

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF MICHIGAN CITY  
LAPORTE COUNTY, INDIANA

January 1, 2012 to December 31, 2012



**FILED**  
11/04/2013



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Yvonne Hoffmaster	01-01-12 to 01-31-12
	Donna Pappas	02-01-12 to 12-31-13
Mayor	Ron Meer	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Michael Palmer	01-01-12 to 08-31-12
	(Vacant)	09-01-12 to 09-16-12
	Steve Janus	09-17-12 to 12-31-13
President of the Common Council	Marc Espar	01-01-12 to 12-31-12
	Duane Parry	01-01-13 to 12-31-13
Superintendent of Water Utility	Randall E. Russell	01-01-12 to 12-31-13
Sanitary District Manager	Michal Kuss	01-01-12 to 12-31-13



## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the City of Michigan City (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

***Opinion on Regulatory Basis of Accounting***

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, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated September 26, 2013, 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* in considering the City's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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 Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They 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.

*Other Information*

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.



Bruce Hartman  
State Examiner

September 26, 2013



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

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

We have audited, 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, the financial statement of the City of Michigan City (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated September 26, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be a material weakness.

***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

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

was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

***City of Michigan City's Response to Findings***

The City's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman  
State Examiner

September 26, 2013

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## FINANCIAL STATEMENT

The financial statement and accompanying notes were prepared by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF MICHIGAN CITY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General Fund	\$ 1,447,234	\$ 33,880,215	\$ 33,945,853	\$ 1,381,596
Motor Vehicle Highway	8,289	2,089,592	1,943,949	153,932
Local Road And Street	110,668	299,556	291,903	118,321
Building Demolition	2,075	-	2,075	-
Animal Control	783	3,565	4,348	-
Riverboat Gaming	3,801,650	18,346,094	18,589,251	3,558,493
Park And Recreation	84,162	3,845,410	3,103,340	826,232
Levy Excess	326,706	-	-	326,706
DEA Forfeiture	33,615	19,386	25,537	27,464
Major Moves	1,368,404	2,000,000	1,765,192	1,603,212
Cumulative Capital Development	53,299	909,014	789,122	173,191
Fire Equipment Grant	840	-	840	-
Cumulative Channel Maintenance	720,771	1,206,407	1,300,000	627,178
Cumulative Capital Improvement	124,282	83,590	102,576	105,296
Cedit	386,982	2,583,477	2,519,281	451,178
Fire Training Tower Infrastructure	6,681	-	6,681	-
Police Pension	1,052,277	2,484,781	1,689,011	1,848,047
Fire Pension	1,544,174	945,530	1,467,697	1,022,007
MCRD BONDS 2010 SINKING	-	1,132,582	755,081	377,501
MCRD BONDS 2011 RESERVE	494,860	214	214	494,860
MCRD BONDS 2011 CONSTRUCTION	4,184,027	848	4,184,798	77
MCRD BONDS 2011 BOND INTEREST	217,917	61	129,172	88,806
CDBG 2011 B-11-MC-180022	-	43,070	43,070	-
City Donation Fund - EOC Activity	21,702	30,000	18,282	33,420
MC Economic Dev Revolving Loan Fund	650,000	-	-	650,000
Lake Michigan Costal Prog Grant	28,125	-	150	27,975
CZ 115 - MC Esplande Plan	20,000	5,000	40,000	(15,000)
CMAQ Grant - 2011 Bus	33,585	135,869	169,454	-
ARRA Grant - IN-96-X006-01	33,585	135,869	169,454	-
AIP 15 Grant	54,790	74,524	78,380	50,934
MCRD BONDS 2010 OPER & RESERVE	-	5,378	-	5,378
MCRD BONDS 2011 SINKING	-	327,233	327,233	-
Commission For Women Fund	-	75	-	75
Security Deposit Fund	-	18,200	8,050	10,150
2010 JAG Grant	-	22,863	5,716	17,147
2012 JAG Grant	-	3,000	3,000	-
AIP 16 Grant	-	39,803	11,613	28,190
Cemetery Operating	12,131	522,424	451,315	83,240
Zoo Donation	206,563	100,061	211,285	95,339
Controlled Substance Excise	1,927	-	-	1,927
Fire Donation	3,644	1,025	1,000	3,669
Park Gift And Donation	14,155	51,468	22,258	43,365
Police Donation	6,055	18,020	17,299	6,776
Golf	141,198	720,630	744,395	117,433
Park Concession	88,626	197,439	174,347	111,718
MCPA Receiving	6,219	4,670	10,889	-
Zoo Education Nonreverting	1,660	7,653	3,460	5,853
Senior Center Nonreverting	32,751	17,612	35,801	14,562
Park And Recreation Nonreverting	112,726	113,919	155,259	71,386
Patriot Park Nonreverting	13,991	2,250	2,875	13,366
Michigan City Tree Fund	6,063	-	2,975	3,088
Michigan City Youth Council	212	-	-	212
Millennium Park Brick	79,284	3,394	3,112	79,566
Mayor's Special Events	90	-	-	90
Demolition Recovery	12,372	1,687	-	14,059
Barker Civic Center	10,210	272,654	197,637	85,227
Police Continuing Education	120,166	26,958	40,094	107,030
Aviation Operating	3,248	673,378	488,042	188,584
Aviation Fuel	29,819	326,557	315,483	40,893
Cemetery Extension	34,589	29,747	28,591	35,745
Cemetery Merchandise And Commission	17,644	127,714	122,616	22,742
Singing Sands Bike Trail Grant	7,405	50,000	7,408	49,997

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, 2012  
(Continued)

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Brownsfield Redevelopment	16,297	-	1,550	14,747
CZM 0627 TC Property Acquisition SS	16,039	-	16,039	-
Redevelopment Operating	212,979	191,778	212,141	192,616
Refunding Bonds 2011 Operating And Reserve	-	3,745	2,487	1,258
Refunding Bonds 2011 Reserve	212,000	92	92	212,000
CDBG 2008 B-08-MC-180022	-	1,800	1,800	-
CDBG 2009 B-09-MC-180022	-	70,106	70,106	-
Northside Tif Investment	743,143	378	600	742,921
2009 JAG Grant	98,790	-	98,790	-
INDOT Traffic Study Grant	56,404	63,559	62,413	57,550
CZ 0810 Trail Creek Forks	3,100	-	3,100	-
Pawloske/Linn See Property	3,713	-	3,713	-
MCPD Seizure Fund	30,914	16,110	17,027	29,997
2009 Cops Grant	-	167,158	167,158	-
Refunding Bonds 2011 Sinking	1,602	387,596	259,513	129,685
SSTIF Bond 2007 Reserve	366,836	37	2,412	364,461
MCRD Bonds 2010 Debt Svc Rsv	754,418	307	31	754,694
MCRD Bonds 2010 Bond Interest	3,315	1	3,315	1
Park And Recreation Capital Improve	9,155	-	-	9,155
Blue Chip Development	7,735,702	1,247,199	7,023,000	1,959,901
Coolspring Ave Reconstruction Grant	663,652	-	3,157	660,495
CZM 0713 Karwick Park Bridge	95,338	-	95,338	-
AIP 10 Grant	47,743	-	47,743	-
AIP 11 Grant	123,571	-	123,571	-
AIP 12 Grant	1,857	39,210	40,215	852
Northeast TIF	72,504	456,721	-	529,225
Southside TIF	2,641,868	3,498,735	762,532	5,378,071
Northside TIF	9,484,101	7,744,544	4,120,750	13,107,895
Michigan Blvd Reconstruction Grant	4,367	-	-	4,367
AIP 14 Grant	9,556	33,760	37,057	6,259
MCRD Bonds 2010 Construction	409,125	93	409,214	4
CDBG 2010 B-10-MC-180022	-	526,824	526,824	-
CDBG NSP1-009-017	138,943	1,523,456	1,662,399	-
Employee Health & Life Insurance	48,342	87,214	88,631	46,925
Cemetery Blanket And Wreath	27,388	9,943	10,369	26,962
Cemetery Flower Fund	27,504	76	234	27,346
Cemetery Dabbert Vault	2,311	7	-	2,318
Cemetery Lutz Vault	4,427	10	36	4,401
Cemetery PM GW Trust	1,035,528	35,482	31,113	1,039,897
Cemetery PM SL Trust	484,587	32,201	15,559	501,229
Cemetery Extension Trust	483,363	44,731	14,720	513,374
Cemetery Mds And Comm Trust	37,565	60,168	63,512	34,221
MC Employee Medical Trust	82,701	6,130,655	4,963,914	1,249,442
MC Employee Benefit Trust	40,749	401,078	334,762	107,065
Aviation Tax Escrow Account	486	-	486	-
Intergovernmental Wagering Tax	9,814	2,424,345	2,434,096	63
Sewage Works Operating	386,491	6,320,621	6,267,082	440,030
Sewage Works Sinking	1,245,051	947,648	917,153	1,275,546
Sewage Works Improvement	193,558	348,298	104,951	436,905
Sewage Works - Indian Springs Proj	-	42,074	41,911	163
Sewage Works - Whipoorwill Proj	-	3,892	3,892	-
Sanitary District Operating	361,673	134,906	106,003	390,576
Sanitary District Bond	399,653	978,025	1,200,000	177,678
Sanitary District Refuse	257,325	3,654,362	3,711,980	199,707
Sanitary District Capital	58,211	20,064	14,075	64,200
Sanitary District Levy Excess	154,727	-	128,047	26,680
Water Dept Operating	618,180	6,754,327	6,554,082	818,425
Water Dept Bond And Interest	404,131	1,210,168	1,211,059	403,240
Water Dept Improvement	2,746,413	112,007	1,370,946	1,487,474
Water Dept Customer Deposit	489,344	115,142	93,850	510,636
Water Dept Contingencies	750,031	14,343	9,452	754,922
Water Utility - Imprest Funds	5,350	-	-	5,350

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, 2012  
 (Continued)

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
MCPA Operating	1,094,997	1,338,830	2,014,299	419,528
MCPA Security Deposit	9,821	-	-	9,821
MCPA Receiving	69,974	2,420,354	2,024,714	465,614
MCPA Debt Service	280,578	12	280,590	-
MCPA Surplus - Fifth Third	770,757	911	-	771,668
MCPA Surplus - Horizon	<u>2,005,318</u>	<u>616,522</u>	<u>-</u>	<u>2,621,840</u>
Totals	<u>\$ 56,317,611</u>	<u>\$ 124,172,091</u>	<u>\$ 126,312,069</u>	<u>\$ 54,177,633</u>

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

CITY OF MICHIGAN CITY  
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 presents the financial information for the City.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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 statement. The aggregate receipts may include the following sources:

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

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

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

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

Penalties which include fees received for late payments.

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

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include the following uses:

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

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

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

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

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

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

*F. Interfund Transfers*

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

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

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

**Note 5. Loans Between Funds**

On December 18, 2012, the City Council approved the delay of repayment of the following loans between funds until June 30, 2013:

Fund From	Fund To	2012
Blue Chip Development	General	\$ 7,000,000
Cedit	General	1,000,000
Major Moves	General	1,000,000
Cumulative Channel Maintenance	General	1,000,000
Riverboat Gaming	General	8,000,000
Riverboat Gaming	Motor Vehicle Highway	600,000
Riverboat Gaming	Barker Civic Center	215,000
Riverboat Gaming	Park and Recreation	2,300,000
Riverboat Gaming	Aviation Operating	375,000
Riverboat Gaming	Cemetery Operating	105,000
Riverboat Gaming	Cumulative Capital Development	740,000
Total		<u>\$ 22,335,000</u>

These loans were repaid on June 30, 2013. These temporary loans are to avoid negative cash balances in the funds noted.

**Note 6. 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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

CITY OF MICHIGAN CITY  
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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

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

*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 Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF MICHIGAN CITY  
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 Indiana Public Retirement System as provided under Indiana Code 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 Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy*

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

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*E. Water Utility Pension Plan*

*Plan Description*

The Water Works 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 Water Works 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 are established by the written agreement between the governing board of the Water Works and the Plan Administrator. Plan members are required to contribute 3 percent of the annual covered salary. The Water Works is required to contribute at an actuarially determined rate. The current rate is 0 percent of the annual covered payroll. Employer and employee contributions to the plan were \$0 and \$52,482, respectively.

**Note 8. Cash Balance Deficit**

The financial statement contains one fund with a deficit in cash at December 31, 2012. This is a result of the reimbursement for expenditures made by the City not being received by December 31, 2012.

**Note 9. Subsequent Events**

*A. LaPorte County Property Taxes*

In July 2013, LaPorte County completed an approved assessment of property values for the 2011 payable 2012 property tax year. Reconciling tax bills for that year will be billed and will be settled by the County to local units of government in 2013. Once complete, reconciling tax bill for 2012 payable 2013 will be sent to taxpayers in December 2013 with settlement to local units of government in February 2014. 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 City will receive once all the reconciliation bills have been distributed and the collections received.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Loan Agreements*

On November 15, 2011, the City Council approved a loan agreement between the Michigan City Board of Public Works and Safety and the Michigan City Sanitary District in the amount of \$700,000. Loan proceeds will be provided from the Riverboat Gaming Fund. As of December 31, 2012, the Riverboat Gaming Fund has provided \$660,609 for the payment of approved claims.

On December 13, 2012, the City Council approved a loan agreement between the Michigan City Board of Public Works and Safety and the Michigan City Sanitary District in the amount of \$2,200,000. Loan proceeds will be provided from the Riverboat Gaming Fund. As of December 31, 2012, the Riverboat Gaming Fund has provided \$31,096 for the payment of approved claims.

The above loans shall be repaid by the Sanitary District to the City, without interest, at a rate of \$86,000 per month beginning with a first payment in September 2014. Claims paid by the Riverboat Gaming Fund, as noted above, represent the balance of the loan at December 31, 2012.

On December 13, 2012, Ordinance Number 4212, the City Council approved a sewage rate increase that should provide funding for the repayment of these loans.

*C. Indiana Finance Authority Loans*

On June 14, 2013, the Michigan City Sanitary District was awarded a State Revolving Fund loan of \$2,720,000 and an Indiana Finance Authority Forgivable Loan of \$1,535,000.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

	General Fund	Motor Vehicle Highway	Local Road And Street	Building Demolition	Animal Control	Riverboat Gaming	Park And Recreation
Cash and investments - beginning	\$ 1,447,234	\$ 8,289	\$ 110,668	\$ 2,075	\$ 783	\$ 3,801,650	\$ 84,162
Receipts:							
Taxes	8,335,246	352,253	-	-	-	-	636,630
Licenses and permits	314,566	-	-	-	-	-	-
Intergovernmental	3,684,157	857,438	299,556	-	-	11,185,875	79,957
Charges for services	124,264	4,650	-	-	-	-	766,120
Fines and forfeits	74,163	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>21,347,819</u>	<u>875,251</u>	<u>-</u>	<u>-</u>	<u>3,565</u>	<u>7,160,219</u>	<u>2,362,703</u>
Total receipts	<u>33,880,215</u>	<u>2,089,592</u>	<u>299,556</u>	<u>-</u>	<u>3,565</u>	<u>18,346,094</u>	<u>3,845,410</u>
Disbursements:							
Personal services	20,163,541	1,241,582	-	-	-	-	1,965,078
Supplies	1,130,352	107,078	291,903	-	-	-	250,601
Other services and charges	2,648,395	145,289	-	-	4,348	-	587,661
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	4,120,451	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>10,003,565</u>	<u>450,000</u>	<u>-</u>	<u>2,075</u>	<u>-</u>	<u>14,468,800</u>	<u>300,000</u>
Total disbursements	<u>33,945,853</u>	<u>1,943,949</u>	<u>291,903</u>	<u>2,075</u>	<u>4,348</u>	<u>18,589,251</u>	<u>3,103,340</u>
Excess (deficiency) of receipts over disbursements	<u>(65,638)</u>	<u>145,643</u>	<u>7,653</u>	<u>(2,075)</u>	<u>(783)</u>	<u>(243,157)</u>	<u>742,070</u>
Cash and investments - ending	<u>\$ 1,381,596</u>	<u>\$ 153,932</u>	<u>\$ 118,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,558,493</u>	<u>\$ 826,232</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Levy Excess	DEA Forfeiture	Major Moves	Cumulative Capital Development	Fire Equipment Grant	Cumulative Channel Maintenance	Cumulative Capital Improvement
Cash and investments - beginning	\$ 326,706	\$ 33,615	\$ 1,368,404	\$ 53,299	\$ 840	\$ 720,771	\$ 124,282
Receipts:							
Taxes	-	-	-	148,643	-	88,585	-
Licenses and permits	-	-	-	-	-	25,682	-
Intergovernmental	-	-	-	20,371	-	12,140	83,490
Charges for services	-	19,344	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	42	2,000,000	740,000	-	1,080,000	100
Total receipts	-	19,386	2,000,000	909,014	-	1,206,407	83,590
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	4,000	-	29,878	-	-	-
Other services and charges	-	1,000	-	-	-	-	43,683
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	20,537	765,192	659,244	-	300,000	58,893
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	1,000,000	100,000	840	1,000,000	-
Total disbursements	-	25,537	1,765,192	789,122	840	1,300,000	102,576
Excess (deficiency) of receipts over disbursements	-	(6,151)	234,808	119,892	(840)	(93,593)	(18,986)
Cash and investments - ending	\$ 326,706	\$ 27,464	\$ 1,603,212	\$ 173,191	\$ -	\$ 627,178	\$ 105,296

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Cedit	Fire Training Tower Infrastructure	Police Pension	Fire Pension	MCRD BONDS 2010 SINKING	MCRD BONDS 2011 RESERVE	MCRD BONDS 2011 CONSTRUCTION
Cash and investments - beginning	\$ 386,982	\$ 6,681	\$ 1,052,277	\$ 1,544,174	\$ -	\$ 494,860	\$ 4,184,027
Receipts:							
Taxes	-	-	1,478,452	939,601	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,543,248	-	3,881	3,062	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	40,229	-	1,002,448	2,867	1,132,582	214	848
Total receipts	<u>2,583,477</u>	<u>-</u>	<u>2,484,781</u>	<u>945,530</u>	<u>1,132,582</u>	<u>214</u>	<u>848</u>
Disbursements:							
Personal services	-	-	2,584	2,568	-	-	-
Supplies	21,822	-	-	-	-	-	-
Other services and charges	598,526	-	5,979	10,166	-	-	-
Debt service - principal and interest	339,625	-	-	-	-	-	-
Capital outlay	283,908	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,275,400	6,681	1,680,448	1,454,963	755,081	214	4,184,798
Total disbursements	<u>2,519,281</u>	<u>6,681</u>	<u>1,689,011</u>	<u>1,467,697</u>	<u>755,081</u>	<u>214</u>	<u>4,184,798</u>
Excess (deficiency) of receipts over disbursements	<u>64,196</u>	<u>(6,681)</u>	<u>795,770</u>	<u>(522,167)</u>	<u>377,501</u>	<u>-</u>	<u>(4,183,950)</u>
Cash and investments - ending	<u>\$ 451,178</u>	<u>\$ -</u>	<u>\$ 1,848,047</u>	<u>\$ 1,022,007</u>	<u>\$ 377,501</u>	<u>\$ 494,860</u>	<u>\$ 77</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	MCRD BONDS 2011 BOND INTEREST	CDBG 2011 B-11-MC-180022	City Donation Fund - EOC Activity	MC Economic Dev Revolving Loan Fund	Lake Michigan Costal Prog Grant	CZ 115 - MC Esplande Plan	CMAQ Grant - 2011 Bus
Cash and investments - beginning	\$ 217,917	\$ -	\$ 21,702	\$ 650,000	\$ 28,125	\$ 20,000	\$ 33,585
Receipts:							
Taxes	-	-	-	-	-	5,000	55,263
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	43,070	-	-	-	-	80,606
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	61	-	30,000	-	-	-	-
Total receipts	61	43,070	30,000	-	-	5,000	135,869
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	150	40,000	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	18,282	-	-	-	169,454
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	129,172	43,070	-	-	-	-	-
Total disbursements	129,172	43,070	18,282	-	150	40,000	169,454
Excess (deficiency) of receipts over disbursements	(129,111)	-	11,718	-	(150)	(35,000)	(33,585)
Cash and investments - ending	\$ 88,806	\$ -	\$ 33,420	\$ 650,000	\$ 27,975	\$ (15,000)	\$ -

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	ARRA Grant - IN-96-X006-01	AIP 15 Grant	MCRD BONDS 2010 OPER & RESERVE	MCRD BONDS 2011 SINKING	Commission For Women Fund	Security Deposit Fund	2010 JAG Grant
Cash and investments - beginning	\$ 33,585	\$ 54,790	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	881	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	134,988	74,524	-	-	-	-	22,863
Charges for services	-	-	-	-	-	18,200	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	5,378	327,233	75	-	-
Total receipts	<u>135,869</u>	<u>74,524</u>	<u>5,378</u>	<u>327,233</u>	<u>75</u>	<u>18,200</u>	<u>22,863</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	8,050	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	169,454	78,380	-	-	-	-	5,716
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	327,233	-	-	-
Total disbursements	<u>169,454</u>	<u>78,380</u>	<u>-</u>	<u>327,233</u>	<u>-</u>	<u>8,050</u>	<u>5,716</u>
Excess (deficiency) of receipts over disbursements	<u>(33,585)</u>	<u>(3,856)</u>	<u>5,378</u>	<u>-</u>	<u>75</u>	<u>10,150</u>	<u>17,147</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 50,934</u>	<u>\$ 5,378</u>	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ 10,150</u>	<u>\$ 17,147</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	2012 JAG Grant	AIP 16 Grant	Cemetery Operating	Zoo Donation	Controlled Substance Excise	Fire Donation	Park Gift And Donation
Cash and investments - beginning	\$ -	\$ -	\$ 12,131	\$ 206,563	\$ 1,927	\$ 3,644	\$ 14,155
Receipts:							
Taxes	-	29,352	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	3,000	10,451	-	-	-	-	-
Charges for services	-	-	361,444	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	160,980	100,061	-	1,025	51,468
Total receipts	<u>3,000</u>	<u>39,803</u>	<u>522,424</u>	<u>100,061</u>	<u>-</u>	<u>1,025</u>	<u>51,468</u>
Disbursements:							
Personal services	-	-	392,499	-	-	-	-
Supplies	-	-	20,612	23,381	-	1,000	22,258
Other services and charges	-	-	38,204	614	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	3,000	11,613	-	187,290	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>3,000</u>	<u>11,613</u>	<u>451,315</u>	<u>211,285</u>	<u>-</u>	<u>1,000</u>	<u>22,258</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>28,190</u>	<u>71,109</u>	<u>(111,224)</u>	<u>-</u>	<u>25</u>	<u>29,210</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 28,190</u>	<u>\$ 83,240</u>	<u>\$ 95,339</u>	<u>\$ 1,927</u>	<u>\$ 3,669</u>	<u>\$ 43,365</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Police Donation	Golf	Park Concession	MCPA Receiving	Zoo Education Nonreverting	Senior Center Nonreverting	Park And Recreation Nonreverting
Cash and investments - beginning	\$ 6,055	\$ 141,198	\$ 88,626	\$ 6,219	\$ 1,660	\$ 32,751	\$ 112,726
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	716,351	197,439	4,670	485	17,612	105,041
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	18,020	4,279	-	-	7,168	-	8,878
Total receipts	<u>18,020</u>	<u>720,630</u>	<u>197,439</u>	<u>4,670</u>	<u>7,653</u>	<u>17,612</u>	<u>113,919</u>
Disbursements:							
Personal services	-	518,669	53,638	-	-	-	-
Supplies	17,299	142,858	94,391	-	2,786	3,000	50,069
Other services and charges	-	82,868	22,318	-	674	11,801	105,190
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	15,000	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	4,000	10,889	-	6,000	-
Total disbursements	<u>17,299</u>	<u>744,395</u>	<u>174,347</u>	<u>10,889</u>	<u>3,460</u>	<u>35,801</u>	<u>155,259</u>
Excess (deficiency) of receipts over disbursements	<u>721</u>	<u>(23,765)</u>	<u>23,092</u>	<u>(6,219)</u>	<u>4,193</u>	<u>(18,189)</u>	<u>(41,340)</u>
Cash and investments - ending	<u>\$ 6,776</u>	<u>\$ 117,433</u>	<u>\$ 111,718</u>	<u>\$ -</u>	<u>\$ 5,853</u>	<u>\$ 14,562</u>	<u>\$ 71,386</u>

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 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Patriot Park Nonreverting	Michigan City Tree Fund	Michigan City Youth Council	Millennium Park Brick	Mayor's Special Events	Demolition Recovery	Barker Civic Center
Cash and investments - beginning	\$ 13,991	\$ 6,063	\$ 212	\$ 79,284	\$ 90	\$ 12,372	\$ 10,210
Receipts:							
Taxes	-	-	-	-	-	-	37,942
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	5,992
Charges for services	2,250	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	3,394	-	1,687	228,720
Total receipts	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>3,394</u>	<u>-</u>	<u>1,687</u>	<u>272,654</u>
Disbursements:							
Personal services	-	-	-	-	-	-	136,821
Supplies	-	2,975	-	3,112	-	-	3,198
Other services and charges	2,875	-	-	-	-	-	37,618
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	20,000
Total disbursements	<u>2,875</u>	<u>2,975</u>	<u>-</u>	<u>3,112</u>	<u>-</u>	<u>-</u>	<u>197,637</u>
Excess (deficiency) of receipts over disbursements	<u>(625)</u>	<u>(2,975)</u>	<u>-</u>	<u>282</u>	<u>-</u>	<u>1,687</u>	<u>75,017</u>
Cash and investments - ending	<u>\$ 13,366</u>	<u>\$ 3,088</u>	<u>\$ 212</u>	<u>\$ 79,566</u>	<u>\$ 90</u>	<u>\$ 14,059</u>	<u>\$ 85,227</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Police Continuing Education	Aviation Operating	Aviation Fuel	Cemetery Extension	Cemetery Merchandise And Commission	Singing Sands Bike Trail Grant	Brownsfield Redevelopment
Cash and investments - beginning	\$ 120,166	\$ 3,248	\$ 29,819	\$ 34,589	\$ 17,644	\$ 7,405	\$ 16,297
Receipts:							
Taxes	-	81,112	-	-	-	50,000	-
Licenses and permits	11,880	-	-	-	-	-	-
Intergovernmental	-	8,496	-	-	-	-	-
Charges for services	14,236	16,574	326,557	29,747	127,714	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	842	567,196	-	-	-	-	-
Total receipts	<u>26,958</u>	<u>673,378</u>	<u>326,557</u>	<u>29,747</u>	<u>127,714</u>	<u>50,000</u>	<u>-</u>
Disbursements:							
Personal services	-	212,392	-	-	-	-	-
Supplies	15,283	14,209	274,083	-	-	-	-
Other services and charges	24,811	51,441	21,400	-	-	-	1,550
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	7,408	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	210,000	20,000	28,591	122,616	-	-
Total disbursements	<u>40,094</u>	<u>488,042</u>	<u>315,483</u>	<u>28,591</u>	<u>122,616</u>	<u>7,408</u>	<u>1,550</u>
Excess (deficiency) of receipts over disbursements	<u>(13,136)</u>	<u>185,336</u>	<u>11,074</u>	<u>1,156</u>	<u>5,098</u>	<u>42,592</u>	<u>(1,550)</u>
Cash and investments - ending	<u>\$ 107,030</u>	<u>\$ 188,584</u>	<u>\$ 40,893</u>	<u>\$ 35,745</u>	<u>\$ 22,742</u>	<u>\$ 49,997</u>	<u>\$ 14,747</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	CZM 0627 TC Property Acquisition SS	Redevelopment Operating	Refunding Bonds 2011 Operating And Reserve	Refunding Bonds 2011 Reserve	CDBG 2008 B-08-MC-180022	CDBG 2009 B-09-MC-180022	Northside Tif Investment
Cash and investments - beginning	\$ 16,039	\$ 212,979	\$ -	\$ 212,000	\$ -	\$ -	\$ 743,143
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,800	70,106	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	191,778	3,745	92	-	-	378
Total receipts	-	191,778	3,745	92	1,800	70,106	378
Disbursements:							
Personal services	-	204,733	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	7,389	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	16,039	19	2,487	92	1,800	70,106	600
Total disbursements	16,039	212,141	2,487	92	1,800	70,106	600
Excess (deficiency) of receipts over disbursements	(16,039)	(20,363)	1,258	-	-	-	(222)
Cash and investments - ending	\$ -	\$ 192,616	\$ 1,258	\$ 212,000	\$ -	\$ -	\$ 742,921

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 (Continued)

	2009 JAG Grant	INDOT Traffic Study Grant	CZ 0810 Trail Creek Forks	Pawloske/Linn See Property	MCPD Seizure Fund	2009 Cops Grant	Refunding Bonds 2011 Sinking
Cash and investments - beginning	\$ 98,790	\$ 56,404	\$ 3,100	\$ 3,713	\$ 30,914	\$ -	\$ 1,602
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	63,559	-	-	-	167,158	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	16,110	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	387,596
Total receipts	<u>-</u>	<u>63,559</u>	<u>-</u>	<u>-</u>	<u>16,110</u>	<u>167,158</u>	<u>387,596</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	23,119	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	39,294	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	98,790	-	3,100	3,713	17,027	167,158	259,513
Total disbursements	<u>98,790</u>	<u>62,413</u>	<u>3,100</u>	<u>3,713</u>	<u>17,027</u>	<u>167,158</u>	<u>259,513</u>
Excess (deficiency) of receipts over disbursements	<u>(98,790)</u>	<u>1,146</u>	<u>(3,100)</u>	<u>(3,713)</u>	<u>(917)</u>	<u>-</u>	<u>128,083</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 57,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,997</u>	<u>\$ -</u>	<u>\$ 129,685</u>

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 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	SSTIF Bond 2007 Reserve	MCRD Bonds 2010 Debt Svc Rsv	MCRD Bonds 2010 Bond Interest	Park And Recreation Capital Improve	Blue Chip Development	Coolspring Ave Reconstruction Grant	CZM 0713 Karwick Park Bridge
Cash and investments - beginning	\$ 366,836	\$ 754,418	\$ 3,315	\$ 9,155	\$ 7,735,702	\$ 663,652	\$ 95,338
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	37	307	1	-	1,247,199	-	-
Total receipts	37	307	1	-	1,247,199	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	3,157	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	23,000	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,412	31	3,315	-	7,000,000	-	95,338
Total disbursements	2,412	31	3,315	-	7,023,000	3,157	95,338
Excess (deficiency) of receipts over disbursements	(2,375)	276	(3,314)	-	(5,775,801)	(3,157)	(95,338)
Cash and investments - ending	\$ 364,461	\$ 754,694	\$ 1	\$ 9,155	\$ 1,959,901	\$ 660,495	\$ -

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 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	AIP 10 Grant	AIP 11 Grant	AIP 12 Grant	Northeast TIF	Southside TIF	Northside TIF	Michigan Blvd Reconstruction Grant
Cash and investments - beginning	\$ 47,743	\$ 123,571	\$ 1,857	\$ 72,504	\$ 2,641,868	\$ 9,484,101	\$ 4,367
Receipts:							
Taxes	-	-	-	456,513	3,491,130	7,718,092	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	39,210	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	208	7,605	26,452	-
Total receipts	-	-	39,210	456,721	3,498,735	7,744,544	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	192,748	3,397,039	-
Debt service - principal and interest	-	-	-	-	569,595	723,232	-
Capital outlay	-	-	40,215	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	47,743	123,571	-	-	189	479	-
Total disbursements	47,743	123,571	40,215	-	762,532	4,120,750	-
Excess (deficiency) of receipts over disbursements	(47,743)	(123,571)	(1,005)	456,721	2,736,203	3,623,794	-
Cash and investments - ending	\$ -	\$ -	\$ 852	\$ 529,225	\$ 5,378,071	\$ 13,107,895	\$ 4,367

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 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
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 (Continued)

	AIP 14 Grant	MCRD Bonds 2010 Construction	CDBG 2010 B-10-MC-180022	CDBG NSP1-009-017	Employee Health & Life Insurance	Cemetery Blanket And Wreath	Cemetery Flower Fund
Cash and investments - beginning	\$ 9,556	\$ 409,125	\$ -	\$ 138,943	\$ 48,342	\$ 27,388	\$ 27,504
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	33,760	-	526,824	1,523,456	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	93	-	-	87,214	9,943	76
Total receipts	<u>33,760</u>	<u>93</u>	<u>526,824</u>	<u>1,523,456</u>	<u>87,214</u>	<u>9,943</u>	<u>76</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	56	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	37,057	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	409,214	526,824	1,662,399	88,575	10,369	234
Total disbursements	<u>37,057</u>	<u>409,214</u>	<u>526,824</u>	<u>1,662,399</u>	<u>88,631</u>	<u>10,369</u>	<u>234</u>
Excess (deficiency) of receipts over disbursements	<u>(3,297)</u>	<u>(409,121)</u>	<u>-</u>	<u>(138,943)</u>	<u>(1,417)</u>	<u>(426)</u>	<u>(158)</u>
Cash and investments - ending	<u>\$ 6,259</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,925</u>	<u>\$ 26,962</u>	<u>\$ 27,346</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Cemetery Dabbert Vault	Cemetery Lutz Vault	Cemetery PM GW Trust	Cemetery PM SL Trust	Cemetery Extension Trust	Cemetery Mds And Comm Trust	MC Employee Medical Trust
Cash and investments - beginning	\$ 2,311	\$ 4,427	\$ 1,035,528	\$ 484,587	\$ 483,363	\$ 37,565	\$ 82,701
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	7	10	35,482	32,201	44,731	60,168	6,130,655
Total receipts	<u>7</u>	<u>10</u>	<u>35,482</u>	<u>32,201</u>	<u>44,731</u>	<u>60,168</u>	<u>6,130,655</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	1,000
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	36	31,113	15,559	14,720	63,512	4,962,914
Total disbursements	<u>-</u>	<u>36</u>	<u>31,113</u>	<u>15,559</u>	<u>14,720</u>	<u>63,512</u>	<u>4,963,914</u>
Excess (deficiency) of receipts over disbursements	<u>7</u>	<u>(26)</u>	<u>4,369</u>	<u>16,642</u>	<u>30,011</u>	<u>(3,344)</u>	<u>1,166,741</u>
Cash and investments - ending	<u>\$ 2,318</u>	<u>\$ 4,401</u>	<u>\$ 1,039,897</u>	<u>\$ 501,229</u>	<u>\$ 513,374</u>	<u>\$ 34,221</u>	<u>\$ 1,249,442</u>

CITY OF MICHIGAN CITY  
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 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	MC Employee Benefit Trust	Aviation Tax Escrow Account	Intergovernmental Wagering Tax	Sewage Works Operating	Sewage Works Sinking	Sewage Works Improvement	Sewage Works - Indian Springs Proj
Cash and investments - beginning	\$ 40,749	\$ 486	\$ 9,814	\$ 386,491	\$ 1,245,051	\$ 193,558	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	2,424,345	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	6,065,561	-	-	-
Other receipts	401,078	-	-	255,060	947,648	348,298	42,074
Total receipts	401,078	-	2,424,345	6,320,621	947,648	348,298	42,074
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	1,584	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	16,464	-	104,951	-
Utility operating expenses	-	-	-	4,983,633	-	-	-
Other disbursements	333,178	486	2,434,096	1,266,985	917,153	-	41,911
Total disbursements	334,762	486	2,434,096	6,267,082	917,153	104,951	41,911
Excess (deficiency) of receipts over disbursements	66,316	(486)	(9,751)	53,539	30,495	243,347	163
Cash and investments - ending	\$ 107,065	\$ -	\$ 63	\$ 440,030	\$ 1,275,546	\$ 436,905	\$ 163

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 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Sewage Works - Whipponwill Proj	Sanitary District Operating	Sanitary District Bond	Sanitary District Refuse	Sanitary District Capital	Sanitary District Levy Excess	Water Dept Operating
Cash and investments - beginning	\$ -	\$ 361,673	\$ 399,653	\$ 257,325	\$ 58,211	\$ 154,727	\$ 618,180
Receipts:							
Taxes	-	60,504	-	1,645,400	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	12,259	4,618	706,865	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	300	15,122	-	6,374,211
Other receipts	3,892	62,143	973,407	1,301,797	4,942	-	380,116
Total receipts	<u>3,892</u>	<u>134,906</u>	<u>978,025</u>	<u>3,654,362</u>	<u>20,064</u>	<u>-</u>	<u>6,754,327</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	20,000	14,075	-	447,094
Utility operating expenses	-	106,003	-	2,559,725	-	-	4,007,697
Other disbursements	3,892	-	1,200,000	1,132,255	-	128,047	2,099,291
Total disbursements	<u>3,892</u>	<u>106,003</u>	<u>1,200,000</u>	<u>3,711,980</u>	<u>14,075</u>	<u>128,047</u>	<u>6,554,082</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>28,903</u>	<u>(221,975)</u>	<u>(57,618)</u>	<u>5,989</u>	<u>(128,047)</u>	<u>200,245</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 390,576</u>	<u>\$ 177,678</u>	<u>\$ 199,707</u>	<u>\$ 64,200</u>	<u>\$ 26,680</u>	<u>\$ 818,425</u>

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 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Water Dept Bond And Interest	Water Dept Improvement	Water Dept Customer Deposit	Water Dept Contingencies	Water Utility - Imprest Funds	MCPA Operating
Cash and investments - beginning	\$ 404,131	\$ 2,746,413	\$ 489,344	\$ 750,031	\$ 5,350	\$ 1,094,997
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>1,210,168</u>	<u>112,007</u>	<u>115,142</u>	<u>14,343</u>	<u>-</u>	<u>1,338,830</u>
Total receipts	<u>1,210,168</u>	<u>112,007</u>	<u>115,142</u>	<u>14,343</u>	<u>-</u>	<u>1,338,830</u>
Disbursements:						
Personal services	-	-	-	-	-	627,270
Supplies	-	-	-	-	-	542,304
Other services and charges	-	-	-	-	-	603,658
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	1,370,928	-	-	-	240,860
Utility operating expenses	-	18	18	9,452	-	-
Other disbursements	<u>1,211,059</u>	<u>-</u>	<u>93,832</u>	<u>-</u>	<u>-</u>	<u>207</u>
Total disbursements	<u>1,211,059</u>	<u>1,370,946</u>	<u>93,850</u>	<u>9,452</u>	<u>-</u>	<u>2,014,299</u>
Excess (deficiency) of receipts over disbursements	<u>(891)</u>	<u>(1,258,939)</u>	<u>21,292</u>	<u>4,891</u>	<u>-</u>	<u>(675,469)</u>
Cash and investments - ending	<u>\$ 403,240</u>	<u>\$ 1,487,474</u>	<u>\$ 510,636</u>	<u>\$ 754,922</u>	<u>\$ 5,350</u>	<u>\$ 419,528</u>

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	MCPA Security Deposit	MCPA Receiving	MCPA Debt Service	MCPA Surplus - Fifth Third	MCPA Surplus - Horizon	Totals
Cash and investments - beginning	\$ 9,821	\$ 69,974	\$ 280,578	\$ 770,757	\$ 2,005,318	\$ 56,317,611
Receipts:						
Taxes	-	-	-	-	-	25,610,599
Licenses and permits	-	-	-	-	-	352,128
Intergovernmental	-	-	-	-	-	24,731,125
Charges for services	-	2,398,168	-	-	-	5,250,866
Fines and forfeits	-	-	-	-	-	90,273
Utility fees	-	-	-	-	-	12,455,194
Other receipts	-	22,186	12	911	616,522	55,681,906
Total receipts	-	2,420,354	12	911	616,522	124,172,091
Disbursements:						
Personal services	-	-	-	-	-	25,521,375
Supplies	-	-	-	-	-	3,068,452
Other services and charges	-	-	-	-	-	8,723,361
Debt service - principal and interest	-	-	276,075	-	-	1,908,527
Capital outlay	-	-	-	-	-	9,228,760
Utility operating expenses	-	-	-	-	-	11,666,546
Other disbursements	-	2,024,714	4,515	-	-	66,195,048
Total disbursements	-	2,024,714	280,590	-	-	126,312,069
Excess (deficiency) of receipts over disbursements	-	395,640	(280,578)	911	616,522	(2,139,978)
Cash and investments - ending	\$ 9,821	\$ 465,614	\$ -	\$ 771,668	\$ 2,621,840	\$ 54,177,633

CITY OF MICHIGAN CITY  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2012

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Wastewater Utility	\$ 653,254	\$ 1,356,204
Water Utility	131,270	536,322
Port Authority	20,350	-
Governmental activities	<u>300,578</u>	<u>4,537,227</u>
Totals	<u>\$ 1,105,452</u>	<u>\$ 6,429,753</u>

CITY OF MICHIGAN CITY  
SCHEDULE OF LEASES AND DEBT  
December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Parks and Recreation Bonds of 1997	\$ 335,000	\$ 343,375
Revenue bonds	Redevelopment Auth NE Roeske Ave Bonds of 1999	736,957	497,491
Revenue bonds	Redevelopment Auth Refunding Bonds 2011 (Cleveland Ave)	1,835,000	251,969
Revenue bonds	Redevelopment Auth Special Taxing Dist Bonds 2007 (400N)	3,995,000	357,284
Revenue bonds	Redevelopment Auth Lafayette/Barker Bonds of 2010	9,185,000	749,280
Revenue bonds	Redevelopment Auth Elston Grove Bonds of 2011	<u>5,735,000</u>	<u>332,488</u>
Total governmental activities		<u>21,821,957</u>	<u>2,531,887</u>
Wastewater Utility:			
Revenue bonds	Sewage Works Refunding Revenue Bonds of 2005	2,580,000	918,483
Notes and loans payable	Long-Term Loan from Michigan City Riverboat Gaming Fund	<u>691,705</u>	<u>-</u>
Total Wastewater Utility		<u>3,271,705</u>	<u>918,483</u>
Water Utility:			
Revenue bonds	Waterworks Refunding Revenue Bonds of 2004	3,970,000	1,007,706
Notes and loans payable	SRF Loan	<u>5,964,916</u>	<u>202,765</u>
Total Water Utility		<u>9,934,916</u>	<u>1,210,471</u>
Totals		<u>\$ 38,300,283</u>	<u>\$ 5,579,324</u>

CITY OF MICHIGAN CITY  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 6,538,806
Infrastructure	107,283,799
Buildings	21,346,436
Improvements other than buildings	16,501,759
Machinery, equipment, and vehicles	22,473,499
Construction in progress	14,692,964
Total governmental activities	188,837,263
Wastewater Utility:	
Land	735,366
Infrastructure	70,213,250
Buildings	23,534,015
Improvements other than buildings	720,950
Machinery, equipment, and vehicles	8,541,773
Total Wastewater Utility	103,745,354
Water Utility:	
Land	91,291
Infrastructure	27,899,086
Buildings	10,226,007
Improvements other than buildings	21,625,510
Machinery, equipment, and vehicles	2,621,305
Construction in progress	77,995
Total Water Utility	62,541,194
Port Authority:	
Land	2,038,751
Infrastructure	2,515,542
Buildings	5,800,526
Improvements other than buildings	992,285
Machinery, equipment, and vehicles	866,957
Construction in progress	122,922
Total Port Authority	12,336,983
Total capital assets	\$ 367,460,794

CITY OF MICHIGAN CITY  
OTHER REPORT

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

Department of Water Works, City of Michigan City

CITY OF MICHIGAN CITY  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS AND FINANCIAL REPORTING***

The City did not have a proper system of internal controls in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: one Federal grant under CFDA Number 20.205 with expenditures totaling \$63,559 and another Federal grant under CFDA Number 20.507 with expenditures totaling \$68,530 were not included on the SEFA. Also, several grants were listed under the wrong CFDA Number. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS (DISBURSING)***

We noted several deficiencies in the internal control system of the City related to financial transactions. The deficiencies are in regard to internal controls over disbursing and are isolated to grant activities. We believe the following deficiencies constitute material weaknesses:

1. **Lack of Oversight Responsibility:** Effective internal control over financial reporting requires governing boards to monitor and assess the quality of the City's system of internal control.

We noted the following deficiencies in internal controls over disbursing: (1) wire transfers totaling \$67,841.30 were made from the City's account to various Title companies for the purchase of properties relating to a community development project funded by the Community Development Block Grant (CDBG). The wire transfers were reimbursed to the City using proceeds from the CDBG grant. However, the wire transfers were not approved by the City's governing board. (2) Claims relating to the CDBG grant activities were not presented to the Redevelopment Board for review and/or approval prior to payment being made. (3) In most instances, claims relating to the NSP grant were not presented to the governing board for review and/or approval. (4) Several vendors were not paid in a timely manner. For instance an invoice from Amerco dated August 28, 2012, in the amount of \$13,153.75, wasn't paid until November 6, 2012.

CITY OF MICHIGAN CITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

2. Monitoring of Controls: Control activities should be selected and developed at various levels of the City to reduce the risk of inaccurate records, faulty reporting, and inaccurate decision making.

The City entered into a grant agreement with the Indiana Housing and Community Development Authority (IHCDA). The IHCDA is the pass through entity for the Neighborhood Stabilization Program Grant (NSP). The purpose of the agreement was to enable the IHCDA to award an NSP grant to the City for eligible cost in relation to NSP projects. The grant agreement stipulated that the award is to be used exclusively by the recipient in accordance with the Application, Grant Agreement, applicable provisions of State and Federal law establishing the authority to make the award, and any rules or guidance promulgated thereunder.

The grant agreement stipulated that the City shall timely prepare all fiscal and management records required by the award manual and/or the authority that are necessary or appropriate to effectively administer and/or monitor the project.

Salaries incurred in relation to the NSP grant activities are initially disbursed out of the Redevelopment Commission Operating Fund (2402). When salaries are reimbursed by the grantor, a claim is processed, salaries are reallocated to the proper grant fund, and a reimbursement is made to the Redevelopment Commission Operating Fund.

We noted a claim for reimbursement totaling \$76,586.87 dated May 9, 2012, for reimbursement of administrative services. Further inspection revealed that the claim included reimbursement for salaries incurred during the week of June 6 through 9, 2011. Inquiries were made and it was noted that salaries which were initially expensed out of the Redevelopment Commission Fund, beginning on June 6, 2011, were being reimbursed with the claim dated May 9, 2012.

Lack of controls to monitor the receipting, disbursing, and recording of grant activities increase the risk of inaccurate reporting, inaccurate records, and incorrect decision making.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

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 FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

***Report on Compliance for Each Major Federal Program***

We have audited the City of Michigan City's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

***Other Matters***

The City's response to the noncompliance findings identified in our audit is described in the accompanying Official Response. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

***Report on Internal Control Over Compliance***

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-2, 2012-3, 2012-4, and 2012-5 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman  
State Examiner

September 26, 2013

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF MICHIGAN CITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	Direct			
CDBG 2008		14.218	B-08-MC-180022	\$ 1,800
CDBG 2009		14.218	B-09-MC-180022	70,106
CDBG 2010		14.218	B-10-MC-180022	526,824
CDBG 2011		14.218	B-11-MC-180022	43,070
Total - CDBG - Entitlement Grants Cluster				<u>641,800</u>
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii NSP Grant	Indiana Housing and Community Development Authority	14.228	NSP1-009-017	1,523,456
Total - Department of Housing and Urban Development				<u>2,165,256</u>
<u>Department of Justice</u>				
JAG Program Cluster				
Edward Byrne Memorial Justice Assistance Grant Program 2012 JAG	Indiana Criminal Justice Institute	16.738	2010-DJ-BX-0254	3,000
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grants (JAG) Program/Grants to Units of Local Government 2010 JAG	Direct	16.804	2010-DJ-BX-0491	22,863
Total - JAG Program Cluster				<u>25,863</u>
Public Safety Partnership and Community Policing Grants COPS Grant	Direct	16.710	2009RKWX0348	167,158
Total - Department of Justice				<u>193,021</u>
<u>Department of Transportation</u>				
Highway Safety Cluster				
State and Community Highway Safety Operation Pull Over Dangerous Driving 2012	Indiana Criminal Justice Institute	20.600	18X92040201IN13	18,728
		20.600	2012-402*13-1086	2,150
Total - Highway Safety Cluster				<u>20,878</u>
Federal Transit Cluster				
Federal Transit-Formula Grants	Direct			
Transit Operating		20.507	IN-90-4571	68,530
Transit Operating		20.507	IN-90-4586	381,660
Transit Operating		20.507	IN-90-4637	282,686
Transit Operating Assistance and Capital		20.507	IN-95-X014-01	80,606
Transit Capital		20.507	IN-96-X006-01	134,988
Total - Direct				<u>948,470</u>
Big City/Big County Enforcement	Indiana Department of Transportation	20.507	PT-12-04-04-13	18,728
Total - Federal Transit Cluster				<u>967,198</u>
Airport Improvement Program				
AIP 12 Grant	Direct	20.106	3-18-0055-012-2008	39,210
AIP 14 Grant		20.106	3-18-0055-014-2010	33,760
AIP 15 Grant		20.106	3-18-0055-015-2011	74,524
AIP 16 Grant		20.106	3-18-0055-016-2012	10,451
Total - Airport Improvement Program				<u>157,945</u>
Highway Planning and Construction Cluster				
Highway Planning and Construction INDOT Traffic Study Grant	Indiana Department of Transportation	20.205		63,559
Total - Department of Transportation				<u>2,158,050</u>
Total federal awards expended				<u>\$ 3,567,857</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 statement. 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 sub-recipients as follows for the year ended December 31, 2012:

Program Title	Federal CFDA Number	2012
Community Development Block Grants/Entitlement Grants	14.218	<u>\$ 79,719</u>

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:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

\_\_\_\_\_ Name of Federal Program or Cluster  
CDBG - Entitlement Grants Cluster  
CDBG - State-Administered CDBG Cluster

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**

**FINDING 2012-1 - INTERNAL CONTROLS AND FINANCIAL REPORTING**

The City did not have a proper system of internal controls in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: one Federal grant under CFDA Number 20.205 with expenditures totaling \$63,559 and another Federal grant under CFDA Number 20.507 with expenditures totaling \$68,530 were not included on the SEFA. Also, several grants were listed under the

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

wrong CFDA Number. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2012-2 - INTERNAL CONTROL RELATED TO ALLOWABLE COST**

Federal Agency: Department of Housing and Urban Development  
Federal Program (CFDA Title): Community Development Block Grants/Entitlement Grants  
CFDA Numbers: 14.218  
Pass-Through Entity: Direct  
Award Numbers and Years: B-10-MC-180022, B-11-MC-180022

The City did not establish internal controls to provide reasonable assurance that Federal grants were being managed in compliance with laws, regulations, and the provisions of contracts or grant agreements. Effective internal controls require that the City monitor and assess the quality of the process of internal controls.

We noted the following deficiencies in the City's internal controls over disbursing: (1) wire transfers totaling \$67,841.30 were made from the City's account to various Title companies for the purchase of properties relating to a community development project funded by the Community Development Block Grant (CDBG). The wire transfers were reimbursed to the City using proceeds from the CDBG grant. However, the wire transfers were not approved by the City's governing board. (2) Claims were not presented to the Redevelopment Board for review and approval prior to payment being made.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The City was not in compliance with requirements set forth by OMB Circular A-133 to maintain internal controls. Failure to comply with these requirements could cause the City to be ineligible to receive future federal awards.

We recommended that the City establish effective internal controls to provide a reasonable assurance that Federal funds are being managed in compliance with laws, regulations, and the provisions of contracts or grant agreements. Effective internal controls require that the City monitor and assess the quality of the process of the internal controls.

**FINDING 2012-3 - INTERNAL CONTROL RELATED TO REPORTING**

Federal Agency: Department of Housing and Urban Development  
Federal Program (CFDA Title): Community Development Block Grants/Entitlement Grants  
CFDA Numbers: 14.218  
Pass-Through Entity: Direct  
Award Numbers and Years: B-10-MC-180022, B-11-MC-180022

The City did not establish effective internal controls to provide reasonable assurance that Federal awards were being managed in compliance with laws, regulations, and the provisions of contracts or grant agreements. Effective internal controls requires the City to monitor and assess the effectiveness of the internal controls; it also requires periodic testing to ensure all related activity is reported in a timely manner and thus reducing the risk of inaccurate records, faulty reporting, or incorrect decision making.

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

We noted some instances in which vendors were not paid in a timely manner. For instance, an invoice dated October 21, 2011, from the Concerned Citizens for the Homeless in the amount of \$2,991.93, was not paid until April 16, 2012. In another instance, an invoice from Amereco dated August 28, 2012, in the amount of \$13,153.75, was not paid until November 6, 2012. The City did not date stamp the invoices when received nor was there any other documentation or explanation provided in the grant file.

Lack of controls to monitor the receipting, disbursing and recording of grant activities increases the risk of inaccurate reporting, inaccurate records, and incorrect decision making.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended that the City establish internal controls to ensure reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. This is accomplished by making sure proper oversight, reviews, and approvals take place in a timely manner.

***FINDING 2012-4 - INTERNAL CONTROL RELATED TO REPORTING***

Federal Agency: Department of Housing and Urban Development  
Federal Program (CFDA Title): Community Development Block Grants/State's  
Program and Non-Entitlement Grants in Hawaii  
CFDA Numbers: 14.228  
Pass-Through Entity: Indiana Housing and Community Development Authority  
Award Numbers and Years: NSP1-009-017

The City did not establish effective internal controls to provide reasonable assurance that Federal awards were being managed in compliance with laws, regulations, and the provisions of contracts or grant agreements. Effective internal controls requires the City to not only monitor and assess the effectiveness of the internal controls, but also requires periodic testing to ensure all related activity is reported in a timely manner and thus reducing the risk of inaccurate records, faulty reporting, or incorrect decision making.

We noted a claim for reimbursement totaling \$76,586.87 dated May 9, 2012, for reimbursement of administrative services. Further inspection revealed that the claim included reimbursement for salaries incurred during the week of June 6 through 9, 2011. Inquiries were made and it was noted that the salaries were initially expensed out of the Redevelopment Commission Fund in 2011 and were being reimbursed with the claim dated May 9, 2012.

Lack of controls to monitor the receipting, disbursing, and recording of grant activities increase the risk of inaccurate reporting, inaccurate records, and incorrect decision making.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City establish internal controls to ensure reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. This can be accomplished by establishing a tracking system to assure the timely submission of allowable expenditures.

***FINDING 2012-5 - INTERNAL CONTROL RELATED TO ALLOWABLE COST***

Federal Agency: Department of Housing and Urban Development  
Federal Program (CFDA Title): Community Development Block Grants/State's  
Program and Non-Entitlement Grants in Hawaii  
CFDA Numbers: 14.228  
Pass-Through Entity: Indiana Housing and Community Development Authority  
Award Numbers and Years: NSP1-009-017

The City did not establish internal controls to provide reasonable assurance that Federal grants were being managed in compliance with laws, regulations, and the provisions of contracts or grant agreements. Effective internal controls require that the City monitor and assess the quality of the process of internal controls.

We noted several instances in which claims were not presented to the governing board for review and/or approval.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The City was not in compliance with requirements set forth by OMB Circular A-133 to maintain internal controls. Failure to comply with these requirements could cause the City to be ineligible to receive future federal awards.

We recommended that the City establish effective internal controls to provide a reasonable assurance that Federal funds are being managed in compliance with laws, regulations, and the provisions of contracts or grant agreements. Effective internal controls require that the City monitor and assess the quality of the process of the internal controls.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FINDING NUMBER 2011-1**

**Original SBA Audit Report Number**                      **B40901**

**Fiscal Year**    **January 1, 2011 to December 31, 2011**

**Auditee Contact Person**                                      **Donna Pappas/Yvonne Hoffmaster**

**Title of Contact Person**                                      **City Controller/Deputy Controller**

**Phone Number**    **(219) 873-1404 ext 361**

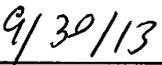
**Status of Finding:**

The City reviews all claims submitted for payment into the City's accounting software program to ensure that the correct CDBG Program is used. In addition, the Community Development Director is reviewing Federal Cash Transaction Reports which are reconciled to IDIS on a quarterly basis.

  
\_\_\_\_\_  
Donna Pappas, Controller

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Yvonne Hoffmaster, Deputy Controller

  
\_\_\_\_\_  
Date

**Section II – Financial Statement Findings**

**FINDING 2012-1, INTERNAL CONTROLS AND FINANCIAL REPORTING**

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

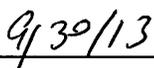
**Corrective Action 2012-1:**

The City will develop a checklist to better implement the requirements of OMB Circular A-133 that will be distributed to all departments that deal with Federal Awards.

  
\_\_\_\_\_  
Donna Pappas, Controller

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Yvonne Hoffmaster, Deputy Controller

  
\_\_\_\_\_  
Date

**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2012-2, INTERNAL CONTROL RELATED TO ALLOWABLE COST**

**Federal Agency: U.S. Housing and Urban Development**

**Federal Program (CFDA Title): Community Development Block Grants/Entitlement Grants**

**CFDA Numbers: 14.218**

**Pass-Through Entity: Direct**

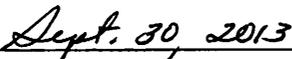
**Award Numbers and Years: B-10-MC-180022, B-11-MC-180022**

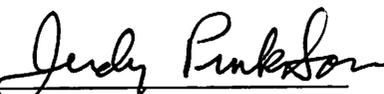
The City did not establish internal controls to provide reasonable assurance that Federal grants are being managed in compliance with laws, regulations, and the provisions of contracts or grant agreements. Effective internal controls require that the unit monitor and assess the quality of the process of internal controls.

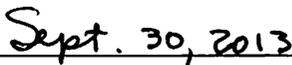
**Corrective Action 2012-2:**

The City will on all wire transfers get approval by the City's Governing Board and the respective claim will be presented to the City's Governing Board for approval prior to payment being made.

  
\_\_\_\_\_  
Donna Pappas, Controller

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Judy Pinkston, CDBG Director

  
\_\_\_\_\_  
Date

**Section III – Federal Award Findings and Questioned Costs**

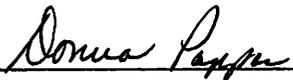
**FINDING 2012-3, INTERNAL CONTROL RELATED TO REPORTING**

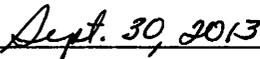
**Federal Agency:** U.S. Housing and Urban Development  
**Federal Program (CFDA Title):** Community Development Block Grants/Entitlement Grants  
**CFDA Numbers:** 14.218  
**Pass-Through Entity:** Direct  
**Award Numbers and Years:** B-10-MC-180022, B-11-MC-180022

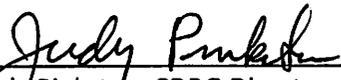
The City did not establish effective internal controls to provide reasonable assurance that Federal awards are being managed in compliance with laws, regulations, and the provisions of contracts or grant agreements. Effective internal controls requires the City to monitor and assess the effectiveness of the internal controls, it also requires periodic testing to ensure all related activity is reported in a timely manner and thus reducing the risk of inaccurate records, faulty reporting or incorrect decision making.

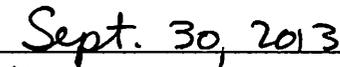
**Corrective Action 2012-3:**

In most cases, the invoices were retained until beneficiary information was provided, or the invoice date did not reflect the date it was submitted. The City now date stamps all invoices, and will insert a note into the file to reflect any deficiencies in the invoice submittal, if applicable.

  
\_\_\_\_\_  
Donna Pappas, Controller

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Judy Pinkston, CDBG Director

  
\_\_\_\_\_  
Date

Section III – Federal Award Findings and Questioned Costs

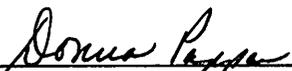
FINDING 2012-4, INTERNAL CONTROL RELATED TO REPORTING

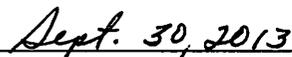
Federal Agency: U.S. Housing and Urban Development  
Federal Program (CFDA Title): Community Development Block Grants/State's  
Program and Non-Entitlement Grants in Hawaii  
CFDA Numbers: 14.228  
Pass-Through Entity: Indiana Housing and Community Development Authority  
Award Numbers and Years: NSP1-009-017

The City did not establish effective internal controls to provide reasonable assurance that Federal awards are being managed in compliance with laws, regulations, and the provisions of contracts or grant agreements. Effective internal controls requires the unit to not only monitor and assess the effectiveness of the internal controls, but also requires periodic testing to ensure all related activity is reported in a timely manner and thus reducing the risk of inaccurate records, faulty reporting or incorrect decision making.

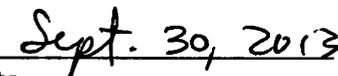
Corrective Action 2012-4:

The reimbursement of salaries will occur on a quarterly basis in order to avoid the delay that occurred with the NSP grant.

  
\_\_\_\_\_  
Donna Pappas, Controller

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Judy Pinkston, CDBG Director

  
\_\_\_\_\_  
Date

**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2012-5, INTERNAL CONTROL RELATED TO ALLOWABLE COST**

**Federal Agency: U.S. Housing and Urban Development**

**Federal Program (CFDA Title): Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii**

**CFDA Numbers: 14.228**

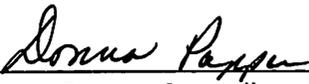
**Pass-Through Entity: Indiana Housing and Community Development Authority**

**Award Numbers and Years: NSP1-009-017**

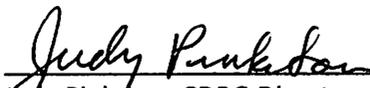
The City did not establish effective internal controls to provide reasonable assurance that Federal grants are being managed in compliance with laws, regulations, and the provisions of contracts or grant agreements. Effective internal controls require that the unit monitor and assess the quality of internal controls.

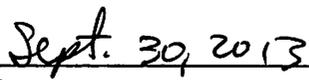
**Corrective Action 2012-5:**

The City will submit all claims to the Board of Public Works and Safety for approval prior to paying these claims.

  
\_\_\_\_\_  
Donna Pappas, Controller

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Judy Pinkston, CDBG Director

  
\_\_\_\_\_  
Date

CITY OF MICHIGAN CITY  
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2013, with Yvonne Hoffmaster, former Controller; Donna Pappas, Controller; Ron Meer, Mayor; Steve Janus, President of the Board of Public Works and Safety; and Duane Parry, 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 INDIANA

Office of City Controller - Donna Pappas, City Controller - Phone: 219.873.1404 - Fax: 219.873.1542 - email: dpappas@emichigancity.com

September 30, 2013

Mr. Bruce Hartman, CPA  
State Examiner  
State Board of Accounts

Mr. Hartman,

The Controller's Office for the City of Michigan City has assigned the supervision of all grants/awards to the Deputy Controller. The Controller's Office is creating a checklist that will be given to each department within the city that deals with all grants/awards. This checklist will meet the requirements for OMB Circular A-133, Subpart C, section .310 (b) for Federal Programs. All new grants/awards will have a checklist that will begin before the grant application is filed and will continue until the grant/award is expended. All current grants/awards will also have this checklist and any missing documentation will be collected and inserted into those files. Complete file copies of all current and future grants/awards will be retained in the controller's office.

A handwritten signature in cursive script that reads "Donna Pappas".

Donna Pappas  
Controller  
100 E Michigan Blvd  
Michigan City, IN 46360  
Phone: (219) 873-1404 Ext. 361  
Fax: (219) 873-1542  
Email: [dpappas@emichigancity.com](mailto:dpappas@emichigancity.com)

-66-

RON MEER – MAYOR

City of Michigan City ~ City Hall ~ 100 East Michigan Boulevard, Michigan City, IN 46360 ~ 219.873.1400 ~ fax 219.873.1515  
web ~ [emichigancity.com](http://emichigancity.com) e-mail ~ [mayormeer@emichigancity.com](mailto:mayormeer@emichigancity.com)