 31, 2008  
 (Continued)

	Airport Improvement Project Grant 11	Levy Excess	Redevelopment Bond (Sinking)	Southside TIF 2007 Bond Reserve	Cumulative Capital Improvement	Cumulative Capital Development
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 683,055
Licenses and permits	-	-	-	-	-	-
Intergovernmental	49,650	-	-	-	106,992	-
Charges for services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	333,993	-	-	-
<b>Total receipts</b>	<b>49,650</b>	<b>-</b>	<b>333,993</b>	<b>-</b>	<b>106,992</b>	<b>683,055</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	19,708
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	11,922	-	-	-	4,500	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	-	325,000	-	-	-	-
Debt service:						
Principal	-	-	145,000	-	-	-
Interest	-	-	175,523	-	-	-
Capital outlay:						
General government	-	-	-	-	-	586,989
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	90,385	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>11,922</b>	<b>325,000</b>	<b>320,523</b>	<b>-</b>	<b>94,885</b>	<b>606,697</b>
Excess (deficiency) of receipts over disbursements	37,728	(325,000)	13,470	-	12,107	76,358
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	8,980	371,306	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	1,052	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>8,980</b>	<b>371,306</b>	<b>1,052</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	37,728	(325,000)	22,450	371,306	13,159	76,358
Cash and investment fund balance - beginning	-	326,706	319,926	-	125,395	368,729
Cash and investment fund balance - ending	<u>\$ 37,728</u>	<u>\$ 1,706</u>	<u>\$ 342,376</u>	<u>\$ 371,306</u>	<u>\$ 138,554</u>	<u>\$ 445,087</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 37,728	\$ 1,706	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	342,376	371,306	138,554	445,087
<b>Total cash and investment assets - ending</b>	<u>\$ 37,728</u>	<u>\$ 1,706</u>	<u>\$ 342,376</u>	<u>\$ 371,306</u>	<u>\$ 138,554</u>	<u>\$ 445,087</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	342,376	371,306	-	-
Capital outlay	-	-	-	-	138,554	445,087
Unrestricted	37,728	1,706	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 37,728</u>	<u>\$ 1,706</u>	<u>\$ 342,376</u>	<u>\$ 371,306</u>	<u>\$ 138,554</u>	<u>\$ 445,087</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  
 For The Year Ended December 31, 2008  
 (Continued)

	Fire Equipment	County Economic Development Income Tax	Park And Recreation Improvements	Coolspring Avenue Reconstruction	Singing Sands Bike Trail Project	Brownsfield Redevelopment
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	2,341,840	-	43,546	-	-
Charges for services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	134,294	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>2,341,840</b>	<b>134,294</b>	<b>43,546</b>	<b>-</b>	<b>-</b>
<b>Disbursements:</b>						
General government	-	-	-	67,087	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	10,778	2,378,038	-	-	-	8,423
Culture and recreation	-	-	66,843	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	33,056
Interest	-	-	-	-	-	2,900
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	23,959	195,393	-	-	-	-
Culture and recreation	-	-	416,395	-	39,857	-
<b>Total disbursements</b>	<b>34,737</b>	<b>2,573,431</b>	<b>483,238</b>	<b>67,087</b>	<b>39,857</b>	<b>44,379</b>
Excess (deficiency) of receipts over disbursements	(34,737)	(231,591)	(348,944)	(23,541)	(39,857)	(44,379)
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	2,288	-	-	-	35,966
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>2,288</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,966</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(34,737)	(229,303)	(348,944)	(23,541)	(39,857)	(8,413)
Cash and investment fund balance - beginning	36,587	708,587	303,695	114,421	78,420	26,601
Cash and investment fund balance - ending	<u>\$ 1,850</u>	<u>\$ 479,284</u>	<u>\$ (45,249)</u>	<u>\$ 90,880</u>	<u>\$ 38,563</u>	<u>\$ 18,188</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ (45,249)	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	1,850	479,284	-	90,880	38,563	18,188
<b>Total cash and investment assets - ending</b>	<u>\$ 1,850</u>	<u>\$ 479,284</u>	<u>\$ (45,249)</u>	<u>\$ 90,880</u>	<u>\$ 38,563</u>	<u>\$ 18,188</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	1,850	479,284	-	90,880	38,563	18,188
Unrestricted	-	-	(45,249)	-	-	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 1,850</u>	<u>\$ 479,284</u>	<u>\$ (45,249)</u>	<u>\$ 90,880</u>	<u>\$ 38,563</u>	<u>\$ 18,188</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  
 For The Year Ended December 31, 2008  
 (Continued)

	CZM Karwick Road	CZM Trail Creek	CZM Hanson Park	CZM Karwick Bridge	Pullman Forest Grant	Airport Improvement Project Grant 05
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	7,500	-	109,000	6,389	-
Charges for services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>7,500</b>	<b>-</b>	<b>109,000</b>	<b>6,389</b>	<b>-</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	64,601
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	17,930	-	-	42,771	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>17,930</b>	<b>-</b>	<b>-</b>	<b>42,771</b>	<b>-</b>	<b>64,601</b>
Excess (deficiency) of receipts over disbursements	(17,930)	7,500	-	66,229	6,389	(64,601)
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	100,000	-	-	-
Transfers out	-	(100,000)	-	-	-	-
Other receipts	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(100,000)</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(17,930)	(92,500)	100,000	66,229	6,389	(64,601)
Cash and investment fund balance - beginning	37,010	100,000	(51,913)	75,000	(13,366)	64,601
Cash and investment fund balance - ending	<u>\$ 19,080</u>	<u>\$ 7,500</u>	<u>\$ 48,087</u>	<u>\$ 141,229</u>	<u>\$ (6,977)</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ (6,977)	\$ -
Restricted assets:						
Cash and investments	19,080	7,500	48,087	141,229	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 19,080</b>	<b>\$ 7,500</b>	<b>\$ 48,087</b>	<b>\$ 141,229</b>	<b>\$ (6,977)</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	19,080	7,500	48,087	141,229	-	-
Unrestricted	-	-	-	-	(6,977)	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 19,080</b>	<b>\$ 7,500</b>	<b>\$ 48,087</b>	<b>\$ 141,229</b>	<b>\$ (6,977)</b>	<b>\$ -</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  
 For The Year Ended December 31, 2008  
 (Continued)

	Airport Improvement Project Grant 03	Airport Improvement Project Grant 08	Airport Improvement Project Grant 09	Airport Improvement Project Grant 10	Totals
<b>Receipts:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,655,174
Licenses and permits	-	-	-	-	11,635
Intergovernmental	-	555	129	437,444	5,596,426
Charges for services	-	-	-	-	2,602,653
Interfund loans	-	-	-	-	900,000
Other	-	-	-	-	878,541
<b>Total receipts</b>	<b>-</b>	<b>555</b>	<b>129</b>	<b>437,444</b>	<b>13,644,429</b>
<b>Disbursements:</b>					
General government	-	-	-	-	1,799,000
Public safety	-	-	-	-	31,090
Highways and streets	-	-	-	-	1,855,154
Economic development	16,792	13,715	-	351,425	3,346,465
Culture and recreation	-	-	-	-	3,538,785
Urban redevelopment and housing	-	-	-	-	360,836
Interfund loans	-	-	-	-	2,095,000
Debt service:					
Principal	-	-	-	-	178,056
Interest	-	-	-	-	178,423
Capital outlay:					
General government	-	-	-	-	860,071
Public safety	-	-	-	-	124,935
Highways and streets	-	-	-	-	350,400
Economic development	-	-	-	-	309,737
Culture and recreation	-	-	-	-	456,252
<b>Total disbursements</b>	<b>16,792</b>	<b>13,715</b>	<b>-</b>	<b>351,425</b>	<b>15,484,204</b>
Excess (deficiency) of receipts over disbursements	(16,792)	(13,160)	129	86,019	(1,839,775)
<b>Other financing sources (uses):</b>					
Net proceeds from borrowings	-	-	-	-	75,000
Transfers in	-	-	-	-	523,466
Transfers out	-	-	-	-	(147,980)
Other receipts	-	-	-	-	125,543
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>576,029</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(16,792)	(13,160)	129	86,019	(1,263,746)
Cash and investment fund balance - beginning	16,792	13,160	(129)	(19,896)	7,035,008
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,123</u>	<u>\$ 5,771,262</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 1,647,084
Restricted assets:					
Cash and investments	-	-	-	66,123	4,124,178
<b>Total cash and investment assets - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,123</u>	<u>\$ 5,771,262</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ -	\$ 185,486
Public safety	-	-	-	-	169,433
Highways and streets	-	-	-	-	269,052
Economic development	-	-	-	-	200,000
Urban redevelopment and housing	-	-	-	-	482,158
Debt service	-	-	-	-	713,682
Capital outlay	-	-	-	66,123	2,104,367
Unrestricted	-	-	-	-	1,647,084
<b>Total cash and investment fund balance - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,123</u>	<u>\$ 5,771,262</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 INTERNAL SERVICE FUNDS  
 As of and for the Year Ended December 31, 2008

	<u>Health</u>	<u>Health Insurance</u>	<u>Workers' Compensation</u>	<u>Totals</u>
Operating receipts:				
Charges for services	\$ -	\$ 5,348,117	\$ 408,652	\$ 5,756,769
Miscellaneous	<u>472</u>	<u>115,602</u>	<u>4,390</u>	<u>120,464</u>
Total operating receipts	<u>472</u>	<u>5,463,719</u>	<u>413,042</u>	<u>5,877,233</u>
Operating disbursements:				
Insurance claims and expense	-	5,841,198	327,894	6,169,092
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,711</u>	<u>1,711</u>
Total operating disbursements	<u>-</u>	<u>5,841,198</u>	<u>329,605</u>	<u>6,170,803</u>
Excess (deficiency) of receipts over disbursements	<u>472</u>	<u>(377,479)</u>	<u>83,437</u>	<u>(293,570)</u>
Interfund loans	<u>-</u>	<u>4,000,000</u>	<u>-</u>	<u>4,000,000</u>
Excess of receipts and loans over disbursements	472	3,622,521	83,437	3,706,430
Cash and investment fund balance - beginning	<u>48,653</u>	<u>1,195,612</u>	<u>-</u>	<u>1,244,265</u>
Cash and investment fund balance - ending	<u>\$ 49,125</u>	<u>\$ 4,818,133</u>	<u>\$ 83,437</u>	<u>\$ 4,950,695</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	<u>\$ 49,125</u>	<u>\$ 4,818,133</u>	<u>\$ 83,437</u>	<u>\$ 4,950,695</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Unrestricted	<u>\$ 49,125</u>	<u>\$ 4,818,133</u>	<u>\$ 83,437</u>	<u>\$ 4,950,695</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, 2008

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 915,340	\$ 717,857	\$ 1,633,197
Plan members	2,625	3,345	5,970
State	<u>873,284</u>	<u>935,966</u>	<u>1,809,250</u>
Total additions	<u>1,791,249</u>	<u>1,657,168</u>	<u>3,448,417</u>
Deductions:			
Benefits	1,733,144	1,590,337	3,323,481
Administrative and general	<u>4,215</u>	<u>3,803</u>	<u>8,018</u>
Total deductions	<u>1,737,359</u>	<u>1,594,140</u>	<u>3,331,499</u>
Other financing sources:			
Transfers out	(482,767)	(643,505)	(1,126,272)
Interfund loan received	<u>325,000</u>	<u>475,000</u>	<u>800,000</u>
Total other financing sources (uses)	<u>(157,767)</u>	<u>(168,505)</u>	<u>(326,272)</u>
Deficiency of receipts and other financing sources over disbursements and other financing uses			
	<u>(103,877)</u>	<u>(105,477)</u>	<u>(209,354)</u>
Cash and investment fund balance - beginning	<u>671,013</u>	<u>827,235</u>	<u>1,498,248</u>
Cash and investment fund balance - ending	<u>\$ 567,136</u>	<u>\$ 721,758</u>	<u>\$ 1,288,894</u>

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, 2008

	Cemetery Blanket/Wreath Savings	Cemetery Flower Fund Savings	Cemetery Dabbert Vault Savings	Cemetery Lutz Vault Savings	Totals
Additions:					
Contributions:					
Other	\$ 11,161	\$ -	\$ -	\$ -	\$ 11,161
Investment earnings:					
Interest	43	765	62	91	961
Total additions	11,204	765	62	91	12,122
Deductions:					
Administrative and general	5,512	364	38	-	5,914
Excess of total additions over total deductions	5,692	401	24	91	6,208
Cash and investment fund balance - beginning	16,878	27,359	2,354	4,198	50,789
Cash and investment fund balance - ending	\$ 22,570	\$ 27,760	\$ 2,378	\$ 4,289	\$ 56,997

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PERMANENT TRUST FUNDS  
 For The Year Ended December 31, 2008

	<u>Greenwood Permanent Maintenance</u>	<u>Swan Lake Permanent Maintenance</u>	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ 1,749	\$ 16,376	\$ 18,125
Investment earnings:			
Interest	48,365	17,671	66,036
Total additions	<u>50,114</u>	<u>34,047</u>	<u>84,161</u>
Deductions:			
Administrative and general	<u>46,985</u>	<u>17,421</u>	<u>64,406</u>
Excess of total additions over total deductions	3,129	16,626	19,755
Cash and investment fund balance - beginning	<u>1,027,580</u>	<u>414,657</u>	<u>1,442,237</u>
Cash and investment fund balance - ending	<u>\$ 1,030,709</u>	<u>\$ 431,283</u>	<u>\$ 1,461,992</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2008

	<u>Payroll</u>	<u>Radio Tower</u>	<u>Tax Escrow Account</u>	<u>Intergovernmental Wagering Tax</u>	<u>Totals</u>
Additions:					
Agency fund additions	\$ -	\$ 1,956	\$ -	\$ 1,979,856	\$ 1,981,812
Deductions:					
Agency fund deductions	<u>763,343</u>	<u>2,724</u>	<u>-</u>	<u>1,979,854</u>	<u>2,745,921</u>
Excess (deficiency) of total additions over total deductions	(763,343)	(768)	-	2	(764,109)
Cash and investment fund balance - beginning	<u>763,343</u>	<u>768</u>	<u>486</u>	<u>64</u>	<u>764,661</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 486</u>	<u>\$ 66</u>	<u>\$ 552</u>

CITY OF MICHIGAN CITY  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCE - CASH AND INVESTMENT BASIS  
DISCRETE COMPONENT UNIT  
For the Year Ended December 31, 2008

	<u>Port Authority</u>
Operating receipts:	
Watercraft user fees	\$ 27,804
Slip rentals	1,499,209
Ramp fees	27,077
Rack rentals	195,986
Fuel	395,232
Commissions	28,597
Winter storage	180,372
Boat maintenance fees	72,869
Boat show	55,066
Other contractals	6,525
Miscellaneous	<u>61,337</u>
Total operating receipts	<u>2,550,074</u>
Nonoperating receipts :	
Local tax distributions	407,073
Interest Income	69,970
Temporary loan repaid	<u>1,000,000</u>
Total nonoperating receipts	<u>1,477,043</u>
Total receipts	<u>4,027,117</u>
Operating disbursements:	
Salaries, wages, and fringe benefits	616,857
Operation and maintenance	658,184
Other supplies	211,020
Contractual services	463,537
Utilities	142,072
Administration and general	<u>181,640</u>
Total operating disbursements	<u>2,273,310</u>
Nonoperating disbursements:	
Real property acquisition	282,232
Principal on debt	200,000
Interest on debt	126,600
Temporary loan disbursed	<u>1,500,000</u>
Total nonoperating disbursements	<u>2,108,832</u>
Total disbursements	<u>4,382,142</u>
Deficiency of receipts and nonoperating receipts under disbursements and nonoperating disbursements	(355,025)
Cash and investment fund balance - beginning	<u>5,760,953</u>
Cash and investment fund balance - ending	<u>\$ 5,405,928</u>
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	<u>\$ 5,405,928</u>
<u>Cash and Investment Fund Balance - December 31</u>	
Unrestricted fund balance - December 31	<u>\$ 5,405,928</u>

CITY OF MICHIGAN CITY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
For The Year Ended December 31, 2008

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.

Primary Government	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 6,456,989
Construction in progress	8,072,147
Total capital assets, not being depreciated	14,529,136
Capital assets, being depreciated (net of depreciation):	
Buildings	14,109,492
Improvements other than buildings	5,014,830
Machinery and equipment	7,863,052
Infrastructure	41,565,929
Total capital assets, being depreciated, net	68,553,303
Total governmental activities capital assets, net	\$ 83,082,439
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 91,291
Construction in progress	795,400
Total capital assets, not being depreciated	886,691
Capital assets, being depreciated (net of depreciation):	
Buildings	15,742,061
Improvements other than buildings	22,915,263
Machinery and equipment	4,871,710
Total capital assets, being depreciated, net	43,529,034
Total Water Utility capital assets, net	44,415,725
Sanitary District:	
Capital assets, not being depreciated:	
Land	735,366
Construction in progress	310,958
Total capital assets, not being depreciated	1,046,324
Capital assets, being depreciated (net of depreciation):	
Land improvements	415,144
Buildings	12,566,556
Building improvements	2,056,350
Infrastructure	30,221,472
Machinery and equipment	3,611,335
Transportation equipment	345,169
Total capital assets, being depreciated, net	49,216,026
Total Sanitary District capital assets, net	50,262,350
Total business-type activities capital assets, net	\$ 94,678,075
<u>Discretely Presented Component Unit</u>	
Port Authority:	
Capital assets, not being depreciated:	
Land	\$ 2,353,501
Capital assets, being depreciated (net of depreciation):	
Buildings	4,195,334
Land improvements	220,174
Machinery and equipment	265,377
Infrastructure	1,898,575
Total capital assets, being depreciated, net	6,579,460
Total discretely presented component unit capital assets, net	\$ 8,932,961

CITY OF MICHIGAN CITY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable:		
Brownsfield redevelopment loan - nonforgivable	\$ 95,269	\$ 35,956
Brownsfield redevelopment loan - forgivable	57,560	-
Loan from Port Authority	1,500,000	1,500,000
Bonds payable:		
General obligation bonds:		
Park and recreation bonds of 1997	1,225,000	30,625
Revenue bonds:		
Lease rental bonds of 1999	2,875,000	322,495
Northeast TIF bonds	1,683,289	301,710
Southside TIF bonds	<u>4,425,000</u>	<u>103,864</u>
<b>Total governmental activities debt</b>	<b><u>\$ 11,861,118</u></b>	<b><u>\$ 2,294,650</u></b>
Business-type activities:		
Water Utility:		
Loan payable:		
State revolving fund loan	\$ 6,134,916	\$ 227,550
Revenue bonds:		
2004 Waterworks refunding revenue bonds	<u>7,110,000</u>	<u>982,363</u>
<b>Total Water Utility</b>	<b><u>13,244,916</u></b>	<b><u>1,209,913</u></b>
Sanitary District:		
Revenue bonds:		
2005 Refunding revenue bonds	<u>5,630,000</u>	<u>913,740</u>
<b>Total business-type activities debt</b>	<b><u>\$ 18,874,916</u></b>	<b><u>\$ 2,123,653</u></b>
Discretely presented component unit:		
Port Authority:		
Revenue bonds:		
1998 Marina revenue bonds	<u>\$ 2,510,000</u>	<u>\$ 327,600</u>

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:

Michigan City Water Utility  
Michigan City Sanitary District

CITY OF MICHIGAN CITY  
AUDIT RESULTS AND COMMENTS

CITY/TOWN ANNUAL REPORT

The 2008 City/Town Annual Report was inaccurate. All funds which encompass the City's reporting entity were not disclosed on the Report, some funds were misclassified as the wrong fund type causing some receipt and disbursement classifications to be misreported, and some bank account balances were inaccurate. Audit adjustments, which were subsequently accepted by management, were made to the report to allow for an unqualified opinion to be issued on the Annual Financial Audit Report of the City.

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 objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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

ZOO EDUCATION NONREVERTING FUND

The Park Department has a Zoo Education Nonreverting Fund, the cash balances at December 31, 2007 and 2008, were \$63,854.60 and \$72,379.30, respectively. In the last three years, receipts have exceeded disbursements by at least \$9,000 each year. This could be an indication that fees charged for the programs are excessive.

IC 36-10-3-22 states in part:

"(a) Park and recreation facilities and programs shall be made available to the public free of charge as far as possible. However, if it is necessary in order to provide a particular activity, the board may charge a reasonable fee. (b) The unit's fiscal body may establish by ordinance, upon request of the board: (1) a special nonreverting operating fund for park purposes from which expenditures may be made as provided by ordinance . . ."

CITY OF MICHIGAN CITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

OVERDRAWN CASH BALANCES

The following funds were overdrawn as of December 31, 2008, by the amounts indicated:

<u>Fund</u>	<u>Amount</u>
Golf Course	\$ 79,745
Zoo Donation	60,357
Fire Training Infrastructure Grant	94,157
CZM Trail Creek Fish Habitat	38,826
Park and Recreation Improvements	45,249

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ELECTED OFFICIAL/EMPLOYEE COMPENSATION

The City of Michigan City employs a Firefighter who also serves on the City Council. On seven occasions during 2008 the employee attended a City Council meeting while being on duty as a City Firefighter. The employee did not claim vacation, or any other type of leave, while attending the Council meeting. No record was maintained to illustrate the exact time of the meeting, or the exact time the employee was not at the assigned fire station post. Thus, it can be inferred that the employee/Councilperson received compensation for two duties simultaneously.

IC 5-11-9-4 requires officers and employees of cities and towns who are employed by more than one public agency or in more than one position by the same public agency, to maintain detailed time records for the hours worked for each public agency or each position at the same public agency.

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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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, 2008. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

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

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

January 25, 2010

CITY OF MICHIGAN CITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct grant			
CDBG Entitlement and Small Cities Cluster			
Community Development Block Grants/Entitlement Grants	14.218		
B-06-MC-180022			\$ 233,623
B-07-MC-180022			<u>415,515</u>
Total for federal grantor agency			<u>649,138</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct grant			
Local Law Enforcement Block Grant Program	16.592		<u>11,615</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct grant			
Federal Transit Cluster			
Capital Investment Grants			
IN-90-0571	20.500		69,169
IN-90-0572			15,966
IN-95-0009			<u>276,022</u>
Total for program			<u>361,157</u>
Formula Grants			
IN-95.4009	20.507		245,646
IN-95-4571			<u>567,712</u>
Total for program			<u>813,358</u>
Total for cluster			<u>1,174,515</u>
Direct grant			
Highway Safety Cluster			
State and Community Highway Safety			
PT-08-04-01-14	20.600		15,000
PT-09-04-01-16			<u>6,000</u>
Total for cluster			<u>21,000</u>
Direct grant			
Airport Improvement Program			
3-18-0055-1008	20.106		333,722
3-18-0055-1108			<u>11,922</u>
Total for program			<u>345,644</u>
Total for federal grantor agency			<u>1,541,159</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management			
Environmental Policy and Innovation Grants			
Coastal Zone Management - Karwick Road	66.611		<u>17,930</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct grant			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Snow Removal	97.036		<u>27,432</u>
Pass-Through Indiana Department of Homeland Security			
Emergency Management Performance Grants	97.042		<u>27,936</u>
Total for federal grantor agency			<u>55,368</u>
Total federal awards expended			<u>\$ 2,275,210</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

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

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.

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?	no
Significant deficiencies 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
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program
20.507	Federal Transit – Formula Grants

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

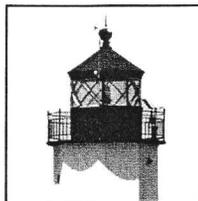
No matters are reportable.

CITY OF MICHIGAN CITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF MICHIGAN CITY  
EXIT CONFERENCE

The contents of this report were discussed on December 22, 2009, and January 25, 2010, with John J. Schaefer, Controller; Yvonne Hoffmaster, Deputy City Controller; Marc A. Espar, President of the Common Council; and Charles E. Oberlie, Mayor. The official response has been made a part of this report and may be found on pages 65 and 66.



# 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

January 26, 2010

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

The following is the official response of the City of Michigan City to the Audit Results and Comments appearing in the City's 2008 audit report.

CITY/TOWN ANNUAL REPORT – Your comment notes inaccuracies contained in the City's annual report filed with the State Board of Accounts. All funds of the City will be included in future reports and will be classified in the same manner as they are classified in the State Board of Accounts audit report. The inaccurate bank balance was the result of the omission of interest earned in December; we will make every effort to ensure that all bank balances are reported properly.

ZOO EDUCATION NONREVERTING FUND – Your comment notes that the cash balance in the Zoo Education Nonreverting Fund is high and continues to increase. This fund accounts for income and expenses associated with various zoo education programs which should be offered to the public at no profit whenever possible. The Department of Parks and Recreation employs an individual that is responsible for these programs but has never included that employee's wages as part of the cost of the programs. Beginning in 2010, those wages will be paid from the Zoo Education Nonoperating Fund so that all costs associated with the operation of the educational programs will be paid from the revenues associated with the programs.

OVERDRAWN CASH BALANCES – Your comment indicates that five City funds had deficit cash balances at December 31, 2008. The Golf Course Fund has carried a negative balance due to a posting error in 2003; in 2009, the City made a one-time subsidy to the Golf Course Fund to eliminate that deficit. The Zoo Donation and Park and Recreation Improvements Funds have overdrawn balances because revenue anticipated to be received in 2008 was not received until 2009; when that revenue was received the deficit was corrected. The Fire Training Infrastructure Grant and CZM Trail Creek Fish Habitat Funds were overdrawn while the City was awaiting reimbursement from grantor agencies; those reimbursements have been received.

ELECTED OFFICIAL/EMPLOYEE COMPENSATION – Your comment addresses the issue of compensation for a City firefighter who is also an elected member of the City Council. You note that the employee attended Council meetings while on duty as a firefighter and you indicate that it can be "inferred" that he was paid for both positions simultaneously. It is true that the employee/Councilman did not claim vacation time from the Fire Department to cover his attendance at City Council meetings at the time they occurred. Rather, with the concurrence of Fire Department management, he chose to wait until he had accumulated enough time attending Council meetings to claim an entire vacation day (a firefighter's vacation day equates to 24 hours). In 2009, the firefighter returned one 24-hour vacation day to the City as compensation for his attendance at Council meetings in 2008 and part of 2009.

-65-

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@emichigancity.com

The time attending Council meetings was based on an estimated average of two hours per meeting plus ½ hour travel time per meeting. We intend to continue the practice of allowing the employee to accumulate the time he owes the Fire Department for attending Council meetings so that vacation days are not split into fragments of time. However, the City will implement a procedure that will require the employee to report his exact time away from the Fire Department when Council meetings fall on his duty days.

As always, we appreciate the assistance and recommendations from your staff during the City's annual audits.

Sincerely,

A handwritten signature in cursive script, appearing to read "John J. Schaefer".

John J. Schaefer  
City Controller