

B37201

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

ANNUAL FINANCIAL REPORT

2009

CITY OF MICHIGAN CITY

LAPORTE COUNTY, INDIANA



FILED
07/14/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	John J. Schaefer	01-01-09 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	01-01-09 to 12-31-10
President of the Common Council	Robert McKee Marc A. Espar	01-01-09 to 12-31-09 01-01-10 to 12-31-10
Superintendent of Water Utility	Randall E. Russell	01-01-09 to 12-31-10
Sanitary District Manager	Alan J. Walus	01-01-09 to 12-31-10
Port Authority Harbormaster	Timothy Frame	01-01-09 to 12-31-10



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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In accordance with Government Auditing Standards, we have also issued a report dated May 25, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

May 26, 2010



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the 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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 26, 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.

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.

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.

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

STATE BOARD OF ACCOUNTS

May 26, 2010

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

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Totals	Port Authority
Primary government:								
Governmental activities:								
General government	\$ 27,865,306	\$ 1,017,978	\$ -	\$ -	\$ (26,847,328)	\$ -	\$ (26,847,328)	\$ -
Public safety	12,967,574	400,851	219,220	75,770	(12,271,733)	-	(12,271,733)	-
Highways and streets	4,872,077	523,704	2,085,393	313,182	(1,949,798)	-	(1,949,798)	-
Sanitation	147,734	-	70,000	-	(77,734)	-	(77,734)	-
Health and welfare	121,931	60,959	-	-	(60,972)	-	(60,972)	-
Economic development	2,454,928	-	-	795,486	(1,659,442)	-	(1,659,442)	-
Culture and recreation	3,490,645	1,096,412	-	67,220	(2,327,013)	-	(2,327,013)	-
Urban redevelopment and housing	940,912	-	-	-	(940,912)	-	(940,912)	-
Principal and interest on indebtedness	701,326	-	-	-	(701,326)	-	(701,326)	-
Total governmental activities	53,562,433	3,099,904	2,374,613	1,251,658	(46,836,258)	-	(46,836,258)	-
Business-type activities:								
Sanitary District	9,583,676	7,233,191	-	-	-	(2,350,485)	(2,350,485)	-
Water Utility	8,095,467	6,611,172	-	817,711	-	(666,584)	(666,584)	-
Total business-type activities	17,679,143	13,844,363	-	817,711	-	(3,017,069)	(3,017,069)	-
Total primary government	\$ 71,241,576	\$ 16,944,267	\$ 2,374,613	\$ 2,069,369	(46,836,258)	(3,017,069)	(49,853,327)	-
Component unit:								
Port Authority	\$ 2,352,365	\$ 2,404,694	\$ -	\$ -	-	-	-	52,329
General receipts:								
Property taxes					15,010,363	1,944,793	16,955,156	276,437
Income taxes					2,472,084	-	2,472,084	-
Intergovernmental					11,483,512	287,871	11,771,383	55,636
Other local sources					12,133,328	-	12,133,328	-
Grants and contributions not restricted to specific programs					2,900,165	-	2,900,165	-
Investment earnings					358,998	127,018	486,016	12,779
Total general receipts					44,358,450	2,359,682	46,718,132	344,852
Change in net assets					(2,477,808)	(657,387)	(3,135,195)	397,181
Net assets - beginning					31,180,944	9,803,493	40,984,437	5,405,928
Net assets - ending					\$ 28,703,136	\$ 9,146,106	\$ 37,849,242	\$ 5,803,109
Assets								
Cash and investments					\$ 8,965,002	\$ 2,672,136	\$ 11,637,138	\$ -
Restricted assets:								
Cash and investments					19,738,134	6,473,970	26,212,104	5,803,109
Total assets					\$ 28,703,136	\$ 9,146,106	\$ 37,849,242	\$ 5,803,109
Net Assets								
Restricted for:								
General government					\$ 3,511,574	\$ -	\$ 3,511,574	\$ -
Public safety					220,681	-	220,681	-
Highways and streets					1,038,466	-	1,038,466	-
Culture and recreation					-	-	-	4,356,732
Urban redevelopment and housing					981,396	-	981,396	-
Debt service					558,308	2,143,431	2,701,739	911,220
Capital outlay					13,427,709	-	13,427,709	-
Other purposes					-	4,330,539	4,330,539	535,157
Unrestricted					8,965,002	2,672,136	11,637,138	-
Total net assets					\$ 28,703,136	\$ 9,146,106	\$ 37,849,242	\$ 5,803,109

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, 2009

	General	Riverboat	Northside TIF	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 12,570,847	\$ 3,444,383	\$ 2,115,121	\$ 3,384,914	\$ 21,515,265
Licenses and permits	298,523	-	-	11,972	310,495
Intergovernmental	3,918,507	7,880,231	-	6,979,728	18,778,466
Charges for services	184,177	-	-	2,182,322	2,366,499
Fines and forfeits	88,729	-	-	-	88,729
Other	769,520	161	55,848	1,977,202	2,802,731
Total receipts	17,830,303	11,324,775	2,170,969	14,536,138	45,862,185
Disbursements:					
General government	5,270,297	3,360,265	-	1,601,735	10,232,297
Public safety	14,861,529	-	-	65,202	14,926,731
Highways and streets	1,490,033	-	-	1,701,811	3,191,844
Sanitation	147,734	-	-	-	147,734
Health and welfare	121,931	-	-	-	121,931
Economic development	-	-	-	1,028,476	1,028,476
Culture and recreation	8,760	-	-	3,480,020	3,488,780
Urban redevelopment and housing	-	-	-	940,912	940,912
Debt service:					
Principal	-	-	-	463,890	463,890
Interest	-	-	-	237,436	237,436
Capital outlay:					
General government	-	2,922,436	2,457,707	5,117,267	10,497,410
Public safety	-	-	-	94,793	94,793
Highways and streets	-	-	-	1,922,880	1,922,880
Economic development	-	-	-	1,426,452	1,426,452
Culture and recreation	-	-	-	422,715	422,715
Total disbursements	21,900,284	6,282,701	2,457,707	18,503,589	49,144,281
Excess (deficiency) of receipts over disbursements	(4,069,981)	5,042,074	(286,738)	(3,967,451)	(3,282,096)
Other financing sources (uses):					
Transfers in	3,240,510	-	-	673,600	3,914,110
Transfers out	-	(3,763,800)	-	(150,310)	(3,914,110)
Other receipts	670,420	-	200,000	2,299,751	3,170,171
Total other financing sources (uses)	3,910,930	(3,763,800)	200,000	2,823,041	3,170,171
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(159,051)	1,278,274	(86,738)	(1,144,410)	(111,925)
Cash and investment fund balance - beginning	2,378,450	3,783,207	6,909,871	13,158,721	26,230,249
Cash and investment fund balance - ending	\$ 2,219,399	\$ 5,061,481	\$ 6,823,133	\$ 12,014,311	26,118,324
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.					
					2,584,812
Net assets of governmental activities					\$ 28,703,136
Cash and Investment Assets - Ending					
Cash and investments	\$ 2,219,399	\$ 5,061,481	\$ -	\$ 1,610,453	\$ 8,891,333
Restricted assets:					
Cash and investments	-	-	6,823,133	10,403,858	17,226,991
Total cash and investment assets - ending	\$ 2,219,399	\$ 5,061,481	\$ 6,823,133	\$ 12,014,311	\$ 26,118,324
Cash and Investment Fund Balance - Ending					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ 955,929	\$ 955,929
Public safety	-	-	-	220,681	220,681
Highways and streets	-	-	-	1,038,466	1,038,466
Culture and recreation	-	-	-	-	-
Urban redevelopment and housing	-	-	-	480,822	480,822
Debt service	-	-	-	558,308	558,308
Capital outlay	-	-	6,823,133	7,149,652	13,972,785
Other purposes	-	-	-	-	-
Unrestricted	2,219,399	5,061,481	-	1,610,453	8,891,333
Total cash and investment fund balance - ending	\$ 2,219,399	\$ 5,061,481	\$ 6,823,133	\$ 12,014,311	\$ 26,118,324

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, 2009

	Sanitary District	Water Utility	Totals	Service Funds
Operating receipts:				
Metered/measured	\$ 6,130,443	\$ 4,764,690	\$ 10,895,133	\$ -
Sales for resale	-	434,000	434,000	-
Fire protection receipts	-	1,141,229	1,141,229	-
Fees	376,049	-	376,049	-
Penalties	-	34,696	34,696	-
Employer contributions	-	-	-	3,530,800
Employee contributions	-	-	-	655,809
Charges for services	444,152	-	444,152	1,358,958
Miscellaneous	261,144	236,557	497,701	37,502
Total operating receipts	7,211,788	6,611,172	13,822,960	5,583,069
Operating disbursements:				
Salaries and wages	3,267,890	1,594,192	4,862,082	-
Employee pensions and benefits	1,256,806	498,496	1,755,302	-
Purchased water	5,092	-	5,092	-
Purchased power	672,275	383,751	1,056,026	-
Chemicals	-	99,507	99,507	-
Material and supplies	513,863	216,429	730,292	-
Contractual services	1,559,882	334,939	1,894,821	-
Transportation	79,800	85,014	164,814	-
Rents	3,481	-	3,481	-
Insurance claims and expense	268,038	75,469	343,507	7,651,808
Repairs	281,700	-	281,700	-
Refunds	892	-	892	-
Equipment and capital improvements	730,421	3,237,221	3,967,642	-
Miscellaneous	29,796	223,091	252,887	297,144
Total operating disbursements	8,669,936	6,748,109	15,418,045	7,948,952
Excess (deficiency) of operating receipts over operating disbursements	<u>(1,458,148)</u>	<u>(136,937)</u>	<u>(1,595,085)</u>	<u>(2,365,883)</u>
Nonoperating receipts (disbursements):				
Property taxes	1,944,793	-	1,944,793	-
Intergovernmental	287,871	-	287,871	-
Investment income	12,769	114,249	127,018	-
Refunds	21,403	(137,366)	(115,963)	-
Debt service of principal	(725,000)	(785,000)	(1,510,000)	-
Interest disbursements	(188,740)	(424,992)	(613,732)	-
Total nonoperating receipts (disbursements)	1,353,096	(1,233,109)	119,987	-
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(105,052)</u>	<u>(1,370,046)</u>	<u>(1,475,098)</u>	<u>(2,365,883)</u>
Capital contributions	-	817,711	817,711	-
Transfers in	1,101,498	1,728,255	2,829,753	4,560,838
Transfers out	(1,101,498)	(1,728,255)	(2,829,753)	(4,560,838)
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	<u>(105,052)</u>	<u>(552,335)</u>	<u>(657,387)</u>	<u>(2,365,883)</u>
Cash and investment fund balance - beginning	<u>3,425,861</u>	<u>6,377,632</u>	<u>9,803,493</u>	<u>4,950,695</u>
Cash and investment fund balance - ending	<u>\$ 3,320,809</u>	<u>\$ 5,825,297</u>	<u>\$ 9,146,106</u>	<u>\$ 2,584,812</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 1,217,382	\$ 1,454,754	\$ 2,672,136	\$ -
Restricted assets:				
Cash and investments	<u>2,103,427</u>	<u>4,370,543</u>	<u>6,473,970</u>	<u>2,584,812</u>
Total cash and investment assets - December 31	\$ 3,320,809	\$ 5,825,297	\$ 9,146,106	\$ 2,584,812
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 1,736,325	\$ 407,106	\$ 2,143,431	\$ -
Other purposes	367,102	3,963,437	4,330,539	2,584,812
Unrestricted	<u>1,217,382</u>	<u>1,454,754</u>	<u>2,672,136</u>	<u>-</u>
Total cash and investment fund balance - December 31	\$ 3,320,809	\$ 5,825,297	\$ 9,146,106	\$ 2,584,812

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, 2009

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Permanent Trust Funds</u>	<u>Agency Funds</u>
Additions:				
Contributions:				
Employer	\$ 31,253	\$ -	\$ -	
State	4,594,160	-	-	
Other	<u>-</u>	<u>9,850</u>	<u>16,630</u>	
Total contributions	<u>4,625,413</u>	<u>9,850</u>	<u>16,630</u>	
Investment earnings:				
Interest	<u>-</u>	<u>898</u>	<u>60,020</u>	
Total additions	<u>4,625,413</u>	<u>10,748</u>	<u>76,650</u>	
Deductions:				
Benefits	3,245,501	-	-	
Administrative and general	<u>43,739</u>	<u>9,501</u>	<u>62,609</u>	
Total deductions	<u>3,289,240</u>	<u>9,501</u>	<u>62,609</u>	
Excess of total additions over total deductions	1,336,173	1,247	14,041	
Cash and investment fund balance - beginning	<u>1,288,925</u>	<u>56,998</u>	<u>1,461,992</u>	
Cash and investment fund balance - ending	<u>\$ 2,625,098</u>	<u>\$ 58,245</u>	<u>\$ 1,476,033</u>	<u>\$ 10,299</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 Units

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:

Michigan City Redevelopment Authority: The City appoints a voting majority of the Michigan City Redevelopment Authority's board and is able to impose its will. 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.

Discretely Presented Component Units

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

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

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 Northwest 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.

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. The NIRPC uses its surplus resources to undertake special projects for the City. Complete financial statements for the 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 voting majority of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. City officials appoint the voting majority of the Michigan City Housing Authority, the Michigan City Urban Enterprise Association, the Michigan City Economic Development Corporation, and the Michigan City Enrichment Corporation.

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.

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 City reports the following major enterprise funds:

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

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 worker's compensation insurance provided to departments on a cost reimbursement basis.

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

The private-purpose trust funds report trust arrangements 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.

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

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

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

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

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

D. Assets and Cash and Investment Balances

1. Restricted Assets

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

2. Cash and Investments

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

3. Property Taxes

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

4. Capital Assets

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

5. Long-Term Debt

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

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Equity Classification

Government-Wide Statements

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

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

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Activities

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

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

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

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Cash and Investment Balance Deficits

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

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	2009
CZM Trail Creek WEFM	\$ 1,690
ARRA Grant Transit	46,494
Community Development Block Grant 2009	23,060
CMAQ Grant - Motor Vehicle Highway Fund	493
CA0810 Trail Creek Forks	14,400
Airport Improvement Project Grant 12	4,313
Airport Improvement Project Grant 13	16,415
IDGF06-822 Palatek Grant	33,902

Cash and investment deficits arose primarily from disbursements exceeding receipts 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. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. All city funds shall be deposited in a financial institution as defined by IC 5-13-6-1; which has been approved by the state as a depository for public funds pursuant to IC 5-13-9.5; and which has a branch within the corporate boundaries of the City of Michigan City as required by IC 5-13-8-9. At December 31, 2009, the City had deposit balances in the amount of \$35,063,703.

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

2. Investments

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

Primary Government:

Investment Type	2009
U.S. treasuries and securities	\$ 1,194,987
Money market mutual funds	4,258,085
Government sponsored enterprise	1,502,142
Total	\$ 6,955,214

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Discretely Presented Component Unit:

Investment Type	2009
Money market mutual funds	\$ <u>911,219</u>

Statutory Authorization for Investments

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

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

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

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy for custodial credit risk is that the city controller shall invest the available city funds in investments allowed by IC 5-13-9-1, et seq. so as to maximize the return on the investment.

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Primary Government:

Investment Type	In the Government's Name
U. S. treasuries and securities	\$ 1,194,987
Money market mutual funds	4,258,085
Government sponsored enterprise	1,502,142
 Total	 \$ 6,955,214

Discretely Presented Component Unit:

Investment Type	In the Government's Name
Money market mutual funds	\$ 911,219

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.

Primary Government:

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
U.S. treasuries and securities	\$ 1,194,987	\$ -	\$ -
Money market mutual funds	4,258,085	-	-
Government sponsored enterprise	102,450	197,474	1,202,218
 Totals	 \$ 5,555,522	 \$ 197,474	 \$ 1,202,218

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Discretely Presented Component Unit:

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
Money market mutual funds	\$ 911,219	\$ -	\$ -

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.

Primary Government:

Standard and Poor's Rating	City's Investments		
	U. S. Treasuries and Securities	Money Market Mutual Funds	Government Sponsored Enterprise
AAA	\$ -	\$ 5,169,304	\$ -
Unrated	1,194,987	-	1,502,142
Totals	\$ 1,194,987	\$ 5,169,304	\$ 1,502,142

Discretely Presented Component Unit:

Standard and Poor's Rating	Port Authority's Investments
	Money Market Mutual Funds
AAA	\$ 911,219

Concentration of Credit Risk

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

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

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Primary Government:

Issuer	2009
First American Funds	\$ 667,735
Northern Institutional Funds	5,092,492
Totals	\$ 5,760,227

Discretely Presented Component Unit:

Issuer	2009
Northern Institutional Funds	\$ 911,219

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

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

Transfer From	Transfer To	2009
Other governmental funds	General Fund	\$ 3,240,510
Other governmental funds	Other governmental funds	673,600
Total		\$ 3,914,110

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 in 2008. The loans are to be repaid when property tax receipts are received from the County. At December 31, 2009, the interfund loan balances were as follows:

Due From	Due To	2009
General	Other governmental funds	\$ 8,500,000
Other governmental funds	Riverboat	900,000
Pension Trust Funds	Riverboat	100,000
Pension Trust Funds	Other governmental funds	700,000
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 \$75,000 and \$1,425,000, respectively, to other governmental funds and to the Sanitary District from the Cumulative Channel Maintenance Fund. These loans were repaid on February 25, 2010.

IV. Other Information

A. Risk Management

The City, including the discretely presented component unit (Port Authority), 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.

The City has chosen to establish risk financing funds for risks associated with medical benefits to employees, retirees, and dependents (excluding postemployment benefits). The risk financing funds are accounted for in the Employee Health and Life Insurance and the Health Insurance Medical Trust Funds, internal service funds, where assets are set aside for claim settlements. The City purchases commercial insurance for claims in excess of \$150,000 per year. 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.

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 Worker's Compensation Benefit Trust Fund, an internal service fund, where assets are set aside for claim settlements. The City purchases commercial insurance for claims in excess of \$400,000 per year. 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. A premium is charged to each fund based upon an allocation related to the number of employees in each department.

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

B. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

Employee Health and Life is a single-employer defined benefit healthcare plan administered by UMR. The plan provides medical, dental, and vision benefits to eligible retirees and their spouses. A Michigan City Board of Public Works and Safety policy dated January 1, 2006,

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

assigns the authority to establish and amend benefit provisions to the City. The Employee Health and Life issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for the participants. That report may be obtained by contacting the plan administrator:

UMR
P. O. Box 8077
Wausau, WI 54402-8077
Ph. (800) 826-9781

Funding Policy

The contribution requirements of plan members for the Employee Health and Life are established by the City's governing board. The required contribution is based on projected pay-as-you-go financing requirements. Disbursements for postemployment benefits cannot be reasonably estimated. Plan members receiving benefits contributed \$42,153 of the total premiums, through their required contributions per month. The City has not had an actuarial study completed to determine future costs of these benefits.

C. Conduit Debt Obligation

The City has issued conduit debt (no commitment debt) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statements.

As of December 31, 2009, the aggregate principal amount payable for series issued on or after July 1, 1995, was \$26,639,916. The aggregate principal amount payable for series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$31,000,000.

D. Rate Structure – Enterprise Funds

Water Utility

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

Wastewater Utility

The current rate structure was approved by the Common Council on December 21, 2004.

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Subsequent Events

LaPorte County Property Taxes

LaPorte County has not completed and settled an approved property tax cycle since the 2005 payable 2006 property tax year. Each subsequent year the County has sent out various forms of provisional bills with the notice that a reconciliation bill will be provided to taxpayers once assessments are approved and certified and final tax rates are established. These delays and uncertainties have resulted in a lower than budgeted property tax collection rate for the City. It is undeterminable how much property tax collections the City will receive once all the reconciliation bills have been distributed and the collections received. Provisional bills for taxes payable in 2009 were due January 29, 2010. The City received their distribution on February 11, 2010.

Redevelopment Authority Revenue Bonds

In May 2010, the Common Council approved the issuance of \$9,475,000 of Redevelopment Authority Lease Rental Revenue Bonds of 2010. The bonds will finance the Lafayette/Barker sewer separation project in the Northside TIF District.

F. Contingent Liabilities

The City is party to numerous lawsuits. The City is in various phases of court proceedings or settlement negotiations on these lawsuits. Potential damages to the City are undeterminable at this time. The City has reached a settlement agreement on one lawsuit under which the suit will be dismissed in exchange for a payment of \$150,000.

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 discretely presented 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:

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contribution made to PERF by the City during 2009 was \$700,762.

b. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The total contribution made by the City during 2009 was \$2,458,538.

On-behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$2,442,732 on behalf of the City. On-behalf contributions from the State of Indiana approximate the amount paid out for benefits.

c. 1937 Firefighters' Pension Plan

Plan Description

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

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The total contribution made by the City during 2009 was \$ 2,166,875.

On-behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$2,151,428 on behalf of the City. On-behalf contributions from the State of Indiana approximate the amount paid out for benefits.

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

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

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

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

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The total contribution made by the City to the plan during 2009 was \$1,550,335.

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

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 their 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 \$51,850, 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)
07-01-07	\$ 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%)
07-01-09	11,051,012	14,269,822	(3,218,810)	77%	9,072,506	(35%)

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)
01-01-05	\$ 7,729,512	\$ 2,976,709	\$ 4,752,803	260%	\$ 1,463,101	325%
01-01-06	7,897,062	3,353,155	4,543,907	236%	1,489,584	305%
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%
01-01-10	8,601,372	6,560,416	2,040,956	131%	1,728,340	118%

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

	Motor Vehicle Highway	Local Road And Street	Parks And Recreation Operating	Cemetery Operating	Cemetery Operating Reserve	Zoo Donation
Receipts:						
Taxes	\$ -	\$ -	\$ 1,688,295	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	927,407	273,182	183,913	-	-	-
Charges for services	6,900	-	617,551	363,672	-	-
Other	15,397	-	82,116	87,695	349	50,000
Total receipts	949,704	273,182	2,571,875	451,367	349	50,000
Disbursements:						
General government	-	-	-	472,945	7,054	35,133
Public safety	-	-	-	-	-	-
Highways and streets	1,400,816	300,995	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	2,580,671	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	4,427
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	1,400,816	300,995	2,580,671	472,945	7,054	39,560
Excess (deficiency) of receipts over disbursements	(451,112)	(27,813)	(8,796)	(21,578)	(6,705)	10,440
Other financing sources (uses):						
Transfers in	300,000	-	78,600	-	-	60,000
Transfers out	-	-	-	-	-	-
Other receipts	1,572	-	15,584	-	-	3,961
Total other financing sources (uses)	301,572	-	94,184	-	-	63,961
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(149,540)	(27,813)	85,388	(21,578)	(6,705)	74,401
Cash and investment fund balance - beginning	164,393	104,508	464,645	80,500	6,705	(60,356)
Cash and investment fund balance - ending	<u>\$ 14,853</u>	<u>\$ 76,695</u>	<u>\$ 550,033</u>	<u>\$ 58,922</u>	<u>\$ -</u>	<u>\$ 14,045</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 550,033	\$ 58,922	\$ -	\$ 14,045
Restricted assets:						
Cash and investments	14,853	76,695	-	-	-	-
Total cash and investment assets - ending	<u>\$ 14,853</u>	<u>\$ 76,695</u>	<u>\$ 550,033</u>	<u>\$ 58,922</u>	<u>\$ -</u>	<u>\$ 14,045</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	14,853	76,695	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	550,033	58,922	-	14,045
Total cash and investment fund balance - ending	<u>\$ 14,853</u>	<u>\$ 76,695</u>	<u>\$ 550,033</u>	<u>\$ 58,922</u>	<u>\$ -</u>	<u>\$ 14,045</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, 2009
 (Continued)

	Building Demolition	Animal Control	Controlled Substance Excise	Fire Donation	Park Donation	Levy Excess
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Other	-	-	-	1,000	2,384	-
Total receipts	-	-	-	1,000	2,384	-
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	1,082	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	2,324	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	-	-	1,082	2,324	-
Excess (deficiency) of receipts over disbursements	-	-	-	(82)	60	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(82)	60	-
Cash and investment fund balance - beginning	2,075	9,457	1,927	2,394	14,525	1,706
Cash and investment fund balance - ending	<u>2,075</u>	<u>9,457</u>	<u>1,927</u>	<u>2,312</u>	<u>14,585</u>	<u>1,706</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 2,075	\$ 9,457	\$ 1,927	\$ 2,312	\$ 14,585	\$ 1,706
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 2,075</u>	<u>\$ 9,457</u>	<u>\$ 1,927</u>	<u>\$ 2,312</u>	<u>\$ 14,585</u>	<u>\$ 1,706</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	2,075	9,457	1,927	2,312	14,585	1,706
Total cash and investment fund balance - ending	<u>\$ 2,075</u>	<u>\$ 9,457</u>	<u>\$ 1,927</u>	<u>\$ 2,312</u>	<u>\$ 14,585</u>	<u>\$ 1,706</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, 2009
 (Continued)

	DEA Forfeiture	Major Moves Construction	Police Donation	Golf Course	Park Concession	Zoo Education Non-Reverting
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	54,625	-	-	-	-	-
Charges for services	-	-	-	551,067	142,244	-
Other	153	-	7,752	6,137	2,409	21,997
Total receipts	54,778	-	7,752	557,204	144,653	21,997
Disbursements:						
General government	-	-	-	-	-	10,884
Public safety	23,446	-	6,848	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	745,239	151,786	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	1,680,773	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	23,446	1,680,773	6,848	745,239	151,786	10,884
Excess (deficiency) of receipts over disbursements	31,332	(1,680,773)	904	(188,035)	(7,133)	11,113
Other financing sources (uses):						
Transfers in	-	-	-	190,000	-	-
Transfers out	-	-	-	-	(15,000)	(60,000)
Other receipts	-	-	-	262	1,900	-
Total other financing sources (uses)	-	-	-	190,262	(13,100)	(60,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	31,332	(1,680,773)	904	2,227	(20,233)	(48,887)
Cash and investment fund balance - beginning	50,772	2,540,469	8,668	173,880	72,650	72,379
Cash and investment fund balance - ending	\$ 82,104	\$ 859,696	\$ 9,572	\$ 176,107	\$ 52,417	\$ 23,492
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ 9,572	\$ 176,107	\$ 52,417	\$ 23,492
Restricted assets:						
Cash and investments	82,104	859,696	-	-	-	-
Total cash and investment assets - ending	\$ 82,104	\$ 859,696	\$ 9,572	\$ 176,107	\$ 52,417	\$ 23,492
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	82,104	-	-	-	-	-
Highways and streets	-	859,696	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	9,572	176,107	52,417	23,492
Total cash and investment fund balance - ending	\$ 82,104	\$ 859,696	\$ 9,572	\$ 176,107	\$ 52,417	\$ 23,492

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, 2009
 (Continued)

	Senior Center Non-Reverting	Park And Recreation Non-Reverting	Patriot Park Non-Reverting	Michigan City Tree Fund	Youth Council	Millennium Park Brick Fund
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	172,077	-	-	-	-
Other	20,975	494	500	-	-	1,533
Total receipts	20,975	172,571	500	-	-	1,533
Disbursements:						
General government	16,310	167,775	5,082	9,425	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	16,310	167,775	5,082	9,425	-	-
Excess (deficiency) of receipts over disbursements	4,665	4,796	(4,582)	(9,425)	-	1,533
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(15,000)	(15,000)	-	-	-	-
Other receipts	930	7,122	-	-	-	-
Total other financing sources (uses)	(14,070)	(7,878)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,405)	(3,082)	(4,582)	(9,425)	-	1,533
Cash and investment fund balance - beginning	54,272	149,190	20,941	20,800	212	76,967
Cash and investment fund balance - ending	<u>\$ 44,867</u>	<u>\$ 146,108</u>	<u>\$ 16,359</u>	<u>\$ 11,375</u>	<u>\$ 212</u>	<u>\$ 78,500</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 44,867	\$ 146,108	\$ 16,359	\$ 11,375	\$ 212	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	78,500
Total cash and investment assets - ending	<u>\$ 44,867</u>	<u>\$ 146,108</u>	<u>\$ 16,359</u>	<u>\$ 11,375</u>	<u>\$ 212</u>	<u>\$ 78,500</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,500
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	44,867	146,108	16,359	11,375	212	-
Total cash and investment fund balance - ending	<u>\$ 44,867</u>	<u>\$ 146,108</u>	<u>\$ 16,359</u>	<u>\$ 11,375</u>	<u>\$ 212</u>	<u>\$ 78,500</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, 2009
 (Continued)

	Special Events	Demolition Recovery	Barker Civic Center	Local Law Enforcement Continuing Education	Aviation Operating	Aviation Fuel
Receipts:						
Taxes	\$ -	\$ -	\$ 151,493	\$ -	\$ 135,876	\$ -
Licenses and permits	-	-	-	11,972	-	-
Intergovernmental	-	-	16,503	-	14,801	-
Charges for services	-	-	-	34,118	14,399	199,021
Other	48,945	63	12,039	-	-	-
Total receipts	48,945	63	180,035	46,090	165,076	199,021
Disbursements:						
General government	48,541	-	166,233	-	246,251	154,715
Public safety	-	-	-	33,826	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	48,541	-	166,233	33,826	246,251	154,715
Excess (deficiency) of receipts over disbursements	404	63	13,802	12,264	(81,175)	44,306
Other financing sources (uses):						
Transfers in	-	-	-	-	45,000	-
Transfers out	-	-	-	-	-	(45,000)
Other receipts	-	-	-	7,260	525	-
Total other financing sources (uses)	-	-	-	7,260	45,525	(45,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	404	63	13,802	19,524	(35,650)	(694)
Cash and investment fund balance - beginning	13,739	9,445	51,689	118,353	137,707	18,925
Cash and investment fund balance - ending	<u>\$ 14,143</u>	<u>\$ 9,508</u>	<u>\$ 65,491</u>	<u>\$ 137,877</u>	<u>\$ 102,057</u>	<u>\$ 18,231</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 14,143	\$ 9,508	\$ 65,491	\$ -	\$ 102,057	\$ 18,231
Restricted assets:						
Cash and investments	-	-	-	137,877	-	-
Total cash and investment assets - ending	<u>\$ 14,143</u>	<u>\$ 9,508</u>	<u>\$ 65,491</u>	<u>\$ 137,877</u>	<u>\$ 102,057</u>	<u>\$ 18,231</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	137,877	-	-
Highways and streets	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	14,143	9,508	65,491	-	102,057	18,231
Total cash and investment fund balance - ending	<u>\$ 14,143</u>	<u>\$ 9,508</u>	<u>\$ 65,491</u>	<u>\$ 137,877</u>	<u>\$ 102,057</u>	<u>\$ 18,231</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, 2009
 (Continued)

	Cemetery Extension	Cemetery Merchandise And Commission	Local Law Enforcement 2005 Block Grant	Trail Creek Archaeological Grant	Singing Sands Bike Trail Grant	Brownsfield Redevelopment
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	59,881	-	-	-	-
Other	-	92	-	-	-	-
Total receipts	-	59,973	-	-	-	-
Disbursements:						
General government	-	77,391	-	-	-	1,068
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	33,890
Interest	-	-	-	-	-	2,066
Capital outlay:						
General government	107,623	-	-	31,980	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	30,198	-
Total disbursements	107,623	77,391	-	31,980	30,198	37,024
Excess (deficiency) of receipts over disbursements	(107,623)	(17,418)	-	(31,980)	(30,198)	(37,024)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(310)	-	-	-
Other receipts	17,272	1,142	-	-	-	35,956
Total other financing sources (uses)	17,272	1,142	(310)	-	-	35,956
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(90,351)	(16,276)	(310)	(31,980)	(30,198)	(1,068)
Cash and investment fund balance - beginning	590,925	70,591	310	31,980	38,563	18,188
Cash and investment fund balance - ending	<u>\$ 500,574</u>	<u>\$ 54,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,365</u>	<u>\$ 17,120</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	500,574	54,315	-	-	8,365	17,120
Total cash and investment assets - ending	<u>\$ 500,574</u>	<u>\$ 54,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,365</u>	<u>\$ 17,120</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ 54,315	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	500,574	-	-	-	8,365	17,120
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ 500,574</u>	<u>\$ 54,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,365</u>	<u>\$ 17,120</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, 2009
 (Continued)

	Pullman Forest Grant	EPA Benz Property Cleanup Grant	CZM Trail Creek South Shore	CZM Trail Creek WEFM	Transit Capital Grant	ARRA Grant Transit
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	31,190	8,775	-	-
Charges for services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	-	31,190	8,775	-	-
Disbursements:						
General government	-	-	-	13,515	-	32,833
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	200,000	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	13,661
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	216,519	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	200,000	216,519	13,515	-	46,494
Excess (deficiency) of receipts over disbursements	-	(200,000)	(185,329)	(4,740)	-	(46,494)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	6,977	-	-	-	-	-
Total other financing sources (uses)	6,977	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,977	(200,000)	(185,329)	(4,740)	-	(46,494)
Cash and investment fund balance - beginning	(6,977)	200,000	196,950	3,050	19,017	-
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,621</u>	<u>\$ (1,690)</u>	<u>\$ 19,017</u>	<u>\$ (46,494)</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ (1,690)	\$ -	\$ (46,494)
Restricted assets:						
Cash and investments	-	-	11,621	-	19,017	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,621</u>	<u>\$ (1,690)</u>	<u>\$ 19,017</u>	<u>\$ (46,494)</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	11,621	-	19,017	-
Unrestricted	-	-	-	(1,690)	-	(46,494)
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,621</u>	<u>\$ (1,690)</u>	<u>\$ 19,017</u>	<u>\$ (46,494)</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, 2009
 (Continued)

	Redevelopment Operating	Redevelopment Operating and Reserve	Redevelopment Reserve	Community Development Block Grant 2004	Community Development Block Grant 2006	Community Development Block Grant 2007
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	150,048	175,686
Charges for services	-	-	-	-	-	-
Other	2,621	-	-	-	-	-
Total receipts	2,621	-	-	-	150,048	175,686
Disbursements:						
General government	-	1,336	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	137,269	-	-	-	150,048	175,683
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	137,269	1,336	-	-	150,048	175,683
Excess (deficiency) of receipts over disbursements	(134,648)	(1,336)	-	-	-	3
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	55,256	-	-	-	-	-
Total other financing sources (uses)	55,256	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(79,392)	(1,336)	-	-	-	3
Cash and investment fund balance - beginning	453,121	96,145	386,000	13	-	(3)
Cash and investment fund balance - ending	\$ 373,729	\$ 94,809	\$ 386,000	\$ 13	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 373,729	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	94,809	386,000	13	-	-
Total cash and investment assets - ending	\$ 373,729	\$ 94,809	\$ 386,000	\$ 13	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Urban redevelopment and housing	-	94,809	386,000	13	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	373,729	-	-	-	-	-
Total cash and investment fund balance - ending	\$ 373,729	\$ 94,809	\$ 386,000	\$ 13	\$ -	\$ -

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, 2009
 (Continued)

	Community Development Block Grant 2008	Community Development Block Grant 2009	Northside TIF Investment	CMAQ Grant Motor Vehicle Highway Fund	2009 JAG Grant	INDOT Traffic Study Grant
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	434,552	20,300	-	-	18,058	-
Charges for services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>434,552</u>	<u>20,300</u>	<u>-</u>	<u>-</u>	<u>18,058</u>	<u>-</u>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	434,552	43,360	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	17,358	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	493	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	<u>434,552</u>	<u>43,360</u>	<u>-</u>	<u>493</u>	<u>17,358</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(23,060)</u>	<u>-</u>	<u>(493)</u>	<u>700</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(23,060)</u>	<u>-</u>	<u>(493)</u>	<u>700</u>	<u>-</u>
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>743,114</u>	<u>-</u>	<u>-</u>	<u>87,222</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ (23,060)</u>	<u>\$ 743,114</u>	<u>\$ (493)</u>	<u>\$ 700</u>	<u>\$ 87,222</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ (23,060)	\$ -	\$ (493)	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	743,114	-	700	87,222
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ (23,060)</u>	<u>\$ 743,114</u>	<u>\$ (493)</u>	<u>\$ 700</u>	<u>\$ 87,222</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ 743,114	\$ -	\$ -	\$ -
Public safety	-	-	-	-	700	-
Highways and streets	-	-	-	-	-	87,222
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	(23,060)	-	(493)	-	-
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ (23,060)</u>	<u>\$ 743,114</u>	<u>\$ (493)</u>	<u>\$ 700</u>	<u>\$ 87,222</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, 2009
 (Continued)

	Norfolk/Erircraft Property Cleanup	SHSP Races-2007 DTL	CA0810 Trail Creek Forks	Pawloske/Linn SEE Property	Redevelopment Bond (Sinking)	South Side TIF Bond 2007 Reserve
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	40,000	4,570	55,200	35,200	-	-
Charges for services	-	-	-	-	-	-
Other	40,000	-	-	-	384	76
Total receipts	80,000	4,570	55,200	35,200	384	76
Disbursements:						
General government	-	-	-	2,710	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	69,600	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	155,000	-
Interest	-	-	-	-	167,495	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	4,570	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	4,570	69,600	2,710	322,495	-
Excess (deficiency) of receipts over disbursements	80,000	-	(14,400)	32,490	(322,111)	76
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	166,661	-
Total other financing sources (uses)	-	-	-	-	166,661	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	80,000	-	(14,400)	32,490	(155,450)	76
Cash and investment fund balance - beginning	-	-	-	-	342,376	371,306
Cash and investment fund balance - ending	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ (14,400)</u>	<u>\$ 32,490</u>	<u>\$ 186,926</u>	<u>\$ 371,382</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ (14,400)	\$ 32,490	\$ -	\$ -
Restricted assets:						
Cash and investments	80,000	-	-	-	186,926	371,382
Total cash and investment assets - ending	\$ 80,000	\$ -	\$ (14,400)	\$ 32,490	\$ 186,926	\$ 371,382
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	186,926	371,382
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	(14,400)	32,490	-	-
Total cash and investment fund balance - ending	\$ 80,000	\$ -	\$ (14,400)	\$ 32,490	\$ 186,926	\$ 371,382

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, 2009
 (Continued)

	Cumulative Capital Development	Fire Equipment Grant	Cumulative Capital Improvement	CEDIT	Park and Recreation Capital Improvement	Fire Training Infrastructure Grant
Receipts:						
Taxes	\$ 463,852	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	50,529	-	100,882	2,472,084	-	196,592
Charges for services	-	-	-	-	21,392	-
Other	-	-	-	-	50,000	-
Total receipts	514,381	-	100,882	2,472,084	71,392	196,592
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	758,876	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	265,000	-	-
Interest	-	-	-	67,875	-	-
Capital outlay:						
General government	388,433	-	44,169	-	-	-
Public safety	-	-	-	-	-	90,223
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	788,723	-	-
Culture and recreation	-	-	-	-	13,167	-
Total disbursements	388,433	-	44,169	1,880,474	13,167	90,223
Excess (deficiency) of receipts over disbursements	125,948	-	56,713	591,610	58,225	106,369
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	740	284,375	-	-
Total other financing sources (uses)	-	-	740	284,375	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	125,948	-	57,453	875,985	58,225	106,369
Cash and investment fund balance - beginning	445,087	1,849	138,555	479,284	(45,250)	(94,157)
Cash and investment fund balance - ending	<u>\$ 571,035</u>	<u>\$ 1,849</u>	<u>\$ 196,008</u>	<u>\$ 1,355,269</u>	<u>\$ 12,975</u>	<u>\$ 12,212</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	571,035	1,849	196,008	1,355,269	12,975	12,212
Total cash and investment assets - ending	\$ 571,035	\$ 1,849	\$ 196,008	\$ 1,355,269	\$ 12,975	\$ 12,212
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	571,035	1,849	196,008	1,355,269	12,975	12,212
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	\$ 571,035	\$ 1,849	\$ 196,008	\$ 1,355,269	\$ 12,975	\$ 12,212

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, 2009
 (Continued)

	Blue Chip Development	Coolspring Avenue Reconstruction Grant	CZM Grant Karwick Road	CZM Grant Trail Creek At Liberty Trail	CZM Grant Hanson Park	CZM Grant Karwick Park Bridge
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	771,528	-	-	-	173,324
Charges for services	-	-	-	-	-	-
Other	1,508,284	-	-	-	-	-
Total receipts	1,508,284	771,528	-	-	-	173,324
Disbursements:						
General government	132,534	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	2,307,416	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	222,534	19,080	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	7,500	48,087	278,571
Total disbursements	2,439,950	222,534	19,080	7,500	48,087	278,571
Excess (deficiency) of receipts over disbursements	(931,666)	548,994	(19,080)	(7,500)	(48,087)	(105,247)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(931,666)	548,994	(19,080)	(7,500)	(48,087)	(105,247)
Cash and investment fund balance - beginning	2,258,975	90,880	19,080	7,500	48,087	141,229
Cash and investment fund balance - ending	\$ 1,327,309	\$ 639,874	\$ -	\$ -	\$ -	\$ 35,982
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	1,327,309	639,874	-	-	-	35,982
Total cash and investment assets - ending	\$ 1,327,309	\$ 639,874	\$ -	\$ -	\$ -	\$ 35,982
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	1,327,309	639,874	-	-	-	35,982
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	\$ 1,327,309	\$ 639,874	\$ -	\$ -	\$ -	\$ 35,982

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, 2009
 (Continued)

	CZM Grant Trail Creek Fishing Habitat	Airport Improvement Project Grant 10	Airport Improvement Project Grant 11	Airport Improvement Project Grant 12	Airport Improvement Project Grant 13
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	38,826	-	87,124	141,271	258,558
Charges for services	-	-	-	-	-
Other	-	-	-	-	-
Total receipts	<u>38,826</u>	<u>-</u>	<u>87,124</u>	<u>141,271</u>	<u>258,558</u>
Disbursements:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Economic development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Economic development	-	-	653	145,584	274,973
Culture and recreation	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>653</u>	<u>145,584</u>	<u>274,973</u>
Excess (deficiency) of receipts over disbursements	<u>38,826</u>	<u>-</u>	<u>86,471</u>	<u>(4,313)</u>	<u>(16,415)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Other receipts	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>38,826</u>	<u>-</u>	<u>86,471</u>	<u>(4,313)</u>	<u>(16,415)</u>
Cash and investment fund balance - beginning	<u>(38,826)</u>	<u>66,124</u>	<u>37,728</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 66,124</u>	<u>\$ 124,199</u>	<u>\$ (4,313)</u>	<u>\$ (16,415)</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ -	\$ -	\$ -	\$ (4,313)	\$ (16,415)
Restricted assets:					
Cash and investments	-	66,124	124,199	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 66,124</u>	<u>\$ 124,199</u>	<u>\$ (4,313)</u>	<u>\$ (16,415)</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-
Debt service	-	-	-	-	-
Capital outlay	-	66,124	124,199	-	-
Unrestricted	-	-	-	(4,313)	(16,415)
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 66,124</u>	<u>\$ 124,199</u>	<u>\$ (4,313)</u>	<u>\$ (16,415)</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, 2009
 (Continued)

	Northeast TIF	Southside TIF	IDGF 06-822 Palatek Grant	LMMDC Grant Boat Launch	Totals
Receipts:					
Taxes	\$ 25,064	\$ 920,334	\$ -	\$ -	\$ 3,384,914
Licenses and permits	-	-	-	-	11,972
Intergovernmental	-	-	170,000	75,000	6,979,728
Charges for services	-	-	-	-	2,182,322
Other	426	13,381	-	-	1,977,202
Total receipts	25,490	933,715	170,000	75,000	14,536,138
Disbursements:					
General government	-	-	-	-	1,601,735
Public safety	-	-	-	-	65,202
Highways and streets	-	-	-	-	1,701,811
Economic development	-	-	-	-	1,028,476
Culture and recreation	-	-	-	-	3,480,020
Urban redevelopment and housing	-	-	-	-	940,912
Debt service:					
Principal	-	10,000	-	-	463,890
Interest	-	-	-	-	237,436
Capital outlay:					
General government	-	1,998,298	203,902	-	5,117,267
Public safety	-	-	-	-	94,793
Highways and streets	-	-	-	-	1,922,880
Economic development	-	-	-	-	1,426,452
Culture and recreation	-	-	-	45,192	422,715
Total disbursements	-	2,008,298	203,902	45,192	18,503,589
Excess (deficiency) of receipts over disbursements	25,490	(1,074,583)	(33,902)	29,808	(3,967,451)
Other financing sources (uses):					
Transfers in	-	-	-	-	673,600
Transfers out	-	-	-	-	(150,310)
Other receipts	-	1,692,256	-	-	2,299,751
Total other financing sources (uses)	-	1,692,256	-	-	2,823,041
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	25,490	617,673	(33,902)	29,808	(1,144,410)
Cash and investment fund balance - beginning	65,481	1,511,667	-	-	13,158,721
Cash and investment fund balance - ending	\$ 90,971	\$ 2,129,340	\$ (33,902)	\$ 29,808	\$ 12,014,311
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ -	\$ -	\$ (33,902)	\$ -	\$ 1,610,453
Restricted assets:					
Cash and investments	90,971	2,129,340	-	29,808	10,403,858
Total cash and investment assets - ending	\$ 90,971	\$ 2,129,340	\$ (33,902)	\$ 29,808	\$ 12,014,311
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ -	\$ 955,929
Public safety	-	-	-	-	220,681
Highways and streets	-	-	-	-	1,038,466
Urban redevelopment and housing	-	-	-	-	480,822
Debt service	-	-	-	-	558,308
Capital outlay	90,971	2,129,340	-	29,808	7,149,652
Unrestricted	-	-	(33,902)	-	1,610,453
Total cash and investment fund balance - ending	\$ 90,971	\$ 2,129,340	\$ (33,902)	\$ 29,808	\$ 12,014,311

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, 2009

	Worker's Compensation Benefit Trust	Health Insurance Medical Trust	Employee Health and life Insurance	Totals
Operating receipts:				
Employer contributions	\$ 280,000	\$ 3,250,800	\$ -	\$ 3,530,800
Employee contributions	-	655,809	-	655,809
Charges for services	-	1,358,958	-	1,358,958
Miscellaneous	2,739	16,308	18,455	37,502
	<u>282,739</u>	<u>5,281,875</u>	<u>18,455</u>	<u>5,583,069</u>
Total operating receipts				
Operating disbursements:				
Insurance claims and expense	216,513	2,856,289	4,579,006	7,651,808
Miscellaneous	2,534	294,155	455	297,144
	<u>219,047</u>	<u>3,150,444</u>	<u>4,579,461</u>	<u>7,948,952</u>
Total operating disbursements				
Excess (deficiency) of receipts over disbursements	<u>63,692</u>	<u>2,131,431</u>	<u>(4,561,006)</u>	<u>(2,365,883)</u>
Transfers in	-	-	4,560,838	4,560,838
Transfers out	-	(4,560,838)	-	(4,560,838)
Excess (deficiency) of receipts and transfers in over disbursements and transfers out	63,692	(2,429,407)	(168)	(2,365,883)
Cash and investment fund balance - beginning	<u>83,437</u>	<u>4,818,132</u>	<u>49,126</u>	<u>4,950,695</u>
Cash and investment fund balance - ending	<u>\$ 147,129</u>	<u>\$ 2,388,725</u>	<u>\$ 48,958</u>	<u>\$ 2,584,812</u>
<u>Cash and Investment Assets - December 31</u>				
Restricted assets:				
Cash and investments	<u>\$ 147,129</u>	<u>\$ 2,388,725</u>	<u>\$ 48,958</u>	<u>\$ 2,584,812</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Other purposes	<u>\$ 147,129</u>	<u>\$ 2,388,725</u>	<u>\$ 48,958</u>	<u>\$ 2,584,812</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, 2009

	Police Pension	Fire Pension	Totals
Additions:			
Contributions:			
Employer	\$ 15,806	\$ 15,447	\$ 31,253
State	<u>2,442,732</u>	<u>2,151,428</u>	<u>4,594,160</u>
Total additions	<u>2,458,538</u>	<u>2,166,875</u>	<u>4,625,413</u>
Deductions:			
Benefits	1,725,740	1,519,761	3,245,501
Administrative and general	<u>23,320</u>	<u>20,419</u>	<u>43,739</u>
Total deductions	<u>1,749,060</u>	<u>1,540,180</u>	<u>3,289,240</u>
Excess of total additions over total deductions	709,478	626,695	1,336,173
Cash and investment fund balance - beginning	<u>567,151</u>	<u>721,774</u>	<u>1,288,925</u>
Cash and investment fund balance - ending	<u>\$ 1,276,629</u>	<u>\$ 1,348,469</u>	<u>\$ 2,625,098</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, 2009

	Cemetery Blanket/Wreath Savings	Cemetery Flower Fund Savings	Cemetery Dabbert Vault Savings	Cemetery Lutz Vault Savings	Totals
Additions:					
Contributions:					
Other	\$ 9,850	\$ -	\$ -	\$ -	\$ 9,850
Investment earnings:					
Interest	29	741	35	93	898
Total additions	9,879	741	35	93	10,748
Deductions:					
Administrative and general	9,013	446	42	-	9,501
Excess (deficiency) of total additions over total deductions	866	295	(7)	93	1,247
Cash and investment fund balance - beginning	22,570	27,760	2,379	4,289	56,998
Cash and investment fund balance - ending	<u>\$ 23,436</u>	<u>\$ 28,055</u>	<u>\$ 2,372</u>	<u>\$ 4,382</u>	<u>\$ 58,245</u>

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, 2009

	Greenwood Permanent Maintenance	Swan Lake Permanent Maintenance	Totals
Additions:			
Contributions:			
Other	\$ 1,865	\$ 14,765	\$ 16,630
Investment earnings:			
Interest	40,952	19,068	60,020
Total additions	<u>42,817</u>	<u>33,833</u>	<u>76,650</u>
Deductions:			
Administrative and general	<u>43,155</u>	<u>19,454</u>	<u>62,609</u>
Excess (deficiency) of total additions over total deductions	(338)	14,379	14,041
Cash and investment fund balance - beginning	<u>1,030,709</u>	<u>431,283</u>	<u>1,461,992</u>
Cash and investment fund balance - ending	<u>\$ 1,030,371</u>	<u>\$ 445,662</u>	<u>\$ 1,476,033</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, 2009

	Tax Escrow Account	Intergovernmental Wagering Tax	Totals
Additions:			
Agency fund additions	\$ -	\$ 2,558,273	\$ 2,558,273
Deductions:			
Agency fund deductions	-	2,548,526	2,548,526
Excess of total additions over deductions	-	9,747	9,747
Cash and investment fund balance - beginning	486	66	552
Cash and investment fund balance - ending	\$ 486	\$ 9,813	\$ 10,299

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, 2009

	Port Authority
Operating receipts:	
Slip rentals	\$ 1,540,868
Watercraft user fees	28,093
Ramp fees	26,190
Rack rentals	202,759
Fuel	308,836
Winter storage	184,520
Boat maintenance fees	70,863
Miscellaneous	68,088
Total operating receipts	2,430,217
Nonoperating receipts :	
Local tax distributions	306,550
Interest Income	12,779
Total nonoperating receipts	319,329
Total receipts	2,749,546
Operating disbursements:	
Salaries, wages, and fringe benefits	602,727
Operation and maintenance	502,979
Other supplies	146,957
Contractual services	281,262
Utilities	131,539
Administration and general	311,651
Total operating disbursements	1,977,115
Nonoperating disbursements:	
Real property acquisition	47,650
Principal on debt	210,000
Interest on debt	117,600
Total nonoperating disbursements	375,250
Total disbursements	2,352,365
Excess of receipts and nonoperating receipts over disbursements and nonoperating disbursements	397,181
Cash and investment fund balance - beginning	5,405,928
Cash and investment fund balance - ending	\$ 5,803,109
<u>Cash and Investment Assets - December 31</u>	
Restricted assets:	
Cash and investments	\$ 5,803,109
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Culture and recreation	\$ 4,356,732
Debt service	911,220
Other purposes	535,157
Total cash and investment fund balance - December 31	\$ 5,803,109

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

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 6,460,301
Infrastructure	97,836,497
Buildings	20,080,717
Improvements other than buildings	14,015,248
Machinery and equipment	19,666,875
Construction in progress	<u>4,016,644</u>
Total governmental activities, capital assets	<u>\$ 162,076,282</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 91,291
Construction in progress	145,125
Buildings	20,372,483
Improvements other than buildings	37,348,362
Machinery and equipment	<u>1,565,039</u>
Total Water Utility capital assets	<u>59,522,301</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	735,366
Buildings	23,342,218
Improvements other than buildings	68,228,380
Machinery and equipment	<u>8,078,845</u>
Total Wastewater Utility capital assets	<u>100,384,809</u>
Total business-type activities capital assets	<u>\$ 159,907,110</u>
<u>Discretely Presented Component Unit</u>	
Port Authority:	
Capital assets, not being depreciated:	
Land	\$ 2,038,751
Construction in progress	110,221
Buildings	5,800,526
Improvements other than buildings	3,507,807
Machinery and equipment	<u>784,182</u>
Total discretely presented component unit capital assets	<u>\$ 12,241,486</u>

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

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Loans payable:		
Brownsfield Redevelopment Loan - Nonforgivable	\$ 61,378.43	\$ 35,956.00
Brownsfield Redevelopment Loan - Forgivable	57,560	-
Bonds payable:		
General obligation bonds:		
Park District Bonds of 1997	1,225,000	334,250
Revenue bonds:		
Northeast TIF	1,124,184	352,275
Redevelopment 1999	2,720,000	323,773
Redevelopment 2007	<u>4,415,000</u>	<u>178,664</u>
Total governmental activities debt	<u>\$ 9,603,122</u>	<u>\$ 1,224,918</u>
Business-type activities:		
Water Utility:		
Loan payable:		
SRF Loan	\$ 6,084,916	\$ 216,173
Revenue bonds:		
Waterworks Refunding Revenue Bonds	<u>6,375,000</u>	<u>997,669</u>
Total Water Utility	<u>12,459,916</u>	<u>1,213,841</u>
Wastewater Utility:		
Revenue bonds:		
Sewage Works Refunding Revenue Bonds	<u>4,905,000</u>	<u>916,655</u>
Total business-type activities debt	<u>\$ 17,364,916</u>	<u>\$ 2,130,496</u>
Discretely Presented Component Unit:		
Port Authority		
Marina Revenue Bond Fifth Issue	<u>\$ 2,300,000</u>	<u>\$ 338,150</u>

CITY OF MICHIGAN CITY
AUDIT RESULT AND COMMENT

CONDITION OF SANITARY DISTRICT RECORDS

The Sanitary District maintains their records on the accrual basis. Errors in calculations and recording transactions occurred which resulted in several accounts that were reported inaccurately or incorrectly. Due to errors in calculating current year activity, Bond Issuance Cost, Unamortized Deferral of Loss, Unamortized Bond Premium, Deferral of Loss on Refunding, and Interest Expense amounts were inaccurate. Due to transaction recording errors, the Accounts Payable and Current Bonds Payable accounts were reported with debit (negative) balances when they should have credit balances. An additional problem that contributed to the noted errors was that prior year audit adjustments were not recorded in the ledger.

The office of the City Controller prepares spreadsheets which compile the transactions of the Sanitary District on the cash basis. These amounts are reported as the Sanitary District Fund, a Proprietary Fund.

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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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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, 2009. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in item 2009-1 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Davis Bacon that are applicable to its Community Development Block Grants/Entitlement Grants. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended December 31, 2009. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2009-2.

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

Internal Control Over Compliance

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.

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

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in item 2009-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2009-1 to be a material weakness.

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

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

STATE BOARD OF ACCOUNTS

May 26, 2010

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF COMMERCE</u>		
Pass-Through Indiana Department of Natural Resources and Atmospheric Administration (NOAA)		
Coastal Zone Management Administration Awards	11.419	
Trail Creek Forks		\$ 14,900
Karwick Nature Bridge Stabilization and Ramps		20,000
Washington Park Litter Containment and Public Outreach Program		9,089
Restoration on Trail Creek and Fishing Habitat at Karwick		12,980
WEFM Trail Creek Preservation		4,231
South Shore Railroad Trail Creek Preservation		31,191
Michigan City Environmental Improvement Trailer		6,000
Streibel Pond Bird Guide and Planting Signage		<u>694</u>
Total for federal grantor agency		<u>99,085</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Direct Grant		
CDBG - Entitlement Grants Cluster		
Community Development Block Grants/Entitlement Grants	14.218	
B-07-MC-180022		595,555
B-08-MC-180022		<u>185,028</u>
Total for federal grantor agency		<u>780,583</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>		
Direct Grant		
Edward Byrne Memorial Formula Grant Program	16.579	<u>49,050</u>
Direct Grant		
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government	16.804	<u>18,058</u>
Total for federal grantor agency		<u>67,108</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Direct Grant		
Federal Transit Cluster		
Federal Transit - Formula Grants	20.507	
IN-90-4586-0		252,288
IN-95-4014-00		<u>98,617</u>
Total for cluster		<u>350,905</u>
Pass-Through Indiana Criminal Justice Institute		
Highway Safety Cluster		
State and Community Highway Safety	20.600	
PT-09-04-01-16		16,305
PT-10-04-04-14		<u>5,000</u>
Total for cluster		<u>21,305</u>
Direct Grant		
Airport Improvement Program	20.106	
3-18-0055-1108		86,336
3-18-0055-1208		131,238
3-18-0055-1309		<u>258,558</u>
Total for program		<u>476,132</u>
Total for federal grantor agency		<u>848,342</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>		
Pass-through Indiana Department of Homeland Security		
Disaster Grants - Public Assistance (Presidentially Declared Disasters) Disaster #1795	97.036	<u>74,433</u>
Emergency Management Performance Grants	97.042	<u>25,863</u>
State Homeland Security Program (SHSP)	97.073	<u>4,570</u>
Total for federal grantor agency		<u>104,866</u>
Total federal awards expended		<u>\$ 1,899,984</u>

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

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

I. Basis of Presentation

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

II. Subrecipients

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

Program Title	Federal CFDA Number	2009
Community Development Block Grants/Entitlement Grants	14.218	<u>\$ 543,629</u>

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?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	no

Type of auditor's report issued on compliance for major programs: Qualified for the CDBG – Entitlement Grants Cluster; Unqualified for the Airport Improvement Program

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	CDBG – Entitlement Grants Cluster Airport Improvement Program

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.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2009-1, DAVIS-BACON

Federal Agency: U. S. Department of Housing and Urban Development
Federal Programs: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Award Number: B-07-MC-18-0022

The Indianapolis office of the United States Department of Housing and Urban Development (HUD) performed a monitoring review of the City's compliance with Davis-Bacon requirements in administering their Community Development Block Grant (CDBG) program. The results of the monitoring review were communicated to the City and the findings are repeated as follows:

Finding #1 - Federal Labor Standards Administration Michigan City PHA - Playground Renovation and Update:

The agency failed to incorporate the required labor standards provisions and the correct wage decision into the construction contract pursuant to 29CFR Part 5.5(a) and HUD HB 1344.1, Chapter 2, 2-7.

Federal labor standards provisions and appropriate wage decisions must be incorporated in the prime construction contract, in all subcontracts and in any lower-tier subcontracts. The wage decision and Federal labor standards provisions (HUD-4010) must also be included in the bid specifications. Local contracting agencies that administer HUD programs agree to administer and enforce Davis-Bacon requirements as a condition for receiving HUD program assistance. The ability to contractually enforce the payment of required wages to laborers and mechanics from their employer is compromised by the City's failure in this area.

The City should immediately take steps to incorporate the Federal labor standards provisions (HUD 4010) and the appropriate wage decision (by addendum or change order) into the contract retroactive to the beginning of construction. Additionally, the agency shall devise and implement control procedures to ensure the incorporation of appropriate wage decisions and Federal labor standards provisions (HUD 4010) into a system that mandates the inclusion of such into all future bid specifications and contracts. The City is also directed to review all payroll documentation for this project to ensure proper payment in accordance with the correct wage determination. Any restitution found to be due employees should be paid and reported on the correct Semi Annual Labor Standards Enforcement Report.

The City must submit written assurance that the procedures have been implemented, contracts have been amended, and proper payment has been made to employees within 60 days from the date of this report.

Finding #2 - Federal Labor Standards Administration - Pleasant Hill Missionary Baptist Church Soup Kitchen:

The agency failed to incorporate the required labor standards provisions and the correct wage decision into three (3) construction contracts pursuant to 29CFR Part 5.5(a) and HUD HB 1344.1, Chapter 2, 2-7.

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

Federal labor standards provisions and appropriate wage decisions must be incorporated in the prime construction contract, in all subcontracts and in any lower-tier subcontracts. The wage decision and Federal labor standards provisions (HUD-4010) must also be included in the bid specifications. Local contracting agencies that administer HUD programs agree to administer and enforce Davis-Bacon requirements as a condition for receiving HUD program assistance. The ability to contractually enforce the payment of required wages to laborers and mechanics from their employer is compromised by the City's failure in this area.

This project included three contracts for renovations to the soup kitchen at the Pleasant Hill Missionary Baptist Church.

At the time of this review the contracts were already closed therefore it would not serve any purpose to provide the contractor with an addendum or change order to the contract that would incorporate the correct wage decision. However, the City is directed to review all payroll documentation for these contracts to ensure proper payment in accordance with the correct wage determinations. Any restitution found to be due employees should be paid by the City and reported on the correct Semi Annual Labor Standards Enforcement Report.

Additionally, the City is instructed to devise and implement control procedures to ensure the incorporation of appropriate wage decisions and Federal Labor Standards Provision (HUD 4010) into a system that mandates the inclusion of such into all future bid specifications and contracts (see Labor Relations Letter LR2006-03 attached). The City must submit a written response to this office outlining the corrective actions taken by your office to ensure labor standards compliance on this and future projects.

The City subsequently paid restitution totaling \$34,518.99 to various vendors in order to be in compliance with the Davis-Bacon requirements.

We recommended that officials establish control procedures to ensure all appropriate federal guidelines are incorporated into future bid specifications and contracts.

FINDING 2009-2. REAL PROPERTY ACQUISITION

Federal Agency: U. S. Department of Housing and Urban Development
Federal Programs: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Award Numbers: B-07-MC-18-0022, B-08-MC-18-0022

A subrecipient of the City's Community Development Block Grant (CDBG) acquired real properties totaling \$44,627.83. Appraisals were not required of the subrecipient for these acquisitions. City officials stated they were unaware of the compliance requirement, therefore they did not request the appraisals from the subrecipient.

24 CFR 42.1 (a) states, "HUD-assisted programs and projects are subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. 4601 (URA) (42 U.S.C. 4601), and implementing regulations issued by the Department of Transportation at 49 CFR part 24."

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

49 CFR part 24, 102(c) states: "(c) Appraisal, waiver thereof, and invitation to owner. (1) Before the initiation of negotiations the real property to be acquired shall be appraised, except as provided in Sec. 24.102 (c)(2), and the owner, or the owner's designated representative, shall be given an opportunity to accompany the appraiser during the appraiser's inspection of the property. (2) An appraisal is not required if the owner is donating the property and releases the Agency from this obligation, or the Agency determines that an appraisal is unnecessary because the valuation problem is uncomplicated and the fair market value is estimated at \$2,500 or less, based on a review of available data."

We recommended that the City request and monitor all necessary documentation to comply with Real Property Acquisition requirements.

CITY OF MICHIGAN CITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



MICHIGAN CITY

the place is here, the time is now!

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

May 6, 2010

To Whom It May Concern:

The City of Michigan's response to the Financial Statement Findings is as follows:

Finding #1 PHA – Playground Renovation and Federal Labor Standards Administration

The agency failed to incorporate the required labor standards provisions and the correct wage decision into the construction contract pursuant to 29CFR Part 5.5(a) and HUD HB 1344.1, Chapter 2,2-27.

Corrective Action Taken:

The City of Michigan City has determined that after restitution is paid to the employees of the Michigan City Housing Authority that no more funds will be available for any other work on this project. Based on the Purchase Order that the City had on this project, the City used the Wage Determination IN080001 MOD 11 dated 6/27/2008. Payment to the Michigan City Housing Authority employees is completed. This project has been closed.

The City had already amended its standard subrecipient agreement to include the Federal labor standards provisions and will be using this agreement in all future projects with the Housing Authority. In addition, the City has created a checklist to ensure the correct Wage Decision is used, and now reviews all bids that the subrecipients have prepared that contractually enforces the payment of required wages to laborers and mechanics including employees of the Michigan City Housing Authority. The City believes that the subrecipient will then be contractually obligated to perform according the Federal labor standards thus reducing the City's compromised failure in this area.

Finding #2 Federal Labor Standards Administration Pleasant Hill Missionary Baptist Church Soup Kitchen

The agency failed to incorporate the required labor standards provisions and the correct wage decision into the construction contract pursuant to 29CFR Part 5.5(a) and HUD HB 1344.1, Chapter 2,2-27.

Corrective Action Taken:

Restitution has been paid to NOW Electric Company and Leslie Roofing Company employees using the correct wage decision IN20080001 with 18 modifications dated 10/3/2008, and IN20080001 with 17 Modifications dated 9/9/2008 respectively.

In the case of the Larry Dalton Company, the City has conducted interviews of both employees who actually did the work on the furnace replacement/ductwork. These interviews are on file and are available upon request if HUD would like to review them. Backup information was obtained from the Employer to ensure the correct number of hours and pay/benefits. Restitution has been paid to both employees with the correct wage decision IN20080001 with 22 modifications, dated 3/6/2009. All of the restitution paid to these employees will be reported on the semi-annual report. This project is closed.

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CHUCK OBERLIE – MAYOR

The City now has developed a checklist to better implement the incorporation of appropriate wage decisions and Federal Labor Standards into all future bid specifications and contracts. The City now has a better understanding of the importance of the Modifications within a Davis Bacon Wage Decision and will closely monitor "lock-in" dates to ensure the correct wage decision are used including Modifications. In addition, the City has improved its record keeping of certified payrolls to better incorporate recommendations received at the Technical Assistance training received from HUD's Labor Relations Specialist, Donna Kozlowski. All files are now secured in locked cabinets and are organized by project and contractors and subcontractors. The files contain both the contract and all of the certified payrolls for the project. The reorganization of the files also standardizes the components required in the files thus assisting with making sure the file contains a signed agreement eliminating this past deficiency as well as files on interviews and certified payrolls from all contractors who worked on the job.

Finding #2009-2, Real Property Acquisition:

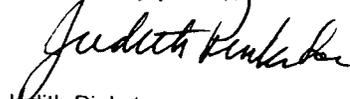
A subrecipient of the City's Community Development Block Grant (CDBG) acquired real properties totaling \$44,627.83. Appraisals were not acquired by the subrecipient for these acquisitions. City officials stated they were unaware of the compliance requirement, therefore they did not request the appraisals from the subrecipient.

We recommended that the City request and monitor all required documentation with land acquisitions.

Response: The City changed its procedures shortly after these acquisitions occurred when it discovered that appraisals were required. The City has been working closely with the HUD URA representative in Chicago on the Neighborhood Stabilization acquisitions and has modified its policies and procedures to reflect the regulations and to ensure compliance.

If you need further information on this response please contact me at the Michigan City Planning Department at (219) 873-1419 Ext. 340.

Respectfully yours,



Judith Pinkston
CDBG Administrator

Respectfully yours,

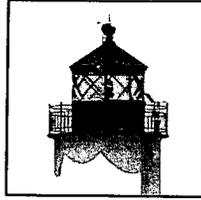


John J. Schaefer
City Controller

cc: State Board of Accounts

CITY OF MICHIGAN CITY
EXIT CONFERENCE

The contents of this report were discussed on May 26, 2010, with Charles E. Oberlie, Mayor; John J. Schaefer, Controller; and Mark A. Espar, President of the Common Council. The official response has been made a part of this report and may be found on page 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

OFFICIAL RESPONSE

Please consider this as the official response of the City of Michigan City to the audit results and comments contained in the audit report of the City for the year 2009.

CONDITION OF SANITARY DISTRICT RECORDS

Your comment notes that there were errors in posting to certain accounts within the balance sheet of the Sanitary District. When we met with your auditors at the end of the 2008 audit of the City, we agreed that for 2009 you would conduct a cash-basis audit, thus we believed the balance sheet was irrelevant for audit purposes. In accordance with that discussion, we prepared a worksheet showing the adjustments necessary to convert the accrual-based statement of activities to the cash basis. Your comment acknowledges that worksheet and states that the cash-basis amounts contained therein are the amounts reported in the financial statements.

We concur with your comment that errors existed on the balance sheet. However, since the State Board of Accounts conducts its audits on the cash basis, we feel that the accrual financial statements (including the balance sheet) maintained by the Sanitary District are internal documents and not the financial statements being audited. As such, we did not place top priority on correcting those errors when preparing the Cities and Towns Annual Report and assembling other information for your audit. The errors have since been corrected so that our internal financial reporting is accurate.

Sincerely,

John J. Schaefer
Controller

CHUCK OBERLIE – MAYOR

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