

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

ANNUAL FINANCIAL REPORT

2010

CITY OF MICHIGAN CITY

LAPORTE COUNTY, INDIANA



FILED
08/22/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	John J. Schaefer	01-01-10 to 12-31-11
Mayor	Charles E. Oberlie	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Anthony A. Metzcus Ben Neitzel	01-01-10 to 12-31-10 01-01-11 to 12-31-11
President of the Common Council	Marc Espar	01-01-10 to 12-31-11
Superintendent of Water Utility	Randall E. Russell	01-01-10 to 12-31-11
Sanitary District Manager	Alan J. Walus	01-01-10 to 07-01-11
Interim Sanitary District Manager	Milorad (Mike) Milatovic	07-02-11 to 12-31-11
Port Authority Harbormaster	Timothy A. Frame	01-01-10 to 12-31-11



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

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

We have audited the accompanying financial statement of the City of Michigan City (City), for the year ended December 31, 2010. This financial statement is the responsibility of the City's management. Our responsibility is to express opinions on this financial statement based on our audit.

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

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

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

In accordance with Government Auditing Standards, we have also issued a report dated August 4, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement.

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

Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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

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

August 4, 2011



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

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

We have audited the financial statement of the City of Michigan City (City), for the year ended December 31, 2010, and have issued our report thereon dated August 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be 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 statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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, Board of Public Works and Safety, 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

August 4, 2011

FINANCIAL STATEMENT

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

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 2,219,400	\$ 29,855,572	\$ 30,705,203	\$ 1,369,769
Motor Vehicle Highway	14,853	1,539,520	1,526,142	28,231
Local Road And Street	76,695	338,531	316,983	98,243
Park And Recreation	550,033	2,988,129	3,340,821	197,341
Cemetery Operating	58,922	441,821	466,065	34,678
Zoo Donation	14,045	175,796	42,449	147,392
Building Demolition	2,075	-	-	2,075
Animal Control	9,457	6,842	-	16,299
Riverboat Gaming	5,061,481	12,084,230	10,035,615	7,110,096
Controlled Substance Excise	1,927	-	-	1,927
Fire Donation	2,312	208	-	2,520
Park Gift And Donation	14,585	5,294	4,959	14,920
Levy Excess	1,706	325,000	325,000	1,706
Dea Forfeiture	82,104	372	27,477	54,999
Major Moves	859,696	4,375,000	1,521,617	3,713,079
Police Donation	9,572	11,195	10,050	10,717
Golf	176,107	774,207	774,695	175,619
Park Concession	52,417	190,072	188,974	53,515
Mcpa Receiving	-	3,970	1,191	2,779
Zoo Education Nonreverting	23,492	9,287	28,714	4,065
Senior Center Nonreverting	44,867	21,884	31,584	35,167
Park And Recreation Nonreverting	146,108	194,618	240,779	99,947
Patriot Park Nonreverting	16,359	725	1,620	15,464
Michigan City Tree Fund	11,375	-	4,850	6,525
Michigan City Youth Council	212	-	-	212
Millennium Park Brick	78,500	528	-	79,028
Mayor's Special Events	14,143	48,630	46,794	15,979
Demolition Recovery	9,508	10	9,150	368
Barker Civic Center	65,491	202,381	242,330	25,542
Police Continuing Education	137,877	27,127	34,800	130,204
Aviation Operating	102,057	319,086	403,690	17,453
Aviation Fuel	18,231	219,259	205,293	32,197
Cemetery Extension	29,952	65,250	60,817	34,385
Cemetery Merchandise And Commission	16,475	125,243	117,562	24,156
Singing Sands Bike Trail Grant	8,365	-	53,353	(44,988)
Brownsfield Redevelopment	17,120	26,966	35,955	8,131
Czm 0627 Tc Property Acquisition Ss	11,621	61,764	57,346	16,039
Czm 0630 Tc Property Acquisition We	(1,690)	-	-	(1,690)
Mc Transit Capital Grant	19,017	-	19,017	-
Arra Grant - Transit	(46,494)	351,147	382,455	(77,802)
Redevelopment Operating	373,729	90,982	216,142	248,569
Redevelopment Operating And Reserve	94,809	-	1,500	93,309
Redevelopment Reserve	386,000	-	-	386,000
Cdbg 2004 R-04-Mc-180022	13	-	-	13
Cdbg 2007 B-07-Mc-180022	-	146,801	146,801	-
Cdbg 2008 B-08-Mc-180022	-	89,604	89,604	-
Cdbg 2009 B-09-Mc-180022	(23,060)	350,990	327,140	790
Northside Tif Investment	743,114	749	600	743,263
Cmaq Grant (Mvhf)	(493)	-	-	(493)
2009 Jag Grant	700	32,377	33,264	(187)
Indot Traffic Study Grant	87,222	51,383	56,169	82,436
Bf-00E63101 Bf-00E63001	80,000	400,000	480,000	-
Cz 0810 Trail Creek Forks	(14,400)	17,500	-	3,100
Pawloske/Linn See Property	32,490	-	58,600	(26,110)
Mcpd Seizure Fund	-	99,271	27,258	72,013
2009 Cops Grant	-	28,047	-	28,047
Mcpd Bulletproof Vest Program	-	5	-	5
Rpa Beach Act Grant	-	28,312	-	28,312
Redevelopment Sinking	186,926	330,001	323,773	193,154
Sstif Bond 2007 Reserve	371,382	311	2,438	369,255
Mcrd Bond 2010 Sinking	-	82,582	82,582	-
Mcrd Bonds 2010 Debt Svc Rsv	-	754,571	153	754,418
Mcrd Bonds 2010 Bond Interest	-	489,958	82,582	407,376
Cumulative Capital Development	571,035	585,140	835,084	321,091
Fire Equipment Grant	1,849	-	-	1,849

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

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

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Cumulative Channel Maintenance	525,336	1,874,361	844,562	1,555,135
Cumulative Capital Improvement	196,008	96,385	76,337	216,056
Cedit	1,355,269	2,375,178	2,225,853	1,504,594
Park And Recreation Capital Improve	12,975	42,021	50,000	4,996
Fire Training Tower Infastructure	12,212	-	5,531	6,681
Blue Chip Development	1,327,309	6,181,682	3,680,748	3,828,243
Coolspring Ave Reconstruction Grant	639,874	394,405	349,512	684,767
Czm 0713 Karwick Park Bridge	35,982	100,000	29,983	105,999
Aip 10 Grant	66,124	-	-	66,124
Aip 11 Grant	124,200	2,271	2,900	123,571
Aip 12 Grant	(4,314)	20,014	13,349	2,351
Aip 13 Grant	(16,415)	165,542	176,328	(27,201)
Northeast Tif	90,971	35,741	72,875	53,837
Southside Tif	2,129,340	1,160,504	708,033	2,581,811
Northside Tif	6,823,133	3,439,604	1,231,507	9,031,230
ldgf-06-822 Palatek	(33,903)	-	67,122	(101,025)
Lmmdc Grant - Boat Launch	29,808	-	29,808	-
Michigan Blvd Reconstruction Grant	-	43,255	37,526	5,729
Aip 14 Grant	-	10,714	-	10,714
Mcrd Bonds 2010 Construction	-	8,226,583	7,011,522	1,215,061
Cdbg 2010 B-10-Mc-180022	-	32,375	32,375	-
Cdbg-R B-My-180022	-	178,547	178,547	-
Cdbg Nsp1-009-017	-	228,716	266,243	(37,527)
Employee Health & Life Insurance	48,958	352	617	48,693
Police Pension	1,276,629	2,501,229	3,156,210	621,648
Fire Pension	1,348,469	2,086,090	3,239,085	195,474
Cemetery Blanket And Wreath	23,436	9,872	8,778	24,530
Cemetery Flower Fund	28,055	218	459	27,814
Cemetery Dabbert Vault	2,372	17	38	2,351
Cemetery Lutz Vault	4,382	28	-	4,410
Cemetery Pm Gw Trust	1,030,371	44,773	38,357	1,036,787
Cemetery Pm Sl Trust	445,662	33,595	16,180	463,077
Cemetery Extension Trust	500,574	47,126	72,787	474,913
Cemetery Mds And Comm Trust	54,315	57,573	71,291	40,597
Cemetery Oper Reserve Trust	-	11	11	-
Mc Employee Medical Trust	2,388,725	4,844,859	6,686,839	546,745
Mc Employee Benefit Trust	147,129	395,072	536,407	5,794
Aviation Tax Escrow Account	486	-	-	486
Intergovernmental Wagering Tax	9,812	2,388,203	2,388,203	9,812
Mcpa Operating	1,660,832	2,377,196	3,142,804	895,224
Mcpa Security Deposit	9,821	-	-	9,821
Mcpa Receiving	61,853	2,506,519	2,282,199	286,173
Mcpa Debt Service	911,219	1,460,295	1,853,767	517,747
Mcpa Surplus - Fifth Third	1,628,192	8,351	878,703	757,840
Mcpa Suplus - Horizon	1,005,855	567,682	-	1,573,537
Sewage Works Operating	440,271	6,262,155	6,316,103	386,323
Sewage Works Sinking	1,285,029	783,133	917,058	1,151,104
Sewage Works Improvement	121,887	250,520	148,059	224,348
Sewage Works - Indian Springs Proj	-	28,878	28,878	-
Sewage Works - Whippoorwill Proj	-	3,939	3,939	-
Sanitary District Operating	207,836	362,544	327,539	242,841
Sanitary District Bond	451,296	566,958	500,000	518,254
Sanitary District Refuse	622,385	3,254,612	3,708,640	168,357
Sanitary District Capital	37,379	8,681	-	46,060
Sanitary District Levy Excess	154,727	-	-	154,727
Water Dept Operating	686,009	6,441,612	6,445,520	682,101
Water Dept Bond And Interest	407,106	1,210,903	1,213,941	404,068
Water Dept Improvement	3,473,715	399,572	140,024	3,733,263
Water Dept Customer Deposit	489,722	110,832	107,596	492,958
Water Dept Contingencies	763,395	30,791	-	794,186
Water Utility - Imprest Funds	5,350	-	-	5,350
Totals	<u>\$ 47,868,452</u>	<u>\$ 122,020,337</u>	<u>\$ 115,347,733</u>	<u>\$ 54,541,056</u>

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

CITY OF MICHIGAN CITY, LAPORTE COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

Special assessments which includes amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

License and permits which includes amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the

CITY OF MICHIGAN CITY, LAPORTE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

permit. Examples of license and permits include: peddler licenses; dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits; and gun permits.

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

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

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

Net proceeds from borrowings which includes receipts from general obligation bonds, notes and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which includes funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

Sale of investments which includes investments sold by the City.

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

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pensions funds from state and local sources.

E. Disbursements

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

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

CITY OF MICHIGAN CITY, LAPORTE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which includes funds authorized by statute, ordinance, resolution or court order to be transferred to another fund.

Purchase of investments which includes investments purchased by the City.

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

CITY OF MICHIGAN CITY, LAPORTE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

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

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

Note 6. Restatement of Beginning Balance

The 2009 financial statement ending balance for all funds totaled \$47,822,025. The beginning balance for the 2010 financial statement includes two funds that were excluded from the prior year report. These funds were the Cemetery Extension Fund and the Cemetery Merchandise and Commission Fund with balances at January 1, 2010 of \$29,952 and \$16,475, respectively. The beginning balance for all funds as restated is \$47,868,452.

CITY OF MICHIGAN CITY, LAPORTE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

CITY OF MICHIGAN CITY, LAPORTE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

C. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

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

Plan Description

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

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

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

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

Funding Policy

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

CITY OF MICHIGAN CITY, LAPORTE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

E. Water Utility Pension Plan

Plan Description

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members and the Utility are established by the written agreement between the governing board of the Utility and the Plan Administrator. Plan members are required to contribute 3% of the annual covered salary. The Utility is required to contribute at an actuarially determined rate.

Note 8. Subsequent Events

LaPorte County Property Taxes

For the past four property tax years LaPorte County has been unable to establish approved assessment amounts for county-wide properties. This has caused the County to bill property tax owners based on "provisional" tax bills since the 2006 payable 2007 property tax billing year. In November 2010 LaPorte County completed an approved assessment of property values for the 2006 payable 2007 property tax year. On April 1, 2011, the County sent to tax payers a reconciling bill for the 2006 payable 2007 property tax year which was due April 21, 2011 and then subsequently settled by the County to local units of government. These delays and uncertainties have resulted in a lower than budgeted property tax collection rate for the County. It is undeterminable how much property tax collections the County will receive once all the reconciliation bills have been distributed and the collections received.

SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

	General Fund	Motor Vehicle Highway	Local Road And Street	Park And Recreation	Cemetery Operating	Zoo Donation	Building Demolition
Cash and investments - beginning	\$ 2,219,400	\$ 14,853	\$ 76,695	\$ 550,033	\$ 58,922	\$ 14,045	\$ 2,075
Receipts:							
Taxes	15,145,103	-	-	2,034,024	-	-	-
Licenses and permits	246,385	-	-	-	-	-	-
Intergovernmental	3,571,624	888,764	310,129	95,726	-	-	-
Charges for services	141,154	4,650	-	714,773	360,770	-	-
Fines and forfeits	64,288	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	10,687,018	646,106	28,402	143,606	81,051	175,796	-
Total receipts	29,855,572	1,539,520	338,531	2,988,129	441,821	175,796	-
Disbursements:							
Personal services	18,405,300	1,189,205	-	1,820,435	382,902	-	-
Supplies	1,035,487	113,893	34,983	268,150	21,994	-	-
Other services and charges	2,516,537	175,348	282,000	473,164	37,080	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	8,747,879	47,696	-	779,072	24,089	42,449	-
Total disbursements	30,705,203	1,526,142	316,983	3,340,821	466,065	42,449	-
Excess (deficiency) of receipts over disbursements	(849,631)	13,378	21,548	(352,692)	(24,244)	133,347	-
Cash and investments - ending	\$ 1,369,769	\$ 28,231	\$ 98,243	\$ 197,341	\$ 34,678	\$ 147,392	\$ 2,075

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

	Animal Control	Riverboat Gaming	Controlled Substance Excise	Fire Donation	Park Gift And Donation	Levy Excess	Dea Forfeiture
Cash and investments - beginning	\$ 9,457	\$ 5,061,481	\$ 1,927	\$ 2,312	\$ 14,585	\$ 1,706	\$ 82,104
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	11,060,213	-	-	-	-	230
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	6,842	1,024,017	-	208	5,294	325,000	142
Total receipts	6,842	12,084,230	-	208	5,294	325,000	372
Disbursements:							
Personal services	-	6,657	-	-	-	-	-
Supplies	-	66,227	-	-	-	-	4,905
Other services and charges	-	964,075	-	-	-	-	20,920
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	4,697,908	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	4,300,748	-	-	4,959	325,000	1,652
Total disbursements	-	10,035,615	-	-	4,959	325,000	27,477
Excess (deficiency) of receipts over disbursements	6,842	2,048,615	-	208	335	-	(27,105)
Cash and investments - ending	\$ 16,299	\$ 7,110,096	\$ 1,927	\$ 2,520	\$ 14,920	\$ 1,706	\$ 54,999

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

	Major Moves	Police Donation	Golf	Park Concession	Mcpa Receiving	Zoo Education Nonreverting	Senior Center Nonreverting
Cash and investments - beginning	\$ 859,696	\$ 9,572	\$ 176,107	\$ 52,417	\$ -	\$ 23,492	\$ 44,867
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	769,898	183,145	3,970	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	4,375,000	11,195	4,309	6,927	-	9,287	21,884
Total receipts	4,375,000	11,195	774,207	190,072	3,970	9,287	21,884
Disbursements:							
Personal services	-	-	508,079	64,496	-	-	-
Supplies	-	9,218	148,309	87,288	-	9,373	2,975
Other services and charges	-	832	84,850	4,945	-	96	5,743
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	1,521,617	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	33,457	32,245	1,191	19,245	22,866
Total disbursements	1,521,617	10,050	774,695	188,974	1,191	28,714	31,584
Excess (deficiency) of receipts over disbursements	2,853,383	1,145	(488)	1,098	2,779	(19,427)	(9,700)
Cash and investments - ending	\$ 3,713,079	\$ 10,717	\$ 175,619	\$ 53,515	\$ 2,779	\$ 4,065	\$ 35,167

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

	Park And Recreation Nonreverting	Patriot Park Nonreverting	Michigan City Tree Fund	Michigan City Youth Council	Millennium Park Brick	Mayor's Special Events	Demolition Recovery
Cash and investments - beginning	\$ 146,108	\$ 16,359	\$ 11,375	\$ 212	\$ 78,500	\$ 14,143	\$ 9,508
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	191,237	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	3,381	725	-	-	528	48,630	10
Total receipts	194,618	725	-	-	528	48,630	10
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	53,715	-	4,850	-	-	-	-
Other services and charges	116,042	1,620	-	-	-	-	9,150
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	71,022	-	-	-	-	46,794	-
Total disbursements	240,779	1,620	4,850	-	-	46,794	9,150
Excess (deficiency) of receipts over disbursements	(46,161)	(895)	(4,850)	-	528	1,836	(9,140)
Cash and investments - ending	\$ 99,947	\$ 15,464	\$ 6,525	\$ 212	\$ 79,028	\$ 15,979	\$ 368

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

	Barker Civic Center	Police Continuing Education	Aviation Operating	Aviation Fuel	Cemetery Extension	Cemetery Merchandise And Commission	Singing Sands Bike Trail Grant
Cash and investments - beginning	\$ 65,491	\$ 137,877	\$ 102,057	\$ 18,231	\$ 29,952	\$ 16,475	\$ 8,365
Receipts:							
Taxes	182,516	-	163,700	-	-	-	-
Licenses and permits	-	10,396	-	-	-	-	-
Intergovernmental	-	-	7,704	-	-	-	-
Charges for services	8,590	16,731	16,611	219,227	24,929	55,339	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	11,275	-	131,071	32	40,321	69,904	-
Total receipts	202,381	27,127	319,086	219,259	65,250	125,243	-
Disbursements:							
Personal services	123,447	-	190,405	-	-	-	-
Supplies	3,259	16,203	14,287	202,317	-	-	-
Other services and charges	40,609	18,597	48,898	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	53,353
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	75,015	-	150,100	2,976	60,817	117,562	-
Total disbursements	242,330	34,800	403,690	205,293	60,817	117,562	53,353
Excess (deficiency) of receipts over disbursements	(39,949)	(7,673)	(84,604)	13,966	4,433	7,681	(53,353)
Cash and investments - ending	\$ 25,542	\$ 130,204	\$ 17,453	\$ 32,197	\$ 34,385	\$ 24,156	\$ (44,988)

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

	Brownsfield Redevelopment	Czm 0627 Tc Property Acquisition Ss	Czm 0630 Tc Property Acquisition We	Mc Transit Capital Grant	Arra Grant - Transit	Redevelopment Operating	Redevelopment Operating And Reserve
Cash and investments - beginning	\$ 17,120	\$ 11,621	\$ (1,690)	\$ 19,017	\$ (46,494)	\$ 373,729	\$ 94,809
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	351,147	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	26,966	61,764	-	-	-	90,982	-
Total receipts	26,966	61,764	-	-	351,147	90,982	-
Disbursements:							
Personal services	-	-	-	-	-	197,333	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	57,346	-	-	266,544	18,732	-
Debt service - principal and interest	35,955	-	-	-	-	-	-
Capital outlay	-	-	-	-	115,911	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	19,017	-	77	1,500
Total disbursements	35,955	57,346	-	19,017	382,455	216,142	1,500
Excess (deficiency) of receipts over disbursements	(8,989)	4,418	-	(19,017)	(31,308)	(125,160)	(1,500)
Cash and investments - ending	\$ 8,131	\$ 16,039	\$ (1,690)	\$ -	\$ (77,802)	\$ 248,569	\$ 93,309

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

	Redevelopment Reserve	Cdbg 2004 R-04-Mc-180022	Cdbg 2007 B-07-Mc-180022	Cdbg 2008 B-08-Mc-180022	Cdbg 2009 B-09-Mc-180022	Northside Tif Investment	Cmaq Grant (Mvhf)
Cash and investments - beginning	\$ 386,000	\$ 13	\$ -	\$ -	\$ (23,060)	\$ 743,114	\$ (493)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	146,801	89,604	350,990	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	749	-
Total receipts	-	-	146,801	89,604	350,990	749	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	146,801	89,604	327,140	600	-
Total disbursements	-	-	146,801	89,604	327,140	600	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	23,850	149	-
Cash and investments - ending	\$ 386,000	\$ 13	\$ -	\$ -	\$ 790	\$ 743,263	\$ (493)

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

	2009 Jag Grant	Indot Traffic Study Grant	Bf-00E63101 Bf-00E63001	Cz 0810 Trail Creek Forks	Pawloske/Linn See Property	Mcpd Seizure Fund	2009 Cops Grant
Cash and investments - beginning	\$ 700	\$ 87,222	\$ 80,000	\$ (14,400)	\$ 32,490	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	32,377	51,383	400,000	17,500	-	-	28,047
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	99,271	-
Total receipts	32,377	51,383	400,000	17,500	-	99,271	28,047
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	56,169	480,000	-	58,600	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	33,264	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	27,258	-
Total disbursements	33,264	56,169	480,000	-	58,600	27,258	-
Excess (deficiency) of receipts over disbursements	(887)	(4,786)	(80,000)	17,500	(58,600)	72,013	28,047
Cash and investments - ending	\$ (187)	\$ 82,436	\$ -	\$ 3,100	\$ (26,110)	\$ 72,013	\$ 28,047

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

	Mcpd Bulletproof Vest Program	Rpa Beach Act Grant	Redevelopment Sinking	Sstif Bond 2007 Reserve	Mcrd Bond 2010 Sinking	Mcrd Bonds 2010 Debt Svc Rsv	Mcrd Bonds 2010 Bond Interest
Cash and investments - beginning	\$ -	\$ -	\$ 186,926	\$ 371,382	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	5	28,312	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	330,001	311	82,582	754,571	489,958
Total receipts	<u>5</u>	<u>28,312</u>	<u>330,001</u>	<u>311</u>	<u>82,582</u>	<u>754,571</u>	<u>489,958</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	82,582	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	323,773	2,438	-	153	82,582
Total disbursements	<u>-</u>	<u>-</u>	<u>323,773</u>	<u>2,438</u>	<u>82,582</u>	<u>153</u>	<u>82,582</u>
Excess (deficiency) of receipts over disbursements	<u>5</u>	<u>28,312</u>	<u>6,228</u>	<u>(2,127)</u>	<u>-</u>	<u>754,418</u>	<u>407,376</u>
Cash and investments - ending	<u>\$ 5</u>	<u>\$ 28,312</u>	<u>\$ 193,154</u>	<u>\$ 369,255</u>	<u>\$ -</u>	<u>\$ 754,418</u>	<u>\$ 407,376</u>

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

	Cumulative Capital Development	Fire Equipment Grant	Cumulative Channel Maintenance	Cumulative Capital Improvement	Credit	Park And Recreation Capital Improve	Fire Training Tower Infrastructure
Cash and investments - beginning	\$ 571,035	\$ 1,849	\$ 525,336	\$ 196,008	\$ 1,355,269	\$ 12,975	\$ 12,212
Receipts:							
Taxes	558,840	-	333,046	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	26,300	-	15,674	96,330	2,367,174	-	-
Charges for services	-	-	25,641	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	1,500,000	55	8,004	42,021	-
Total receipts	<u>585,140</u>	<u>-</u>	<u>1,874,361</u>	<u>96,385</u>	<u>2,375,178</u>	<u>42,021</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	50,295	-	-	-	-	-	-
Other services and charges	-	-	-	16,790	1,115,143	-	-
Debt service - principal and interest	-	-	-	-	334,250	-	-
Capital outlay	784,789	-	844,562	59,547	476,460	-	5,531
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	300,000	50,000	-
Total disbursements	<u>835,084</u>	<u>-</u>	<u>844,562</u>	<u>76,337</u>	<u>2,225,853</u>	<u>50,000</u>	<u>5,531</u>
Excess (deficiency) of receipts over disbursements	<u>(249,944)</u>	<u>-</u>	<u>1,029,799</u>	<u>20,048</u>	<u>149,325</u>	<u>(7,979)</u>	<u>(5,531)</u>
Cash and investments - ending	<u>\$ 321,091</u>	<u>\$ 1,849</u>	<u>\$ 1,555,135</u>	<u>\$ 216,056</u>	<u>\$ 1,504,594</u>	<u>\$ 4,996</u>	<u>\$ 6,681</u>

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

	Blue Chip Development	Coolspring Ave Reconstruction Grant	Czm 0713 Karwick Park Bridge	Aip 10 Grant	Aip 11 Grant	Aip 12 Grant	Aip 13 Grant
Cash and investments - beginning	\$ 1,327,309	\$ 639,874	\$ 35,982	\$ 66,124	\$ 124,200	\$ (4,314)	\$ (16,415)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	394,405	100,000	-	2,271	20,014	165,542
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	6,181,682	-	-	-	-	-	-
Total receipts	<u>6,181,682</u>	<u>394,405</u>	<u>100,000</u>	<u>-</u>	<u>2,271</u>	<u>20,014</u>	<u>165,542</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	349,512	29,983	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	560,748	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	3,120,000	-	-	-	2,900	13,349	176,328
Total disbursements	<u>3,680,748</u>	<u>349,512</u>	<u>29,983</u>	<u>-</u>	<u>2,900</u>	<u>13,349</u>	<u>176,328</u>
Excess (deficiency) of receipts over disbursements	<u>2,500,934</u>	<u>44,893</u>	<u>70,017</u>	<u>-</u>	<u>(629)</u>	<u>6,665</u>	<u>(10,786)</u>
Cash and investments - ending	<u>\$ 3,828,243</u>	<u>\$ 684,767</u>	<u>\$ 105,999</u>	<u>\$ 66,124</u>	<u>\$ 123,571</u>	<u>\$ 2,351</u>	<u>\$ (27,201)</u>

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

	Northeast Tif	Southside Tif	Northside Tif	Idgf-06-822 Palatek	Lmmdc Grant - Boat Launch	Michigan Blvd Reconstruction Grant	Aip 14 Grant
Cash and investments - beginning	\$ 90,971	\$ 2,129,340	\$ 6,823,133	\$ (33,903)	\$ 29,808	\$ -	\$ -
Receipts:							
Taxes	35,690	1,077,291	2,866,225	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	57,251	-	-	43,255	10,714
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	51	83,213	516,128	-	-	-	-
Total receipts	<u>35,741</u>	<u>1,160,504</u>	<u>3,439,604</u>	<u>-</u>	<u>-</u>	<u>43,255</u>	<u>10,714</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	77	77	-	-	-	-
Other services and charges	-	707,881	1,231,180	-	29,808	37,526	-
Debt service - principal and interest	72,875	-	-	-	-	-	-
Capital outlay	-	-	-	67,122	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	75	250	-	-	-	-
Total disbursements	<u>72,875</u>	<u>708,033</u>	<u>1,231,507</u>	<u>67,122</u>	<u>29,808</u>	<u>37,526</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(37,134)</u>	<u>452,471</u>	<u>2,208,097</u>	<u>(67,122)</u>	<u>(29,808)</u>	<u>5,729</u>	<u>10,714</u>
Cash and investments - ending	<u>\$ 53,837</u>	<u>\$ 2,581,811</u>	<u>\$ 9,031,230</u>	<u>\$ (101,025)</u>	<u>\$ -</u>	<u>\$ 5,729</u>	<u>\$ 10,714</u>

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

	Mcrd Bonds 2010 Oper & Reserve	Mcrd Bonds 2010 Construction	Cdbg 2010 B-10-Mc-180022	Cdbg-R B-My-180022	Cdbg Nsp1-009-017	Employee Health & Life Insurance	Police Pension
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,958	\$ 1,276,629
Receipts:							
Taxes	-	-	-	-	-	-	15,244
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	32,375	178,547	228,716	-	2,485,985
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	8,226,583	-	-	-	352	-
Total receipts	-	8,226,583	32,375	178,547	228,716	352	2,501,229
Disbursements:							
Personal services	-	-	-	-	36,251	-	1,704,972
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	593	-	1,451,238
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	7,010,522	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	1,000	32,375	178,547	229,399	617	-
Total disbursements	-	7,011,522	32,375	178,547	266,243	617	3,156,210
Excess (deficiency) of receipts over disbursements	-	1,215,061	-	-	(37,527)	(265)	(654,981)
Cash and investments - ending	\$ -	\$ 1,215,061	\$ -	\$ -	\$ (37,527)	\$ 48,693	\$ 621,648

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

	Fire Pension	Cemetery Blanket And Wreath	Cemetery Flower Fund	Cemetery Dabbert Vault	Cemetery Lutz Vault	Cemetery Pm Gw Trust	Cemetery Pm SI Trust
Cash and investments - beginning	\$ 1,348,469	\$ 23,436	\$ 28,055	\$ 2,372	\$ 4,382	\$ 1,030,371	\$ 445,662
Receipts:							
Taxes	14,569	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,071,521	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	9,872	218	17	28	44,773	33,595
Total receipts	<u>2,086,090</u>	<u>9,872</u>	<u>218</u>	<u>17</u>	<u>28</u>	<u>44,773</u>	<u>33,595</u>
Disbursements:							
Personal services	1,510,097	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	1,728,988	8,778	459	38	-	38,357	16,180
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>3,239,085</u>	<u>8,778</u>	<u>459</u>	<u>38</u>	<u>-</u>	<u>38,357</u>	<u>16,180</u>
Excess (deficiency) of receipts over disbursements	<u>(1,152,995)</u>	<u>1,094</u>	<u>(241)</u>	<u>(21)</u>	<u>28</u>	<u>6,416</u>	<u>17,415</u>
Cash and investments - ending	<u>\$ 195,474</u>	<u>\$ 24,530</u>	<u>\$ 27,814</u>	<u>\$ 2,351</u>	<u>\$ 4,410</u>	<u>\$ 1,036,787</u>	<u>\$ 463,077</u>

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

	Cemetery Extension Trust	Cemetery Mds And Comm Trust	Cemetery Oper Reserve Trust	Mc Employee Medical Trust	Mc Employee Benefit Trust	Aviation Tax Escrow Account
Cash and investments - beginning	\$ 500,574	\$ 54,315	\$ -	\$ 2,388,725	\$ 147,129	\$ 486
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	47,126	57,573	11	4,844,859	395,072	-
Total receipts	47,126	57,573	11	4,844,859	395,072	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	72,787	71,291	11	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	6,686,839	536,407	-
Total disbursements	72,787	71,291	11	6,686,839	536,407	-
Excess (deficiency) of receipts over disbursements	(25,661)	(13,718)	-	(1,841,980)	(141,335)	-
Cash and investments - ending	\$ 474,913	\$ 40,597	\$ -	\$ 546,745	\$ 5,794	\$ 486

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

	Intergovernmental Wagering Tax	Mcpa Operating	Mcpa Security Deposit	Mcpa Receiving	Mcpa Debt Service	Mcpa Surplus - Fifth Third
Cash and investments - beginning	\$ 9,812	\$ 1,660,832	\$ 9,821	\$ 61,853	\$ 911,219	\$ 1,628,192
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	1,912,046	-	-
Other receipts	2,388,203	2,377,196	-	594,473	1,460,295	8,351
Total receipts	<u>2,388,203</u>	<u>2,377,196</u>	<u>-</u>	<u>2,506,519</u>	<u>1,460,295</u>	<u>8,351</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	580,513	-	-
Capital outlay	-	113,575	-	-	-	-
Utility operating expenses	-	1,699,631	-	-	1,850,950	-
Other disbursements	2,388,203	1,329,598	-	1,701,686	2,817	878,703
Total disbursements	<u>2,388,203</u>	<u>3,142,804</u>	<u>-</u>	<u>2,282,199</u>	<u>1,853,767</u>	<u>878,703</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(765,608)</u>	<u>-</u>	<u>224,320</u>	<u>(393,472)</u>	<u>(870,352)</u>
Cash and investments - ending	<u>\$ 9,812</u>	<u>\$ 895,224</u>	<u>\$ 9,821</u>	<u>\$ 286,173</u>	<u>\$ 517,747</u>	<u>\$ 757,840</u>

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

	Mcpa Suplus - Horizon	Sewage Works Operating	Sewage Works Sinking	Sewage Works Improvement	Sewage Works - Indian Springs Proj	Sewage Works - Whippoorwill Proj
Cash and investments - beginning	\$ 1,005,855	\$ 440,271	\$ 1,285,029	\$ 121,887	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	5,997,332	-	-	-	-
Other receipts	567,682	264,823	783,133	250,520	28,878	3,939
Total receipts	567,682	6,262,155	783,133	250,520	28,878	3,939
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	916,655	-	-	-
Capital outlay	-	397,567	-	114,549	-	-
Utility operating expenses	-	4,837,375	-	-	-	-
Other disbursements	-	1,081,161	403	33,510	28,878	3,939
Total disbursements	-	6,316,103	917,058	148,059	28,878	3,939
Excess (deficiency) of receipts over disbursements	567,682	(53,948)	(133,925)	102,461	-	-
Cash and investments - ending	\$ 1,573,537	\$ 386,323	\$ 1,151,104	\$ 224,348	\$ -	\$ -

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

	Sanitary District Operating	Sanitary District Bond	Sanitary District Refuse	Sanitary District Capital	Sanitary District Levy Excess	Water Dept Operating
Cash and investments - beginning	\$ 207,836	\$ 451,296	\$ 622,385	\$ 37,379	\$ 154,727	\$ 686,009
Receipts:						
Taxes	343,930	-	2,200,785	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	217,427	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	7,344	-	6,111,317
Other receipts	18,614	566,958	836,400	1,337	-	330,295
Total receipts	<u>362,544</u>	<u>566,958</u>	<u>3,254,612</u>	<u>8,681</u>	<u>-</u>	<u>6,441,612</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	500,000	1,300,000	-	-	-
Capital outlay	-	-	98,615	-	-	-
Utility operating expenses	327,539	-	2,299,261	-	-	3,306,289
Other disbursements	-	-	10,764	-	-	3,139,231
Total disbursements	<u>327,539</u>	<u>500,000</u>	<u>3,708,640</u>	<u>-</u>	<u>-</u>	<u>6,445,520</u>
Excess (deficiency) of receipts over disbursements	<u>35,005</u>	<u>66,958</u>	<u>(454,028)</u>	<u>8,681</u>	<u>-</u>	<u>(3,908)</u>
Cash and investments - ending	<u>\$ 242,841</u>	<u>\$ 518,254</u>	<u>\$ 168,357</u>	<u>\$ 46,060</u>	<u>\$ 154,727</u>	<u>\$ 682,101</u>

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

	Water Dept Bond And Interest	Water Dept Improvement	Water Dept Customer Deposit	Water Dept Contingencies	Water Utility - Imprest Funds	Totals
Cash and investments - beginning	\$ 407,106	\$ 3,473,715	\$ 489,722	\$ 763,395	\$ 5,350	\$ 47,868,452
Receipts:						
Taxes	-	-	-	-	-	24,970,963
Licenses and permits	-	-	-	-	-	256,781
Intergovernmental	-	-	-	-	-	25,944,057
Charges for services	-	-	-	-	-	2,736,665
Fines and forfeits	-	-	-	-	-	64,288
Utility fees	-	-	-	-	-	14,028,039
Other receipts	1,210,903	399,572	110,832	30,791	-	54,019,544
Total receipts	1,210,903	399,572	110,832	30,791	-	122,020,337
Disbursements:						
Personal services	-	-	-	-	-	26,139,579
Supplies	-	-	-	-	-	2,147,882
Other services and charges	-	-	-	-	-	12,644,440
Debt service - principal and interest	1,213,841	-	-	-	-	5,036,671
Capital outlay	-	-	-	-	-	16,955,640
Utility operating expenses	-	-	-	-	-	14,321,045
Other disbursements	100	140,024	107,596	-	-	38,102,476
Total disbursements	1,213,941	140,024	107,596	-	-	115,347,733
Excess (deficiency) of receipts over disbursements	(3,038)	259,548	3,236	30,791	-	6,672,604
Cash and investments - ending	\$ 404,068	\$ 3,733,263	\$ 492,958	\$ 794,186	\$ 5,350	\$ 54,541,056

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

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

General infrastructure assets (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	\$ 6,538,806
Infrastructure	98,009,453
Buildings	20,649,187
Improvements other than buildings	15,326,151
Machinery and equipment	21,063,626
Construction in progress	<u>6,428,642</u>
Total governmental activities, capital assets	<u>\$ 168,015,865</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 91,291
Buildings	20,644,452
Improvements other than buildings	32,527,169
Machinery and equipment	6,416,995
Construction in progress	<u>41,503</u>
Total Water Utility capital assets	<u>59,721,410</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	735,366
Infrastructure	67,507,431
Buildings	23,342,218
Improvements other than buildings	720,950
Machinery and equipment	<u>8,156,723</u>
Total Wastewater Utility capital assets	<u>100,462,688</u>
Port Authority:	
Capital assets, not being depreciated:	
Land	2,038,751
Infrastructure	2,515,542
Buildings	5,800,526
Improvements other than buildings	992,285
Machinery and equipment	790,977
Construction in progress	<u>229,589</u>
Total Port Authority capital assets	<u>12,367,670</u>
Total business-type activities capital assets	<u>\$ 172,551,768</u>

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

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Loans payable:		
Brownfield Redevelopment Loan - Nonforgivable	\$ 26,633	\$ 26,633
Brownsfield Redevelopment Loan - Forgivable	57,560	-
Bonds payable:		
General obligation bonds:		
Parks and Recreation Bonds of 1997	945,000	334,875
Revenue bonds:		
Northeast Roeske Ave Bonds of 1999	1,005,579	434,645
Cleveland Ave Extension Bonds of 1999	2,555,000	319,476
Special Taxing District Bonds of 2007	4,335,000	357,378
Lafayette/Barker Bonds of 2010	<u>9,530,000</u>	<u>407,255</u>
Total governmental activities debt	<u>\$ 18,454,772</u>	<u>\$ 1,880,262</u>
Business-type Activities:		
Water Utility		
Loans payable:		
SRF Loan	\$ 6,044,916	\$ 215,013
Advances for construction	49,176	-
Revenue bonds payable:		
Waterworks Revenue Bonds of 1995	<u>5,600,000</u>	<u>995,369</u>
Total Water Utility	<u>11,694,092</u>	<u>1,210,382</u>
Wastewater Utility		
Revenue bonds payable:		
Sewage Works Refunding Revenue Bonds of 2005	<u>4,155,000</u>	<u>917,884</u>
Port Authority		
Revenue bonds payable:		
Marina Revenue Bonds Fifth Issue	<u>520,000</u>	<u>273,400</u>
Total business-type activities debt	<u>\$ 16,369,092</u>	<u>\$ 2,401,665</u>

CITY OF MICHIGAN CITY
OTHER REPORT

The annual report presented herein was prepared in addition to another official report prepared for the individual City office listed below:

Michigan City Water Utility

CITY OF MICHIGAN CITY
AUDIT RESULT AND COMMENT

PARK RECEIPT ISSUANCE

Park Department collections were deposited on or within one business day of the date collected. However, in some instances receipts by the Park Department were not written and posted to the City records until 2 to 18 days after the time of the transaction (collection date).

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

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

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2010. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in items 2010-1 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding sub-recipient monitoring requirement that is applicable to its Community Development Block Grants/Entitlement Grants. Also as described in items 2010-2 and 2010-3 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding allowable costs, and cash management requirements that are applicable to its ARRA - Federal Transit-Formula Grant. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended December 31, 2010.

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

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2010-2 and 2010-3 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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 the response.

This report is intended solely for the information and use of the City's management, Board of Public Works and Safety, Common Council, 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

August 4, 2011

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	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	
Karwick Nature Bridge Stabilization and Ramps		\$ 100,000
Trail Creek Forks		17,500
Washington Park Litter Containment and Public Outreach Program		911
Total for federal grantor agency		<u>118,411</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		146,801
B-08-MC-180022		89,604
B-09-MC-180022		482,891
B-10-MC-180022		32,375
ARRA - Community Development Block Grants/Entitlement Grants		
B-19-MY-180022		<u>178,547</u>
Total for cluster		<u>930,218</u>
Pass-through Indiana Housing and Community Development Authority CDBG - State-Administered Small Cities Program Cluster		
ARRA - Community Development Block Grants/State's Program and Non-Entitlements Grants in Hawaii	14.228	<u>228,716</u>
Total for federal grantor agency		<u>1,158,934</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>		
Direct Grant		
Public Safety Partnership and Community Policing Grants	16.710	<u>28,047</u>
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	<u>32,377</u>
Total for federal grantor agency		<u>60,424</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster		
State and Community Highway Safety	20.600	
PT-10-01-04-14		12,874
PT-11-04-04-13		<u>5,500</u>
Total for Cluster		<u>18,374</u>
Direct Grant		
Airport Improvement Program	20.106	
3-18-0055-1208		19,501
3-18-0055-1309		<u>154,534</u>
Total for program		<u>174,035</u>
Federal Transit - Formula Grants	20.507	
IN-95-X014-00		57,657
ARRA - Federal Transit - Formula Grants		
IN-96-X006-00		<u>351,147</u>
Total for program		<u>408,804</u>
Total for federal grantor agency		<u>601,213</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>		
Direct Grant		
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements	66.818	
BF-00E63101		200,000
BF-00E63001		<u>200,000</u>
Total for federal grantor agency		<u>400,000</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>		
Pass-Through LaPorte County Emergency Management Performance Grants	97.042	<u>23,221</u>
Total federal awards expended		<u>\$ 2,362,203</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

Note 1. 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.

Note 2. Subrecipients

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

Program Title	Federal CFDA Number	2010
Community Development Block Grants/Entitlement Grants	14.218	\$ 581,038

CITY OF MICHIGAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Qualified for the CDBG – Entitlement Grants Cluster and ARRA-Federal Transit-Formula Grants, and Unqualified for the Federal Transit-Formula Grants and the ARRA - Brownfields Assessment and Cleanup Cooperative Agreements 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
20.507	CDBG – Entitlement Grants Cluster
20.507	Federal Transit – Formula Grants
20.507	ARRA – Federal Transit – Formula Grants
66.818	ARRA – Brownfields Assessment and Cleanup Cooperative Agreements

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 2010-1 - SUBRECIPIENT MONITORING

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block/Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Number: B-09-MC-18-0022

The Indianapolis Office of the United States Department of Housing and Urban Development (HUD) performed a monitoring review for the City's Community Development Block Grant (CDBG). The results of the monitoring review were communicated to the City and their findings are therefore repeated in this report as follows:

Finding #1 Sub-recipient Monitoring

The City established and implemented a policy of monitoring all of its sub-recipients on an annual basis. The City failed to complete timely monitoring, either onsite or desk reviews, of its sub-recipients.

The City failed to complete timely monitoring of sub-recipients pursuant to 24 CFR Part 570.501(b), 24 CFR 570.502(a)(14), and 24 CFR 570.502(b)(3)(vii).

The City relies on sub-recipients to implement many of the activities that compose its community development strategy, and the City has historically employed a staff with adequate time and resources to fulfill its monitoring requirements. In the last two years, the City received more financing for community development activities than it has historically received, which required substantial investment of its time in planning and implementation of new programs. The additional claim to scarce staff time caused staff to prioritize implementation of its financing over administration of its traditional financing. The City did provide for more staff time and resources to be made available, in an attempt to meet its traditional obligations, however, the staff did not complete compliance monitoring of sub-recipients as required.

The City did not ensure compliance with program regulations, uniform administrative requirements, and cross-cutting federal requirements. Based on the limited remote review of sub-recipients carried out by HUD, it did not appear that the lack of monitoring caused or enable any noncompliance with the regulations on the part of sub-recipients. It appeared that sub-recipients continued to comply with applicable federal regulations.

The City should arrange to monitor its sub-recipients according to the monitoring strategy established in its Annual Action Plan. The City shall provide HUD with copies of the letters and checklist produced by the monitoring engagements.

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

FINDING 2010-2 - UNIDENTIFIED GRANT DISBURSEMENTS

Federal Agency: U.S. Department of Transportation
Federal Program: ARRA - Federal Transit - Formula Grants
CFDA Number: 20.507
Federal Award Number: IN-96-X006-00

In 2010, the City received payment for three reimbursement requests totaling \$351,147. Complete supporting documentation for each reimbursement request was not available for audit and, as a result, \$7,510.15 in disbursements could not be verified to the records. Furthermore, we could not determine if the funds were spent on allowable activities under the grant or whether they were spent prior to the reimbursement being received.

Based upon federal grant guidelines, when entities are funded on a reimbursement basis, program costs must be paid for by the entity funds before reimbursement is requested from the Federal Government.

As a result of the lack of supporting documentation for some of the disbursement reimbursed, the \$7,510.15 is considered to be a questioned cost of the ARRA - Federal Transit - Formula Grant.

According to the Federal Transit Administration Application, "To maximize the transparency and accountability of funds authorized under the Recovery Act as required by Congress and in accordance with 49 CFR Section 18.20 or 49 CFR Section 19.21, as applicable, the Recipient agrees to maintain records that identify adequately the source and application of Recovery Act funds." The Application also states, "Integrity. The Recipient agrees that all data it submits to FTA in compliance with Recovery Act requirements will be accurate, objective, and of the highest integrity."

We recommended the City establish internal controls to retain documentation needed to support disbursements included in each reimbursement request. We also recommend the City contact the Federal Transit Administration for proper resolution of these questioned costs.

FINDING 2010-3 - ARRA (AMERICAN RECOVERY AND REINVESTMENT ACT) GRANTS COMINGLED

Federal Agency: U.S. Department of Transit
Federal Program: ARRA-Federal Transit - Formula Grants
CFDA Number: 20.507
Federal Award Number: IN-96-X006-00

The City comingled ARRA - Federal Transit - Formula Grants Program, IN-96-X006-00 with two other grant programs in Fund 6301, ARRA Grant - Transit. Disbursements for grant IN-96-X006-00, along with disbursements for two other grants were posted to ARRA Grant - Transit Fund. The other two grants did not have any receipts in 2010.

As a result of the disbursements being accounted for in the same fund, grant IN-96-X006-00 was reimbursed for costs associated with one of the other grants (fuel cost).

Federal guidelines in 2 CFR 176.210, state, "The award term described in this section shall be used by agencies to clarify recipient responsibilities regarding tracking and documenting Recovery Act expenditures: (a) To maximize the transparency and accountability of funds authorized under the

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

American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 "Uniform Administrative Requirements for Grants and Agreements" and OMB Circular A-102 Common Rules Provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds." Failure to maintain official records that track the source (receipts) and application (disbursements) of each grant individually may hinder the City's ability to provide transparency for federal awards.

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

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

To comply with the federal requirements, we recommended the City establish procedures to adequately identify ARRA grants timely and to establish separate ARRA Grant Funds as needed.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2009-1

Original SBA Audit Report Number: B37201
Fiscal Year January 1, 2009 to December 31, 2009
Auditee Contact Person John J. Schaefer
Title of Contact Person Controller
Phone Number (219) 873-1404

Status of Finding:

Item #1 – Federal Labor Standards Administration – Playground Renovation and Update

The finding states that the City failed to incorporate the required labor standards provisions and the correct wage decision into the construction contract for this project.

The City has amended its standard subrecipient agreement to include the Federal labor standards and will use this agreement in all future projects. In addition, restitution has been paid to the employees of the Michigan City Housing Authority that participated in the project.

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

The finding states that the City failed to incorporate the required labor standards provisions and the correct wage decision into three construction contracts for this project.

The City has developed a checklist to better implement the incorporation of appropriate wage decisions and Federal labor standards into all future bid specifications and contracts. In addition, the City has paid restitution to the appropriate employees of the three contractors that worked on the project.


8/4/2011

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2009-2

Original SBA Audit Report Number: B37201
Fiscal Year January 1, 2009 to December 31, 2009
Auditee Contact Person John J. Schaefer
Title of Contact Person Controller
Phone Number (219) 873-1404

Status of Finding:

The finding states that a subrecipient of the City's Community Development Block Grant (CDBG) acquired real estate without appraisals.

The City has changed its procedures so that subrecipients are aware of the requirement to obtain an appraisal prior to acquisition of real estate.


8/4/2011

CITY OF MICHIGAN CITY
CORRECTIVE ACTION PLAN

FEDERAL FINDING 2010-1, SUBRECIPIENT MONITORING

The finding states that the City did not properly monitor subrecipients of the Community Development Block Grant (U.S. Department of Housing and Urban Development). The City has a monitoring policy and will comply with that policy.

FEDERAL FINDING 2010-2, UNIDENTIFIED GRANT DISBURSEMENTS

The finding states that the City received reimbursement for costs that could not be verified through the City's records. The Federal Transit Administration (FTA) is currently conducting its triennial review of the City's Public Transit Department. This issue will be addressed with FTA personnel to determine resolution. Future requests for reimbursement will be double-checked to ensure that all supporting documents are on hand.

FEDERAL FINDING 2010-3, ARRA (AMERICAN RECOVERY AND REINVESTMENT ACT)
GRANTS COMINGLED

The finding states that the City comingled ARRA grant transactions with transactions related to two other grants in the same fund in the City's records. This condition was caused by posting errors which have been corrected. The City will more carefully review its records as they relate to grant activities to ensure that each grant is accounted for in a separate fund.

John J. Schaefer
8/4/2011

CITY OF MICHIGAN CITY
EXIT CONFERENCE

The contents of this report were discussed on August 4, 2011, with John J. Schaefer, City Controller; Charles E. Oberlie, Mayor; and Marc Espar, President of the Common Council.