

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF LAPORTE  
LAPORTE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
02/26/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Teresa L. Ludlow	01-01-12 to 12-31-19
Mayor	Blair E. Milo	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Blair E. Milo	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Roger A. Galloway Joseph A. Mrozinske	01-01-14 to 12-31-14 01-01-15 to 12-31-16



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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the City of LaPorte (City), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement as listed in the Table of Contents.

***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, 2014.

***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, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*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.

*Other Information*

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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued a report dated January 7, 2016, 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.

  
Paul D. Joyce, CPA  
State Examiner

January 7, 2016



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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 LAPORTE, 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 LaPorte (City), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated January 7, 2016, 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under

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)

*Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001.

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

The City's response to the findings identified in our audit is described in the accompanying 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.

  
Paul D. Joyce, CPA  
State Examiner

January 7, 2016

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

CITY OF LAPORTE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended December 31, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
FIRE - FEMA ASSISTANCE TO FF GRANT	\$ -	\$ 36,252	\$ 36,252	\$ -
GENERAL FUND	(641,479)	21,708,865	19,237,456	1,829,930
MVH	1,095,075	1,076,790	907,325	1,264,540
LOCAL ROAD & STREET	269,161	204,143	293,410	179,894
PARK NON-REVERTING	81,549	45,070	37,214	89,405
ECONOMIC DEV COMMISSION	10,780	-	-	10,780
LANDFILL BOND DEBT SVC	75,478	335,665	374,787	36,356
TRANSIT	(101,073)	576,542	577,350	(101,881)
COMMUNITY BLOCK GRANT	(43,900)	351,708	277,117	30,691
LAW ENF CONT EDUCATION	97,667	22,280	24,710	95,237
UNSAFE BUILDING	59,720	816	20,929	39,607
PARK	534,269	1,559,932	1,497,893	596,308
TRASH	252,272	993,256	972,415	273,113
CEDIT	1,059,406	1,407,145	1,206,257	1,260,294
MAJOR MOVES CONSTRUCTION	1,532,217	1,584,532	1,096,018	2,020,731
CCI	218,840	58,333	56,291	220,882
CCD	1,324,085	853,690	703,337	1,474,438
PARK N/R CAPITAL	33,976	-	8,650	25,326
GENERAL IMPROVEMENT FUND	50,000	7,965	-	57,965
REDEVELOPMENT COMM/TIF 1	1,316,616	1,549,636	1,353,302	1,512,950
INDUSTRIAL DEVELOPMENT	44,190	950	-	45,140
ENBRIDGE CHESSIE TRAIL GRANT	-	18,000	-	18,000
STREET REPAIR NON-REVERTING FUND	-	161,867	161,167	700
INSURANCE	61,519	1,791,959	1,789,899	63,579
POLICE PENSION	185,937	634,871	665,844	154,964
FIRE PENSION	327,503	1,160,205	1,263,305	224,403
RIVERBOAT	1,102,451	129,580	200,000	1,032,031
GENERAL TAX FUND	100	-	100	-
L.A.R.E. GRANT 2013	-	24,855	24,855	-
RECREATION NON-REVERTING	140,604	211,996	204,816	147,784
CIVIC NON-REVERTING	112,324	96,442	62,496	146,270
GOLF NON-REVERTING	10,473	1,080	5,000	6,553
BEECHWOOD N/R CAPITAL	1,633	43,296	44,929	-
BIG CITY-COUNTY SEATBELTS	(194)	17,462	23,239	(5,971)
DUI TASKFORCE	133	19,691	19,147	677
COPS GRANT	(11,688)	30,138	18,449	1
KIWANIS/TELEDYNE	37,776	-	-	37,776
LP STRATEGIC PLANNING	11,529	588	-	12,117
FIRE - IDHS GRANT (FIRE RESCUE EQUIPMENT)	-	4,000	4,000	-
FIRE - CHILD SAFETY SEAT GRANT	-	299	290	9
DEA FUND	281	-	-	281
VEST FUND	135	8,971	8,962	144
DRUG FREE PARTNERSHIP	400	-	-	400
VERTICAL REAL ESTATE FUND	103,208	9,170	-	112,378
RENTAL REHAB LIEN PYMT	661	-	-	661
CENTRAL STATION INTERIOR	1,170	-	-	1,170
REDEVELOPMENT COMM/TIF II	2,742,935	2,027,543	367,872	4,402,606
REDEVELOPMENT - TIF III	591,307	1,067,909	395,212	1,264,004
DOWNTOWN BID DISTRICT	269,430	140,989	136,810	273,609
REDEVELOPMENT COMM - TIF IV	237,820	331,602	670	568,752
MASTER PLAN	5,413	-	-	5,413
RESTRICTED DONATIONS	61,653	119,928	40,516	141,065
MAYOR'S VETERANS COMM	6,998	450	666	6,782
GOOD SAMARITAN FUND	1,798	3,570	4,415	953
EMPLOYEE BENEFIT FUND	2,620,341	1,825,464	1,520,474	2,925,331

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

CITY OF LAPORTE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended December 31, 2014  
(Continued)

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
IFA POWERHOUSE GRANT	1,123	-	-	1,123
G.O. BONDS OF 2012	(85,977)	494,473	380,274	28,222
2012 GO BOND PROCEEDS	2,673,094	-	1,081,089	1,592,005
BOND - DEBT SERVICE	(92,961)	543,131	406,853	43,317
FIRE EQUIP LEASE BONDS	(98,751)	695,648	536,035	60,862
PARK BOND DEBT SERVICE	(85,182)	195,919	110,736	1
MAURICE FOX TRUST	216,296	15,373	8,337	223,332
ELEANOR FOX TRUST	112,683	5,487	1,050	117,120
FOX MEMORIAL TRUST	39,939	595	-	40,534
PR - DIRECT DEPOSIT	-	4,477,259	4,477,259	-
PAYROLL NET SALARIES	-	1,525,660	1,525,660	-
PAYROLL - FEDERAL	-	938,123	938,123	-
PAYROLL - FICA	-	563,373	563,373	-
PAYROLL - MEDICARE	-	240,225	240,225	-
PAYROLL - STATE W/H	-	288,148	288,148	-
PAYROLL - COUNTY W/H	-	76,798	76,798	-
PAYROLL - PERF	-	11,320	11,320	-
PR AFLAC - POST TAX	-	7,204	7,204	-
AFLAC - PRE-TAX	-	20,225	20,225	-
PAYROLL - HARTFORD LOAN	-	17,433	17,433	-
BOSTON MUTUAL LIFE	-	28,402	28,402	-
PAYROLL - HARTFORD 457	-	116,218	116,218	-
CENTIER BANK	-	12,245	12,245	-
HORIZON - HEALTH SAVINGS	-	175	175	-
PAYROLL-GOOD SAMARITAN	-	3,024	3,024	-
CITY OF LP INSURANCE	(19)	143,458	143,438	1
LPSB-HEALTH SAVINGS	-	61,107	61,107	-
FOP #54	-	5,305	5,305	-
IN CHILD SUPPORT FEE	-	365	365	-
FOP LABOR COUNCIL	-	9,481	9,481	-
GUARDIAN-DISABILITY	-	666	666	-
GUARDIAN - LIFE	-	3,389	3,389	-
LP FIREFIGHTERS LOCAL 363	-	18,589	18,589	-
LP FIREFIGHTERS PAC DUES	-	2,112	2,112	-
PAYROLL - LP CIRCUIT COURT	-	5,576	5,576	-
LP MUN. EMPLOYEE CRT UNION	-	453,930	453,930	-
LP SUPERIOR COURT #4	-	3,660	3,660	-
LAPORTE SUPERIOR COURT #3	-	1,759	1,759	-
CHILD SUPPORT	-	61,839	61,839	-
LP SUPERIOR COURT #3	-	2,270	2,270	-
CONTINENTAL AMERICAN INS	-	5,036	5,036	-
MONUMENTAL LIFE INSURANCE	-	1,828	1,828	-
STANDING CHAPTER 13	-	19,660	19,660	-
UNITED WAY	-	1,147	1,147	-
FLEXIBLE SPENDING ACCOUNT	5,058	-	-	5,058
YMCA	-	20,104	20,104	-
SEWAGE - UNDERGROUND STORAGE TANK INSURANCE	-	30,012	-	30,012
UTILITIES - CREDIT CARDS	36	360,972	360,958	50
UTILITIES ACH FUND	945	596,227	596,227	945
PAYROLL EXTRA	1,859	4,130	3,808	2,181
WW SRF BOND & INTEREST	190,807	563,284	563,658	190,433
WW SRF DEBT SERVICE	984,740	-	-	984,740
SEWAGE FUND	1,123,238	4,120,968	4,320,991	923,215
SEWAGE DEPRECIATION	505,679	414,447	157,637	762,489
SEWAGE BOND RETIREMENT	447,373	305,709	411,436	341,646
WATER FUND	1,907,545	3,489,701	3,569,736	1,827,510
WATER SRF BOND & INTEREST	113,962	250,637	125,304	239,295
WATER SRF DEBT SERVICE RESERVE	127,207	50,883	-	178,090
Totals	<u>\$ 23,981,193</u>	<u>\$ 63,540,204</u>	<u>\$ 57,425,068</u>	<u>\$ 30,096,329</u>

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

CITY OF LAPORTE  
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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 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 licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF LAPORTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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, 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.

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 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.

CITY OF LAPORTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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 LAPORTE  
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. 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.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing 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  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

CITY OF LAPORTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

*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.

CITY OF LAPORTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 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  
One North Capitol, 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.

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the City were not received by December 31, 2014.

**Note 8. Holding Corporation**

The City has entered into a capital lease with the LaPorte Fire Station Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year 2014 totaled \$256,000.

**Note 9. Subsequent Events**

On May 7, 2015, the City sold \$3,170,000 Series A and \$10,750,000 Series B Redevelopment Authority revenue bonds to finance industrial area infrastructure improvements. On May 20, 2015, the City sold \$9,610,000 sewage works revenue bonds to finance treatment facility improvements. On July 30, 2015, the LaPorte Fire Station Building Corporation sold \$2,230,000 revenue bonds to refund outstanding bonds. The City makes semiannual lease payments to the Building Corporation to finance the debt payments.

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#### OTHER INFORMATION - UNAUDITED

The City's Annual Financial 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 Financial 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 other information presented was approved by management of the City. It is presented as intended by the City.

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014

	FIRE - FEMA ASSISTANCE TO FF GRANT	GENERAL FUND	MVH	LOCAL ROAD & STREET	PARK NON-REVERTING	ECONOMIC DEV COMMISSION
Cash and investments - beginning	\$ -	\$ (641,479)	\$ 1,095,075	\$ 269,161	\$ 81,549	\$ 10,780
Receipts:						
Taxes	-	11,988,927	-	-	-	-
Licenses and permits	-	126,213	-	-	-	-
Intergovernmental	32,400	3,507,442	880,258	204,143	-	-
Charges for services	-	6,725	29,216	-	45,070	-
Fines and forfeits	-	44,839	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	3,852	6,034,719	167,316	-	-	-
Total receipts	<u>36,252</u>	<u>21,708,865</u>	<u>1,076,790</u>	<u>204,143</u>	<u>45,070</u>	<u>-</u>
Disbursements:						
Personal services	-	7,161,958	684,743	18,705	-	-
Supplies	-	237,004	129,434	-	-	-
Other services and charges	-	1,071,938	93,148	274,705	37,214	-
Debt service - principal and interest	-	7,984,287	-	-	-	-
Capital outlay	36,252	115,452	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	2,666,817	-	-	-	-
Total disbursements	<u>36,252</u>	<u>19,237,456</u>	<u>907,325</u>	<u>293,410</u>	<u>37,214</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>2,471,409</u>	<u>169,465</u>	<u>(89,267)</u>	<u>7,856</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 1,829,930</u>	<u>\$ 1,264,540</u>	<u>\$ 179,894</u>	<u>\$ 89,405</u>	<u>\$ 10,780</u>

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	LANDFILL BOND DEBT SVC	TRANSIT	COMMUNITY BLOCK GRANT	LAW ENF CONT EDUCATION	UNSAFE BUILDING	PARK
Cash and investments - beginning	\$ 75,478	\$ (101,073)	\$ (43,900)	\$ 97,667	\$ 59,720	\$ 534,269
Receipts:						
Taxes	290,992	-	-	-	-	906,811
Licenses and permits	-	-	-	5,160	-	-
Intergovernmental	23,172	282,134	-	-	-	231,545
Charges for services	-	136,211	317,536	10,092	-	410,865
Fines and forfeits	-	-	-	7,028	816	560
Utility fees	-	-	-	-	-	-
Other receipts	21,501	158,197	34,172	-	-	10,151
Total receipts	<u>335,665</u>	<u>576,542</u>	<u>351,708</u>	<u>22,280</u>	<u>816</u>	<u>1,559,932</u>
Disbursements:						
Personal services	-	455,080	69,914	-	-	987,965
Supplies	-	76,553	606	-	-	135,232
Other services and charges	300	45,717	71,638	24,710	20,929	194,054
Debt service - principal and interest	374,487	-	-	-	-	-
Capital outlay	-	-	134,959	-	-	15,779
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	164,863
Total disbursements	<u>374,787</u>	<u>577,350</u>	<u>277,117</u>	<u>24,710</u>	<u>20,929</u>	<u>1,497,893</u>
Excess (deficiency) of receipts over disbursements	<u>(39,122)</u>	<u>(808)</u>	<u>74,591</u>	<u>(2,430)</u>	<u>(20,113)</u>	<u>62,039</u>
Cash and investments - ending	<u>\$ 36,356</u>	<u>\$ (101,881)</u>	<u>\$ 30,691</u>	<u>\$ 95,237</u>	<u>\$ 39,607</u>	<u>\$ 596,308</u>

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	TRASH	CEDIT	MAJOR MOVES CONSTRUCTION	CCI	CCD	PARK N/R CAPITAL
Cash and investments - beginning	\$ 252,272	\$ 1,059,406	\$ 1,532,217	\$ 218,840	\$ 1,324,085	\$ 33,976
Receipts:						
Taxes	-	-	-	-	458,549	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	1,407,145	-	58,333	52,142	-
Charges for services	993,256	-	1,584,481	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	51	-	342,999	-
Total receipts	<u>993,256</u>	<u>1,407,145</u>	<u>1,584,532</u>	<u>58,333</u>	<u>853,690</u>	<u>-</u>
Disbursements:						
Personal services	-	894,586	-	-	-	-
Supplies	-	983	-	-	-	-
Other services and charges	972,415	292,688	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	18,000	1,095,940	56,291	444,343	8,650
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	78	-	258,994	-
Total disbursements	<u>972,415</u>	<u>1,206,257</u>	<u>1,096,018</u>	<u>56,291</u>	<u>703,337</u>	<u>8,650</u>
Excess (deficiency) of receipts over disbursements	<u>20,841</u>	<u>200,888</u>	<u>488,514</u>	<u>2,042</u>	<u>150,353</u>	<u>(8,650)</u>
Cash and investments - ending	<u>\$ 273,113</u>	<u>\$ 1,260,294</u>	<u>\$ 2,020,731</u>	<u>\$ 220,882</u>	<u>\$ 1,474,438</u>	<u>\$ 25,326</u>

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	GENERAL IMPROVEMENT FUND	REDEVELOPMENT COMM/TIF 1	INDUSTRIAL DEVELOPMENT	ENBRIDGE CHESSIE TRAIL GRANT	STREET REPAIR NON-REVERTING FUND	INSURANCE
Cash and investments - beginning	\$ 50,000	\$ 1,316,616	\$ 44,190	\$ -	\$ -	\$ 61,519
Receipts:						
Taxes	-	1,549,570	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	950	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	7,965	66	-	18,000	161,867	1,791,959
Total receipts	7,965	1,549,636	950	18,000	161,867	1,791,959
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	136,024	-	-	-	1,789,899
Debt service - principal and interest	-	353,500	-	-	-	-
Capital outlay	-	841,280	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	22,498	-	-	161,167	-
Total disbursements	-	1,353,302	-	-	161,167	1,789,899
Excess (deficiency) of receipts over disbursements	7,965	196,334	950	18,000	700	2,060
Cash and investments - ending	\$ 57,965	\$ 1,512,950	\$ 45,140	\$ 18,000	\$ 700	\$ 63,579

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	POLICE PENSION	FIRE PENSION	RIVERBOAT	GENERAL TAX FUND	L.A.R.E. GRANT 2013	RECREATION NON-REVERTING
Cash and investments - beginning	\$ 185,937	\$ 327,503	\$ 1,102,451	\$ 100	\$ -	\$ 140,604
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	129,580	-	18,022	-
Charges for services	557,395	980,871	-	-	-	211,996
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	77,476	179,334	-	-	6,833	-
Total receipts	<u>634,871</u>	<u>1,160,205</u>	<u>129,580</u>	<u>-</u>	<u>24,855</u>	<u>211,996</u>
Disbursements:						
Personal services	550,675	981,052	200,000	-	-	53,564
Supplies	-	800	-	-	-	-
Other services and charges	8,781	7,860	-	-	24,855	151,252
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	106,388	273,593	-	100	-	-
Total disbursements	<u>665,844</u>	<u>1,263,305</u>	<u>200,000</u>	<u>100</u>	<u>24,855</u>	<u>204,816</u>
Excess (deficiency) of receipts over disbursements	<u>(30,973)</u>	<u>(103,100)</u>	<u>(70,420)</u>	<u>(100)</u>	<u>-</u>	<u>7,180</u>
Cash and investments - ending	<u>\$ 154,964</u>	<u>\$ 224,403</u>	<u>\$ 1,032,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,784</u>

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	CIVIC NON-REVERTING	GOLF NON-REVERTING	BEECHWOOD N/R CAPITAL	BIG CITY-COUNTY SEATBELTS	DUI TASKFORCE	COPS GRANT
Cash and investments - beginning	\$ 112,324	\$ 10,473	\$ 1,633	\$ (194)	\$ 133	\$ (11,688)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	17,462	19,691	30,138
Charges for services	96,442	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	1,080	43,296	-	-	-
Total receipts	<u>96,442</u>	<u>1,080</u>	<u>43,296</u>	<u>17,462</u>	<u>19,691</u>	<u>30,138</u>
Disbursements:						
Personal services	-	-	-	23,239	19,147	18,449
Supplies	-	-	-	-	-	-
Other services and charges	62,496	5,000	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	44,929	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>62,496</u>	<u>5,000</u>	<u>44,929</u>	<u>23,239</u>	<u>19,147</u>	<u>18,449</u>
Excess (deficiency) of receipts over disbursements	<u>33,946</u>	<u>(3,920)</u>	<u>(1,633)</u>	<u>(5,777)</u>	<u>544</u>	<u>11,689</u>
Cash and investments - ending	<u>\$ 146,270</u>	<u>\$ 6,553</u>	<u>\$ -</u>	<u>\$ (5,971)</u>	<u>\$ 677</u>	<u>\$ 1</u>

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	KIWANIS/TELEDYNE	LP STRATEGIC PLANNING	FIRE - IDHS GRANT (FIRE RESCUE EQUIPMENT)	FIRE - CHILD SAFETY SEAT GRANT	DEA FUND	VEST FUND
Cash and investments - beginning	\$ 37,776	\$ 11,529	\$ -	\$ -	\$ 281	\$ 135
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	4,000	-	-	866
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	588	-	299	-	8,105
Total receipts	-	588	4,000	299	-	8,971
Disbursements:						
Personal services	-	-	-	-	-	8,105
Supplies	-	-	-	290	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	4,000	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	857
Total disbursements	-	-	4,000	290	-	8,962
Excess (deficiency) of receipts over disbursements	-	588	-	9	-	9
Cash and investments - ending	\$ 37,776	\$ 12,117	\$ -	\$ 9	\$ 281	\$ 144

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	DRUG FREE PARTNERSHIP	VERTICAL REAL ESTATE FUND	RENTAL REHAB LIEN PYMT	CENTRAL STATION INTERIOR	REDEVELOPMENT COMM/TIF II	REDEVELOPMENT - TIF III
Cash and investments - beginning	\$ 400	\$ 103,208	\$ 661	\$ 1,170	\$ 2,742,935	\$ 591,307
Receipts:						
Taxes	-	-	-	-	2,024,848	770,111
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,445	-
Charges for services	-	9,170	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	1,250	297,798
Total receipts	-	9,170	-	-	2,027,543	1,067,909
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	28,395	-
Debt service - principal and interest	-	-	-	-	-	200,000
Capital outlay	-	-	-	-	337,627	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	1,850	195,212
Total disbursements	-	-	-	-	367,872	395,212
Excess (deficiency) of receipts over disbursements	-	9,170	-	-	1,659,671	672,697
Cash and investments - ending	\$ 400	\$ 112,378	\$ 661	\$ 1,170	\$ 4,402,606	\$ 1,264,004

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	DOWNTOWN BID DISTRICT	REDEVELOPMENT - COMM TIF IV	MASTER PLAN	RESTRICTED DONATIONS	MAYOR'S VETERANS COMM	GOOD SAMARITAN FUND
Cash and investments - beginning	\$ 269,430	\$ 237,820	\$ 5,413	\$ 61,653	\$ 6,998	\$ 1,798
Receipts:						
Taxes	-	331,602	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	140,989	-	-	119,928	450	3,570
Total receipts	<u>140,989</u>	<u>331,602</u>	<u>-</u>	<u>119,928</u>	<u>450</u>	<u>3,570</u>
Disbursements:						
Personal services	600	-	-	5,258	-	-
Supplies	1,980	-	-	5,400	-	-
Other services and charges	134,230	670	-	2,327	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	27,531	666	4,415
Total disbursements	<u>136,810</u>	<u>670</u>	<u>-</u>	<u>40,516</u>	<u>666</u>	<u>4,415</u>
Excess (deficiency) of receipts over disbursements	<u>4,179</u>	<u>330,932</u>	<u>-</u>	<u>79,412</u>	<u>(216)</u>	<u>(845)</u>
Cash and investments - ending	<u>\$ 273,609</u>	<u>\$ 568,752</u>	<u>\$ 5,413</u>	<u>\$ 141,065</u>	<u>\$ 6,782</u>	<u>\$ 953</u>

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	EMPLOYEE BENEFIT FUND	IFA POWERHOUSE GRANT	G.O. BONDS OF 2012	2012 GO BOND PROCEEDS	BOND - DEBT SERVICE	FIRE EQUIP LEASE BONDS
Cash and investments - beginning	\$ 2,620,341	\$ 1,123	\$ (85,977)	\$ 2,673,094	\$ (92,961)	\$ (98,751)
Receipts:						
Taxes	-	-	311,542	-	369,204	511,172
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	52,211	-	48,996	63,813
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,825,464	-	130,720	-	124,931	120,663
Total receipts	<u>1,825,464</u>	<u>-</u>	<u>494,473</u>	<u>-</u>	<u>543,131</u>	<u>695,648</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	1,493,625	-	750	-	400	-
Debt service - principal and interest	-	-	379,524	-	406,453	536,035
Capital outlay	-	-	-	1,081,089	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	26,849	-	-	-	-	-
Total disbursements	<u>1,520,474</u>	<u>-</u>	<u>380,274</u>	<u>1,081,089</u>	<u>406,853</u>	<u>536,035</u>
Excess (deficiency) of receipts over disbursements	<u>304,990</u>	<u>-</u>	<u>114,199</u>	<u>(1,081,089)</u>	<u>136,278</u>	<u>159,613</u>
Cash and investments - ending	<u>\$ 2,925,331</u>	<u>\$ 1,123</u>	<u>\$ 28,222</u>	<u>\$ 1,592,005</u>	<u>\$ 43,317</u>	<u>\$ 60,862</u>

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	PARK BOND DEBT SERVICE	MAURICE FOX TRUST	ELEANOR FOX TRUST	FOX MEMORIAL TRUST	PR - DIRECT DEPOSIT	PAYROLL NET SALARIES
Cash and investments - beginning	\$ (85,182)	\$ 216,296	\$ 112,683	\$ 39,939	\$ -	\$ -
Receipts:						
Taxes	32,968	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	36,095	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	126,856	15,373	5,487	595	4,477,259	1,525,660
Total receipts	<u>195,919</u>	<u>15,373</u>	<u>5,487</u>	<u>595</u>	<u>4,477,259</u>	<u>1,525,660</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	110,736	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	8,337	1,050	-	4,477,259	1,525,660
Total disbursements	<u>110,736</u>	<u>8,337</u>	<u>1,050</u>	<u>-</u>	<u>4,477,259</u>	<u>1,525,660</u>
Excess (deficiency) of receipts over disbursements	<u>85,183</u>	<u>7,036</u>	<u>4,437</u>	<u>595</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1</u>	<u>\$ 223,332</u>	<u>\$ 117,120</u>	<u>\$ 40,534</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	PAYROLL - FEDERAL	PAYROLL - FICA	PAYROLL - MEDICARE	PAYROLL - STATE W/H	PAYROLL - COUNTY W/H	PAYROLL - PERF
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	938,123	563,373	240,225	288,148	76,798	11,320
Total receipts	<u>938,123</u>	<u>563,373</u>	<u>240,225</u>	<u>288,148</u>	<u>76,798</u>	<u>11,320</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	938,123	563,373	240,225	288,148	76,798	11,320
Total disbursements	<u>938,123</u>	<u>563,373</u>	<u>240,225</u>	<u>288,148</u>	<u>76,798</u>	<u>11,320</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	PR AFLAC - POST TAX	AFLAC - PRE-TAX	PAYROLL - HARTFORD LOAN	BOSTON MUTUAL LIFE	PAYROLL - HARTFORD 457	CENTIER BANK
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	7,204	20,225	17,433	28,402	116,218	12,245
Total receipts	<u>7,204</u>	<u>20,225</u>	<u>17,433</u>	<u>28,402</u>	<u>116,218</u>	<u>12,245</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	7,204	20,225	17,433	28,402	116,218	12,245
Total disbursements	<u>7,204</u>	<u>20,225</u>	<u>17,433</u>	<u>28,402</u>	<u>116,218</u>	<u>12,245</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	HORIZON - HEALTH SAVINGS	PAYROLL-GOOD SAMARITAN	CITY OF LP INSURANCE	LPSB-HEALTH SAVINGS	FOP #54	IN CHILD SUPPORT FEE
Cash and investments - beginning	\$ -	\$ -	\$ (19)	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	175	3,024	143,458	61,107	5,305	365
Total receipts	<u>175</u>	<u>3,024</u>	<u>143,458</u>	<u>61,107</u>	<u>5,305</u>	<u>365</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	175	3,024	143,438	61,107	5,305	365
Total disbursements	<u>175</u>	<u>3,024</u>	<u>143,438</u>	<u>61,107</u>	<u>5,305</u>	<u>365</u>
Excess (deficiency) of receipts over disbursements	-	-	20	-	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	FOP LABOR COUNCIL	GUARDIAN-DISABILITY	GUARDIAN - LIFE	LP FIREFIGHTERS LOCAL 363	LP FIREFIGHTERS PAC DUES	PAYROLL - LP CIRCUIT COURT
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	9,481	666	3,389	18,589	2,112	5,576
Total receipts	<u>9,481</u>	<u>666</u>	<u>3,389</u>	<u>18,589</u>	<u>2,112</u>	<u>5,576</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	9,481	666	3,389	18,589	2,112	5,576
Total disbursements	<u>9,481</u>	<u>666</u>	<u>3,389</u>	<u>18,589</u>	<u>2,112</u>	<u>5,576</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	LP MUN. EMPLOYEE CRT UNION	LP SUPERIOR COURT #4	LAPORTE SUPERIOR COURT #3	CHILD SUPPORT	LP SUPERIOR COURT #3	CONTINENTAL AMERICAN INS
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	453,930	3,660	1,759	61,839	2,270	5,036
Total receipts	<u>453,930</u>	<u>3,660</u>	<u>1,759</u>	<u>61,839</u>	<u>2,270</u>	<u>5,036</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	453,930	3,660	1,759	61,839	2,270	5,036
Total disbursements	<u>453,930</u>	<u>3,660</u>	<u>1,759</u>	<u>61,839</u>	<u>2,270</u>	<u>5,036</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	MONUMENTAL LIFE INSURANCE	STANDING CHAPTER 13	UNITED WAY	FLEXIBLE SPENDING ACCOUNT	YMCA	SEWAGE - UNDERGROUND STORAGE TANK INSURANCE
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 5,058	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,828	19,660	1,147	-	20,104	30,012
Total receipts	1,828	19,660	1,147	-	20,104	30,012
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,828	19,660	1,147	-	20,104	-
Total disbursements	1,828	19,660	1,147	-	20,104	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	30,012
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 5,058	\$ -	\$ 30,012

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	UTILITIES - CREDIT CARDS	UTILITIES ACH FUND	PAYROLL EXTRA	WW SRF BOND & INTEREST	WW SRF DEBT SERVICE	SEWAGE FUND
Cash and investments - beginning	\$ 36	\$ 945	\$ 1,859	\$ 190,807	\$ 984,740	\$ 1,123,238
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	4,120,968
Other receipts	360,972	596,227	4,130	563,284	-	-
Total receipts	<u>360,972</u>	<u>596,227</u>	<u>4,130</u>	<u>563,284</u>	<u>-</u>	<u>4,120,968</u>
Disbursements:						
Personal services	-	-	-	-	-	890,272
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	67,173
Debt service - principal and interest	-	-	-	563,658	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	1,980,566
Other disbursements	360,958	596,227	3,808	-	-	1,382,980
Total disbursements	<u>360,958</u>	<u>596,227</u>	<u>3,808</u>	<u>563,658</u>	<u>-</u>	<u>4,320,991</u>
Excess (deficiency) of receipts over disbursements	<u>14</u>	<u>-</u>	<u>322</u>	<u>(374)</u>	<u>-</u>	<u>(200,023)</u>
Cash and investments - ending	<u>\$ 50</u>	<u>\$ 945</u>	<u>\$ 2,181</u>	<u>\$ 190,433</u>	<u>\$ 984,740</u>	<u>\$ 923,215</u>

CITY OF LAPORTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	SEWAGE DEPRECIATION	SEWAGE BOND RETIREMENT	WATER FUND	WATER SRF BOND & INTEREST	WATER SRF DEBT SERVICE RESERVE	Totals
Cash and investments - beginning	\$ 505,679	\$ 447,373	\$ 1,907,545	\$ 113,962	\$ 127,207	\$ 23,981,193
Receipts:						
Taxes	-	-	-	-	-	19,546,296
Licenses and permits	-	-	-	-	-	131,373
Intergovernmental	-	-	-	-	-	7,101,033
Charges for services	-	-	-	-	-	5,390,276
Fines and forfeits	-	-	-	-	-	53,243
Utility fees	14,447	-	3,487,114	-	-	7,622,529
Other receipts	400,000	305,709	2,587	250,637	50,883	23,695,454
Total receipts	414,447	305,709	3,489,701	250,637	50,883	63,540,204
Disbursements:						
Personal services	-	-	854,323	-	-	13,877,635
Supplies	-	-	-	-	-	588,282
Other services and charges	-	-	69,219	-	-	7,082,412
Debt service - principal and interest	-	411,436	-	125,304	-	11,445,420
Capital outlay	157,637	-	155,076	-	-	4,547,304
Utility operating expenses	-	-	2,051,885	-	-	4,032,451
Other disbursements	-	-	439,233	-	-	15,851,564
Total disbursements	157,637	411,436	3,569,736	125,304	-	57,425,068
Excess (deficiency) of receipts over disbursements	256,810	(105,727)	(80,035)	125,333	50,883	6,115,136
Cash and investments - ending	\$ 762,489	\$ 341,646	\$ 1,827,510	\$ 239,295	\$ 178,090	\$ 30,096,329

CITY OF LAPORTE  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2014

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 122,214	\$ 262,371
Wastewater	48,072	127,775
Water	58,613	311,154
Totals	\$ 228,899	\$ 701,300

CITY OF LAPORTE  
SCHEDULE OF LEASES AND DEBT  
December 31, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
LaPorte Fire Station Building Corporation	Fire Station-Equipment	\$ 252,500	11/9/2005	1/15/2026
LaPorte Redevelopment Authority	Downtown TIF	<u>354,000</u>	2/7/2012	2/1/2022
Total of annual lease payments		<u>\$ 606,500</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	G.O. Refunding Bonds of 2004 - Police Station	\$ 482,000	\$ 172,627
General obligation bonds	G.O. Bonds of 2012	4,715,000	171,208
Revenue bonds	Redevelopment - Eastgate TIF III	1,158,879	230,000
Revenue bonds	Redevelopment District Bonds of 2007 - Landfill	<u>1,350,000</u>	<u>208,240</u>
Total governmental activities		<u>7,705,879</u>	<u>782,075</u>
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds of 2006	4,500,000	180,000
Revenue bonds	Sewage Works Revenue Bonds of 2007	1,560,000	235,249
Revenue bonds	Sewage Works Revenue Bonds of 2000 - Series A - SRF	905,000	169,675
Revenue bonds	Sewage Works Revenue Bonds of 2001 - Series B - SRF	<u>2,409,238</u>	<u>394,323</u>
Total Wastewater		<u>9,374,238</u>	<u>979,247</u>
Water:			
Revenue bonds	Waterworks Revenue Bonds of 2011 - SRF	3,299,521	248,068
Revenue bonds	Waterworks Revenue Bonds of 2011 - SRF - Forgivable	<u>2,325,000</u>	-
Total Water		<u>5,624,521</u>	<u>248,068</u>
Totals		<u>\$ 22,704,638</u>	<u>\$ 2,009,390</u>

CITY OF LAPORTE  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2014

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	\$ 2,238,220
Infrastructure	22,994,821
Buildings	9,209,497
Improvements other than buildings	2,972,407
Machinery, equipment, and vehicles	6,519,405
Construction in progress	4,925,693
Total governmental activities	48,860,043
Wastewater:	
Land	155,887
Infrastructure	23,633,797
Buildings	20,952,129
Improvements other than buildings	374,208
Machinery, equipment, and vehicles	653,571
Construction in progress	19,795
Total Wastewater	45,789,387
Water:	
Land	185,484
Infrastructure	26,720,874
Buildings	3,788,141
Improvements other than buildings	60,243
Machinery, equipment, and vehicles	744,506
Total Water	31,499,248
Total capital assets	\$ 126,148,678

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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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 LAPORTE, LAPORTE COUNTY, INDIANA

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

We have audited the City of LaPorte'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, 2014. 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.

***Basis for Qualified Opinion on CDBG - Entitlement Grants Cluster***

As described in items 2014-002, 2014-003, and 2014-004 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Cash Management, Program Income, and Subrecipient Monitoring that are applicable to its CDBG - Entitlement Grants Cluster. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

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

***Qualified Opinion on CDBG - Entitlement Grants Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, 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 CDBG - Entitlement Grants Cluster for the year ended December 31, 2014.

***Unmodified Opinion on the Other Major Federal Programs***

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 its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2014.

***Other Matters***

The City's response to the noncompliance findings identified in our audit is described in the accompanying 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.

**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 2014-002, 2014-003, and 2014-004 to be material weaknesses.

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

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying 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.

  
Paul D. Joyce, CPA  
State Examiner

January 7, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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 LAPORTE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2014

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 Grant			
Community Development Block Grant		14.218	B-11-MC-18-0021 B-12-MC-18-0021	\$ 143,719 <u>173,817</u>
Total - Department of Housing and Urban Development				<u>317,536</u>
<u>Department of Justice</u>				
Bulletproof Vest Partnership Program				
Vest Fund	Direct Grant	16.607	2014BUBX14071797	<u>866</u>
Public Safety Partnership and Community Policing Grants				
COPS Grant	Direct Grant	16.710	2009RKWX0347	<u>30,138</u>
Total - Department of Justice				<u>31,004</u>
<u>Department of Transportation</u>				
Federal Transit Cluster				
Federal Transit - Formula Grants				
Transit	Northwestern Indiana Regional Planning Commission	20.507	IN-90-X633-00 IN-90-X645-00	50,537 <u>167,863</u>
Transit				
Total - Federal Transit Cluster				<u>218,400</u>
Highway Planning and Construction Cluster				
Highway Planning and Construction				
McClung Road Reconstruction	Indiana Department of Transportation	20.205	EDS#A249-12-320187A	84,481
Bio-Diesel/E-85 (General)		20.205	EDS#A249-13-320150A	45,076
Bio-Diesel/E-85 (Park)		20.205	EDS#A249-13-320150A	<u>3,210</u>
Total - Highway Planning and Construction Cluster				<u>132,767</u>
Highway Safety Cluster				
Alcohol Impaired Driving Countermeasures Incentive Grants I				
Operation Pullover	Indiana Criminal Justice Institute	20.601	EDS#D3-14-8157	<u>17,462</u>
Total - Highway Safety Cluster				<u>17,462</u>
Total - Department of Transportation				<u>368,629</u>
<u>Environmental Protection Agency</u>				
Drinking Water State Revolving Fund Cluster				
Capitalization Grants for Drinking Water State Revolving Fund				
State Revolving Fund Water	Indiana Finance Authority	66.468	DW10144501	<u>16,533</u>
Total - Environmental Protection Agency				<u>16,533</u>
<u>Department of Homeland Security</u>				
Assistance to Firefighters Grant				
FEMA Assistance to Firefighter Grant	Direct Grant	97.044	2014-M3-C111-P4310000-4101-D	<u>32,400</u>
Total federal awards expended				<u>\$ 766,102</u>

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

CITY OF LAPORTE  
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 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 subrecipients as follows for the year ended December 31, 2014:

Program Title	Federal CFDA Number	2014
Community Development Block Grants/Entitlement Grants	14.218	\$ 19,910

CITY OF LAPORTE  
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 for Federal Transit Cluster
Qualified for CDBG - Entitlement Grants Cluster	
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  
Federal Transit 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 2014 - 001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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.

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

The SEFA presented for audit included the following errors:

1. Expenditures reported for four programs included nonfederal expenditures which overstated the federal expenditures by \$62,663 in total.
2. Seven programs reported a portion of the program title, incorrectly.
3. Two programs reported the incorrect project numbers.

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

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.

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:

"(b) 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. . . . "

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

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

***FINDING 2014-002 - CASH MANAGEMENT***

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/Entitlement Grants  
CFDA Number: 14.218  
Federal Award Number: B-12-MC-18-0021

*Internal Control*

Management of the City of LaPorte has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management compliance requirements of the Community Development Block Grant program. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with Compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The City has not designed or implemented internal control procedures to ensure compliance with the requirements for Cash Management. The City did not have controls in place to ensure that program expenditures were made before reimbursement of the expenditures was requested.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

*Compliance*

The reimbursement request submitted on July 29, 2014, was for disbursements totaling \$54,181.71; none of which had yet been paid. Of the expenditures reported, \$16,300.51 was not actually paid until March 3, 2015, April 15, 2015, and June 19, 2015. These amounts, totaling \$16,300.51, of expenditures for which reimbursement was received in 2014, but the disbursements were not made until 2015, are considered questioned costs.

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 Community Development Block Grant Handbook, Chapter 11 page 18 states in part: "The reimbursement method entails a transfer of grant funds to the grantee (or subrecipient) based on actual expenditures of the grantee prior to the receipt of CDBG funds."

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

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the City.

We recommended that the City's management establish controls to comply and comply with the compliance requirements for Cash Management.

***FINDING 2014-003 - PROGRAM INCOME***

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/Entitlement Grants  
CFDA Number: 14.218  
Federal Award Number: B-12-MC-18-0021

*Internal Control*

Management of the City of LaPorte has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Program Income of the Community Development Block Grant program. The failure to establish an effective internal control system places the city at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The City has not designed or implemented internal control procedures to ensure compliance with the requirements for Program Income. The City did not have controls in place to ensure that program income was properly reported to the grantor agency or subsequently deducted from future reimbursement requests.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

*Compliance*

The City's records indicate that program income was received on two occasions in 2014: \$4,988.60 on January 27, 2014 and \$29,183.80 on November 5, 2014. Program income should also be receipted into the Integrated Disbursement and Information System (IDIS) as the system is designed to deduct program income from future reimbursement requests. However, the IDIS receipt history showed that the program income of \$4,988.60 had not been entered and, was therefore, not automatically deducted from the next reimbursement request. In addition, no documentation was presented that the City had deducted \$4,988.60 from a subsequent reimbursement request.

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

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 Community Development Block Grant Handbook, Chapter 11 page 18 states in part: "Program income (other than program income deposited in a revolving fund) must be disbursed prior to the drawdown of additional funds from the Treasury (or, in the case of subrecipients, from the grantee)."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the Program Income requirements could result in the loss of federal funds to the City.

We recommended that the City's management establish controls to comply and comply with the compliance requirements for Program Income.

***FINDING 2014-004 - SUBRECIPIENT MONITORING***

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants - Entitlement Grants  
CFDA Number: 14.218  
Federal Award Number and Year: B-12-MC-18-0021

*Internal Control*

Management of the City of LaPorte has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Subrecipient Monitoring Compliance requirements of the Community Development Block Grant program. The failure to establish an effective internal control system places the city at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The City has not designed or implemented internal control procedures to ensure compliance with the requirements for Subrecipient Monitoring. The City did not have controls in place to ensure that on-site reviews of subrecipient activities were conducted as required.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a Federal Program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

*Compliance*

Between February 23 and 25, 2015, the U. S. Department of Housing and Urban Development conducted an audit of the City's Community Development Block Grant Program. This program audit revealed that no on-site reviews had been conducted during 2014, which was confirmed during our 2014 audit.

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."

24 CFR § 85.40(a) states:

"Grantees are responsible for managing the day-to day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program function or activity."

24 CFR 570.501 (b) states in part:

"The recipient is responsible for ensuring that CDBG funds are used in accordance with all program requirements. The use of designated public agencies, subrecipients, or contractors does not relieve the recipient of this responsibility."

OMB Circular A-133 .400(d) states in part:

"A pass through entity shall perform the following for the Federal awards it makes: . . . (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the City.

We recommended that the City's management establish controls to comply and comply with the Compliance requirements related to Subrecipient Monitoring.

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AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.



Office of the Clerk Treasurer, 801 Michigan Avenue, La Porte, Indiana 46350  
Telephone 219-362-9512 FAX 219-362-8955 E-mail: tludlow@cityoflaporte.com Website: www.cityoflaporte.com

## CORRECTIVE ACTION PLAN

### **FINDING 2014-001 – PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Contact Person Responsible for Corrective Action: Teresa Ludlow, Clerk-Treasurer  
Contact Phone Number: (219) 362-9512

The purpose of this communication is to provide a response for a corrective action plan for the City of La Porte, Indiana. The Audit Report for year 2014 need for internal controls to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Audit Report for year 2014 indicates the City should have controls for preparation of the SEFA to ensure accurate reporting of federal awards due to errors found that included: Expenditures reported for four programs included nonfederal expenditures which overstated the federal expenditures, Programs reported a portion of the incorrect program title, program reported incorrect project numbers.

The City of La Porte has reviewed its internal procedures for SEFA and will assess procedures and institute processes that would involve the following:

It was the City's decision, through the Clerk-Treasurer, to include Federal and Local money for 2014. In the future, only the Federal monies will be reported.

Regarding the portions of incorrect program titles, the program title was CDBG Entitlement Grant Cluster, Community Development Block Grants/Entitlement Grants and the City entered CDBG Entitlement Grant Cluster, Community Development Block Grants. In no way did not including the title portion (/Entitlement Grants) impact where monies were placed or how accounts were reported. In the future, the City will strive to review and compare titles to the CFDA website for identical titles.

Regarding the incorrect project numbers, to ensure compliance in the future we will utilize the website to obtain the CFDA numbers.

The Clerk-Treasurer and Deputy Clerk-Treasurer will continue to verify these steps have been completed.

Anticipated Completion Date: Immediately.



(Signature)

Clerk-Treasurer  
(Title)

January 7, 2015  
(Date)

# City of LaPorte INDIANA



OFFICE OF COMMUNITY DEVELOPMENT AND PLANNING  
801 MICHIGAN AVENUE  
LA PORTE, INDIANA 46350  
PH. (219) 362-8260 FAX (219) 325-0656

## CORRECTIVE ACTION PLAN

### ***FINDING 2014-002 – CASH MANAGEMENT***

Contact Person Responsible for Corrective Action: Beth Shrader, Director of Community Development & Planning

Contact Phone Number: (219) 362-8260

The purpose of this communication is to provide a response for a corrective action plan for the City of La Porte, Indiana Community Development Block Grant (CDBG). The Audit Report for year 2014 indicates a lack of internal control procedures and segregation of duties to ensure compliance with the requirements of cash management.

The City of La Porte has reviewed its internal procedures for cash management within the Community Development Block Grant (CDBG) program and is committed, per Department of Housing and Urban Development (HUD) guidance, to maintaining an "adequate separation of duties so that no one individual has authority over a financial transaction from beginning to end" (Basically CDBG, Chapter 11, p. 18). Duties are separated between the Director of Community Development & Planning, who authorizes the execution of transactions; the CDBG Program Manager, who records the transaction; and the Clerk-Treasurer, who maintains custody of the assets involved in the transaction. With respect to the delayed expenditures of the July 2014 drawdown of funds, written justification of the delay has been added to the file, as prescribed by HUD guidance (Basically CDBG, Chapter 11, p. 20). Furthermore, appropriation reports for the CDBG program will be reviewed by the Director of Community Development & Planning and Clerk-Treasurer on a monthly basis to ensure timely disbursement of drawn-down funds going forward.

Anticipated Completion Date: Immediately.

(Signature)

Director of Community Development & Planning  
(Title)

January 7, 2015



- An organizational chart setting forth the actual lines of responsibility of personnel involved in financial transactions.
- Written definition and delineation of duties among key personnel involved in financial transactions.
- An accounting policy and procedures manual that includes:
  - Specific approval authority for financial transactions and guidelines for controlling expenditures;
  - A set of written procedures for recording of transactions; and
  - A chart of accounts.
- Adequate separation of duties so that no one individual has authority over a financial transaction from beginning to end. In other words, one person should not have responsibility for *more than one* of the following functions:
  - Authorization to execute a transaction.
  - Recording of the transaction.
  - Custody of the assets involved in the transaction.
- Hiring policies ensuring that staff qualifications are commensurate with job responsibilities.
- Control over assets, blank forms and confidential documents so that these types of documents are limited to authorized personnel only.
- Periodic comparisons of financial records to actual assets and liabilities (i.e., reconciliation). In cases where discrepancies are found, corrective action must be taken to resolve such discrepancies.

### Budget Controls

- ✓ Recipients and subrecipients of CDBG funds must have procedures in place to compare and control expenditures against approved budgets for CDBG-funded activities.
- ✓ A grantee or subrecipient must:
  - Maintain in its accounting records (see below) the amounts budgeted for eligible activities;
  - Periodically compare actual obligations and expenditures to date against planned obligations and expenditures, and against projected accomplishments for such outlays; and
  - Report deviations from budget and program plans, and request approval for budget and program plan revisions.

### Accounting Records

- ✓ Recipients and subrecipients of CDBG funds are required to have accounting records that sufficiently identify the source and application of CDBG funds provided to them.



- Amount of federal funds received;
- Current authorization of funds;
- Obligations of funds;
- Unobligated balances;
- Assets and liabilities;
- Program income; and
- Actual expenditures broken down by the grant program and year for which the funds are derived and the activity on which the funds were used.

### Cash Management

- ✓ Recipients and subrecipients are required to have procedures in place to minimize the amount of time that elapses between receipt of CDBG funds and the actual disbursement of those funds.
- ✓ This requirement is intended to curtail unnecessary drawdowns of CDBG funds and minimize the cost of financing the CDBG program by the federal government.
- ✓ There are three general methods available to transfer CDBG funds from the U.S. Treasury to grantees (or from the grantee to a subrecipient):
  - **Reimbursement method** - The reimbursement method entails a transfer of grant funds to the grantee (or subrecipient) based on actual expenditures of the grantee prior to the receipt of CDBG funds. This method would only be used for CDBG grantees when HUD has imposed such payment method as a remedy for failure to comply with applicable requirements.
  - **Cash advance method** - The cash advance method involves the transfer of CDBG funds to the grantee (or subrecipient) to meet obligations before actual cash disbursements have been made. This is the method used to fund most CDBG grantees.
  - **Working capital method** - The subrecipient is advanced cash to meet its estimated disbursements for an initial period. After the initial period, the subrecipient will receive cash on a reimbursement basis. This method is used when the subrecipient lacks sufficient working capital. Note, however, that this method cannot be used if the reason for using it is the unwillingness or inability of the grantee to provide timely advances to the subrecipient to meet the subrecipient's actual cash disbursement.
- ✓ Requirements concerning cash management include the following:
  - Recipients (and subrecipients) must include accurate information in drawdown requests.
  - Funds drawn down erroneously must be returned. (This includes funds drawn down under the cash advance method where the expenditure of funds is delayed.)
  - Disbursement of funds must occur in a timely manner. While there is no explicit time period, the general rule is that payment must take place within three business days of deposit of CDBG funds. If payment takes longer than three business days, written justification should be maintained in the files.

# City of LaPorte

INDIANA



OFFICE OF COMMUNITY DEVELOPMENT AND PLANNING  
801 MICHIGAN AVENUE  
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## CORRECTIVE ACTION PLAN

### **FINDING 2014-003 PROGRAM INCOME**

Contact Person Responsible for Corrective Action: Beth Shrader, Director of Community Development & Planning

Contact Phone Number: (219) 362-8260

The purpose of this communication is to provide a response for a corrective action plan for the City of La Porte, Indiana Community Development Block Grant (CDBG). The Audit Report for year 2014 indicates a lack of internal control procedures to ensure compliance with the requirements of program income.

Prior to 2014, there was no program income received by the City of LaPorte through CDBG-funded activities. In 2014, program income was received in January 2014 in the amount of \$4,988.60. Because program income was a new occurrence, internal control procedures were not in place to track it. However, the Integrated Disbursement and Information System (IDIS) makes available a program income report to the City of La Porte. As a result, the program income was received in IDIS after January 27, 2014. All other program income received in 2014 and 2015 has been properly receipted in IDIS.

Accordingly, a procedure was developed stipulating that all program income received in the CDBG program is to be receipted in IDIS within one business day of receipt and the program income be turned over to the Clerk-Treasurer within one business day of receipt. Furthermore, the amount of program income is shown on subsequent approved IDIS voucher receipts with the program income line highlighted by Department of Community Development & Planning staff processing the IDIS voucher to ensure that program income is disbursed before a drawdown of federal funds is made. A copy of the approved IDIS voucher is given to the Clerk-Treasurer with the program income amount highlighted. Also, the amount of the draw and the amount of program income is recorded on the Financial Transaction Report attached to the approved IDIS voucher and given to the Clerk-Treasurer's staff member.

Anticipated Completion Date: Immediately.

(Signature)

Director of Community Development & Planning

(Title)

January 7, 2015

(Date)

Costs which are charged must be included in the approved Budget Summary and must be allowable under Attachment B of A-87 (Cost Principles for State and Local Governments) or Attachment B of A-122 (Cost Principles for Non-Profit Organizations). These cost principles may be found at [www.whitehouse.gov/omb/circulars](http://www.whitehouse.gov/omb/circulars).

To request payment for activities, the Payment Request Form must be fully completed and accompanied **with backup documentation of costs**. The Payment Request Form includes the amount requested by line items according to the contract budget for the project.

*THE CITY WILL WITHHOLD THE FINAL PAYMENT TO SUB-RECIPIENTS UNTIL ALL NECESSARY FORMS INCLUDING FORMS REQUIRED OF THE CONTRACTOR BY THE DAVIS-BACON ACT, ARE COMPLETED.*

### **PROGRAM INCOME**

Program income is defined as the gross income that is received by a sub-recipient and has been directly generated from the use of CDBG funds. Examples include:

- Gross income from the use or rental of real property that has been acquired, constructed, or improved with CDBG funds. Cost incidentals to the generation of the income are deducted from the gross income.
- Interest earned on program income is also considered program income.
- Funds collected through special assessments that are made against properties owned and occupied by non-low and moderate-income households where the assessments have been made to recover some or the entire CDBG portion of a public improvement.
- Proceeds from the disposition of real property that has been acquired or improved with CDBG funds where the disposition occurs within five-year period after the expiration of the agreement between the City and the sub-recipient for the specific project.
- Fees charged for the provision of services to clients.

The contract between each sub-recipient and the City requires that the sub-recipient must document program income received from the activity on the Payment Request Form and use that income prior to requesting CDBG funds.

Program income received in the CDBG program is to be receipted in IDIS within one business day of receipt and the program income be turned over to the Clerk/Treasurer within one business day of receipt. Furthermore, the amount of program income is

shown on subsequent approved IDIS voucher receipts with the program income line highlighted by City staff processing the IDIS voucher to ensure that program income is disbursed before a drawdown of Treasury funds is made. A copy of the approved IDIS voucher is given to the Clerk/Treasurer with the program income amount highlighted. Also, the amount of the draw and the amount of program income is recorded on the Financial Transaction Report attached to the approved IDIS voucher and given to the Clerk/Treasurer's staff member.

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OFFICE OF COMMUNITY DEVELOPMENT AND PLANNING  
801 MICHIGAN AVENUE  
LA PORTE, INDIANA 46350  
PH. (219) 362-8260 FAX (219) 325-0656

### CORRECTIVE ACTION PLAN

#### **FINDING 2014-004 SUB-RECIPIENT MONITORING**

Contact Person Responsible for Corrective Action: Beth Shrader, Director of Community Development & Planning  
Contact Phone Number: (219) 362-8260

The purpose of this communication is to provide a response for a corrective action plan for the City of La Porte, Indiana Community Development Block Grant (CDBG). The Audit Report for year 2014 indicates a lack of internal control procedures and segregation of duties to ensure compliance with the requirements of sub-recipient monitoring.

The City of La Porte, Indiana has adopted a monitoring schedule to conduct monitoring review of sub-recipients based on criteria reviewed by Office of Community Development & Planning (CDP) staff to aid in determining the level of risk and priority for monitoring of sub-recipients. The Office of Community Development and Planning includes a monitoring frequency of at least once a year for sub-recipients in the Standard Operating Procedures Manual (attached). Per HUD guidance, these monitoring reviews may be conducted as "desk reviews" or "on-site monitoring visits" (Basically CDBG, Chapter 13, p.19). The CDBG Program manager regularly conducts desk reviews with each sub-recipient reimbursement request. The CDBG will schedule on-site monitoring visits at a minimum of four agencies every program year.

The purpose of the monitoring of sub-recipients is to determine if a sub-recipient is carrying out its community development program and its individual activities as described in the application for CDBG assistance and Grant Agreement. Areas covered during monitoring of a sub-recipient include: review of the grant agreement, costs to provide the program and services, eligibility determinations of beneficiaries, and review of recordkeeping documents. When conducting an on-site monitoring review for a sub-recipient, the Checklist for On-Site Monitoring of a Sub-recipient will be used (attached).

In the future, at least one monitoring review of all sub-recipients using either a desk review or an on-site monitoring visit will be conducted within 6 months of the contract date. If any corrective actions are required, a strategy will be developed to assist in addressing any identified problems; and, subsequently, more frequent monitoring reviews will occur.

Anticipated Completion Date: Immediately.

  
\_\_\_\_\_  
(Signature)

Director of Community Development & Planning  
(Title)

\_\_\_\_\_  
January 7, 2015  
(Date)



### 13.4.6 Project Monitoring

- ✓ For individual projects, monitoring begins when activities are selected for CDBG funding and continues through project completion.
- ✓ For example, once construction has started, grantees should:
  - Require progress reports (weekly, monthly, quarterly or with each draw request) that flag any pending or anticipated problems;
  - Hold regular meetings to discuss issues and provide any technical assistance needed; and
  - Make periodic site visits to evaluate progress.
- ✓ Other general areas for project monitoring include:
  - Project schedule:
    - Is the project on schedule and have all major milestones been met?
  - Project accomplishments:
    - Is the project meeting standards established in the written agreement?
    - Are costs on target?
    - Is the number of units proposed being produced?
    - If applicable, is the quality of the construction/rehabilitation acceptable?
    - If the project is finished, have the CDBG-assisted units been rented/sold to income-eligible households?
- ✓ There are two ways to conduct project monitoring reviews which may be done in conjunction with program monitoring. The first is to conduct what is referred to as a “desk review.” The second, more intensive way to monitor CDBG-funded programs and organizations is to conduct an “on-site monitoring review”. Both options are discussed below.

### 13.4.7 Desk Reviews

- ✓ Desk reviews are a key component of basic monitoring activities. They involve examining information and materials provided to grantees by subrecipients as a means to track performance and identify potential problem areas.
  - Staff performing desk reviews should examine progress reports, compliance reports, and financial information to adequately assess performance and look for indicators of performance or compliance problems.
- ✓ A typical grantee is likely to request three kinds of reports from its subrecipients: information on drawdown requests, regular progress reports, and CAPER data.
  - **Drawdown requests** involve the following:
    - Funds budgeted;
    - Funds received in drawdowns to date;
    - Funds obligated in most recent period and to date;
    - Funds expended in most recent period and to date;
    - Cash on hand (including program income identified as such); and



- Previous drawdowns requested but not yet received.
- **Regular progress reports** (either monthly or quarterly) involve the following:
  - Track actual project accomplishments;
  - Obligations; and
  - Spending patterns against planned operations and accomplishments.
- **CAPER data** collection involves the following:
  - The activity's name, matrix code, description, and location;
  - The national objective being met;
  - The amount expended during the program year;
  - The total cost of each multi-unit housing and 570.203(b) economic development activity;
  - The amount of unliquidated obligations for each public service and planning and administration activity if CDBG funds are not disbursed during the 90 days after the end of the grantee's program year; and
  - Activity status and specific units of accomplishments, including compliance with the applicable national objective, during each program year.
- ✓ If questions or concerns arise from the desk review, staff should gather additional information through telephone calls, additional documents, or other written materials.

### 13.4.8 On-Site Reviews

- ✓ On-site reviews typically involve monitoring of the subrecipient's overall program administration as well as individual beneficiary or project files, depending upon the activity undertaken.
- ✓ The following steps provide grantees with the basic framework to follow when conducting on-site program monitoring reviews, including reviews of subrecipients.
- ✓ **Step 1: Prepare for the Monitoring Visit**—Before the monitoring visit, grantees should make sure staff is adequately trained for the task. Staff should be thoroughly familiar with the applicable program rules and the established monitoring protocol. In addition, staff should review the following types of in-house data prior to the visit:
  - Application for funding;
  - Written agreement;
  - Progress reports;
  - Draw-down requests;
  - Integrated Disbursement and Information System (IDIS) reports;
  - Correspondence;
  - Previous monitoring reviews; and
  - Copies of audits.



- ✓ **Step 2: Conduct the Monitoring Visit**—There are four basic elements to conducting an on-site monitoring visit: notification, entrance conference or meeting, data collection and analysis, and exit conference or meeting. These steps are described briefly below.
- **Notification:** Grantees should begin the monitoring process by calling subrecipients to explain the purpose of the visit and to agree upon dates for the visit. A formal notification letter should follow at least several weeks before the planned visit and should include:
    - Confirmation of the dates for the review,
    - Scope of the monitoring,
    - Information needed for review during the visit, and
    - Staff needed for interviews or other assistance during the review.
  - **Entrance conference:** Entrance conferences are held at the beginning of monitoring visits, usually with the executive director or other top official of the organization, to make sure the subrecipient has a clear understanding of the purpose, scope, and schedule for the monitoring.
  - **Documentation, data gathering, and analysis:** Grantees should keep a clear record of information reviewed and conversations held with subrecipient staff during the monitoring visit. The most efficient and effective way to review all of the necessary documentation and data is with a checklist. Checklists should be based on the CDBG Program requirements for each type of project. The information gathered will serve as the basis for conclusions to be included in the monitoring report and follow-up letter. Subrecipients may request identification of sources if any of the conclusions are disputed.
  - **Exit conference:** At the end of the monitoring visit, the reviewers should meet again with key representatives of the subrecipient organization to:
    - Present preliminary results of the monitoring,
    - Provide an opportunity for the subrecipient to correct any misconceptions or misunderstandings,
    - Secure additional information to clarify or support their position, and
    - If applicable, provide an opportunity for the subrecipient to report on steps the organization may already be taking to address areas of noncompliance or nonperformance.
- ✓ **Step 3: Follow-Up**—At the end of the process, the grantee should provide the subrecipient with formal written notification of the results of the monitoring review. This letter should both point out problem areas *and* recognize successes.
- The follow-up letter creates a permanent written record of what was found during the review.
  - Standardized language set forth in the monitoring procedures often helps grantees to develop standardized monitoring letters in a reasonable time frame and with consistency from subrecipient to subrecipient.
  - The letter should outline concerns and findings (see above), and set deadlines for a written response and corrective actions.
  - Follow-up procedures are discussed below under “Corrective Actions.”

## **Recordkeeping Requirements**

HUD requires the City of LaPorte, Indiana to keep documentation covering these areas: general administration, financial, individual project/activities, national objectives, determining and documenting income eligibility, and records on sub-recipients.

The City of LaPorte, Indiana will retain CDBG records for a period of not less than five years after expiration of the contract and any amendments, completion and resolution of the audit and/or any litigation, whichever is later. Records for any displaced person shall be retained for five years after the person received final relocation.

Any documentation/records containing personal information on beneficiaries shall be treated as confidential and kept in a locked filing cabinet.

Citizens of LaPorte will be allowed reasonable access to records regarding past use of CDBG funds consistent with applicable state and local laws regarding privacy and confidentiality.

The Consolidated Plan is available to citizens, public agencies and other interested parties with reasonable and timely access to information and records relating to LaPorte's Consolidated Plan and the use of CDBG assistance under programs covered in the Consolidated Plan.

## **Monitoring of Program Performance**

The City of LaPorte, Indiana CDBG Program staff will formally monitor sub-recipients one or more times. Sub-recipients will be advised in writing of the monitoring visits.

The purpose of the monitoring of sub-recipients is to determine if a sub-recipient is carrying out its community development program and its individual activities as described in the application for CDBG assistance and Grant Agreement.

Monitoring visits will be conducted within 6 months of the contract date. The CDBG Program Manager will schedule four on-site monitoring visits every program year.

Areas covered during monitoring of a sub-recipient include: review of the grant agreement, costs to provide the program and services, eligibility determinations of beneficiaries, and review of recordkeeping documents.

When conducting an on-site monitoring review for a sub-recipient, the Checklist for On-Site Monitoring of a Sub-recipient will be used.

A monitoring letter will be sent to all sub-recipients monitored informing the group of results of the monitoring visit. If any corrective actions are required, a strategy will be

developed to assist in addressing any identified problems. More frequent monitoring reviews will occur.

Monitoring checklists are found at this website:

[www.hud.gov/offices/cpd/communitydevelopment/library](http://www.hud.gov/offices/cpd/communitydevelopment/library)

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**Forms Included in This Section:**

***Checklist for On-Site Monitoring***

**CHECKLIST FOR ON-SITE MONITORING OF A SUBRECIPIENT  
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

Subrecipient \_\_\_\_\_  
Project Name/Agreement No. \_\_\_\_\_  
Project Director \_\_\_\_\_

In-house review and general oversight conducted on \_\_\_\_\_  
On-site monitoring visit(s) conducted on \_\_\_\_\_

Monitoring letter sent on \_\_\_\_\_  
Follow-up monitoring visit conducted/letter sent on: \_\_\_\_\_

**A. National Objective and Eligibility**

1. Which National Objective does this project meet (570.208)\*?

**Benefit to Low- and Moderate-Income Persons**

- \_\_\_ Low/Mod Area Benefit
- \_\_\_ Limited Clientele Benefit
- \_\_\_ Low/Mod Housing Benefit
- \_\_\_ Job Creation or Retention

**Aid in the Prevention or Elimination of Slums or Blight**

- \_\_\_ on an Area Basis
- \_\_\_ on an Spot Basis

**An Urgent Need**

- \_\_\_ Needs having a Particular Urgency

2. Which eligibility category does the project meet? (570.201-6)?

**B. Conformance to the Subrecipient Agreement**

1. **Contract Scope of Services** – Is the full scope of services listed in the Agreement being undertaken? List any deviation.
2. **Levels of Accomplishments** – Compare actual accomplishments at the point of monitoring with planned accomplishments. Is the project achieving the expected levels of performance (number of persons served, number of units rehabbed, etc.) and reaching the intended client group? Explain any problem the subrecipient may be experiencing. **Acknowledge major accomplishments.**
3. **Time of Performance** – Is the work being performed in a timely manner (i.e., meeting the schedule as shown in the Agreement)? Explain.
4. **Budget** – Compare actual expenditures versus planned expenditures. Note any discrepancies or possible deviations.

5. Requests for Payment – Are requests for payment being submitted in a timely manner and are they consistent with the level of work accomplished? Is program income properly accounted for and recorded? Explain.
6. Progress Reports – Have progress reports been submitted with payment requests (where required) on time and were they complete and accurate?
7. Special Conditions – Does the project conform to any special terms and conditions included in the Subrecipient Agreement? Explain.

**C. Record-Keeping Systems (570.506)**

Records should demonstrate that each activity undertaken meets the criteria for National Objectives compliance. Such records should be found in both the grantee's project file and the subrecipient file.

1. Filing System – Are the subrecipient's files orderly, comprehensive, secured for confidentiality where necessary, and up-to-date? Note any areas of deficiency.
2. Documentation (activities, costs and beneficiaries) – Do the HCD project file and subrecipient records have the necessary documentation supporting the National Objective being met, eligibility, and program costs as they relate to 570.506? Do the project files support the data the subrecipient has provided for the CAPER?
3. Record Retention – Is there a process for determining which records need to be retained and for how long?
4. Site Visit (where applicable) – Is the information revealed by a site visit consistent with the records maintained by the subrecipient and with data previously provided to the grantee? Explain any discrepancies.
  - a. Is the project manager located on-site and running the day-to-day operations? Do the staff seem fully informed about program requirements and project expectations? Explain.
  - b. Is the project accomplishing what it was designed to do? Explain any problems.

**D. Financial Management Systems [85.20 (local governments) and 84.21–28 (non-profits)]**

1. Systems for Internal Control – Are systems in compliance with accounting policies and procedures for cash, real and personal property, equipment and other assets (85.20(b)(3) and 84.20(b)(3))?
2. Components of a Financial Management System – Review the chart of accounts, journals, ledgers, reconciliation, data processing, and reporting system. Note any discrepancies.

3. Accounting – Compare the latest performance report, drawdown requests, bank records, payroll records, receipts/disbursements, etc. Note any discrepancies.
4. Eligible, Allocable, and Reasonable Costs – See OMB Circulars A-87, A-122. Pay particular attention to the time distribution records where the subrecipient has employees who work on both CDBG and non-CDBG funded activities. Note any discrepancies.
5. Cash Management/Drawdown Procedures – See Treasury Circular 1075, 85.20(b)(7), and 84.20. Has all cash been promptly drawn down and deposited? Are all drawdowns of Federal funds properly recorded? Note any discrepancies.
6. Management of Program Income – If the subrecipient generates program income, refer to 570.504 and the Subrecipient Agreement about its use. Note any discrepancies.
7. IPA Audit Reports/Follow-up – (OMB Circular A-133) Determine if the subrecipient has expended \$500,000 or more in Federal funds for the subject program year.

IPA Audit Required Yes \_\_\_ No \_\_\_ N/A \_\_\_  
Date Conducted \_\_\_\_\_

Any findings related to CDBG activity? Status? Explain.

8. Maintenance of Source Documentation – (85.20(b) and 84.20(b)) Note any discrepancies in sample records, invoices, vouchers and time records traced through the system.
9. Budget Control – Do actual expenditures match the line item budget? Refer to 85.20(b)(4) and 84.20. Note any discrepancies.

**E. Insurance**

1. Has the subrecipient submitted a current copy of its Certificate of Insurance?
2. Is the City named as an additional insured?

**F. Procurement**

1. Procurement Procedures – Do the procedures the subrecipient uses for procurement of goods and services meet CDBG requirements? Review a sample number of procurements.
2. Conflict of Interest – How does the subrecipient assure there was no conflict of interest, real or apparent? Review the process and comment.

**G. Equipment and Real Property**

1. Has the subrecipient acquired or improved any property it owns in whole or in part with CDBG funds in excess of \$25,000? If yes, review for compliance with 570.503(b)(7).

2. Has the subrecipient purchased equipment with CDBG funds in excess of \$1,000? Does the subrecipient maintain the records required at 84.34?
3. Has a physical inventory taken place and the results reconciled with property records within the last two years?
4. If the subrecipient disposed of equipment/property that was purchased with Federal funds within the last five years:
  - a. Were proceeds from the sale reported as program income?
  - b. Did the grantee approve expenditure of program income?
  - c. Was the program income returned to the grantee?

**H. Non-Discrimination and Actions to Further Fair Housing**

1. Equal Employment Opportunity – Refer to 570.506, 601 and 602. Note any deficiencies.
2. Section 3 – Opportunities for Training and Employment for Local Residents – Refer to 570.506(g)(5) and 570.607(a) (affirmative action). Note any deficiencies.
3. Fair Housing Compliance – Refer to 570.904 and 570.601(b). Note any deficiencies.
4. Requirements for Disabled Persons – Refer to 8.6. Note any concerns.
5. Women and Minority Business Enterprises – Refer to 570.506(g), 85.36(e), and 84.44, affirmative steps documentation. Note any concerns.

**I. Conclusion and Follow-up**

1. Is the subrecipient meeting the terms of the Subrecipient Agreement and HUD regulations? Discuss both positive conclusions and any weaknesses identified.
2. Identify any follow-up measures to be taken by the grantee and/or the subrecipient as a result of this monitoring review.
  - a. List the required schedule for implementing corrective actions or making improvements.
  - b. List the schedule for any needed technical assistance or training and identify who will provide the training.

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Project Monitor

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Date

## OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.