

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF MICHIGAN CITY
LAPORTE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
05/18/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Ron Meer	01-01-12 to 12-31-19
Controller	Donna Pappas Yvonne Hoffmaster (Interim) Stephen Janus (Interim) Richard M. Murphy	01-01-14 to 01-16-15 01-17-15 to 01-25-15 01-26-15 to 12-31-15 01-01-16 to 12-31-16
President of the Board of Public Works and Safety	Stephen Janus	01-01-14 to 12-31-16
President of the Common Council	Duane Perry Chris Schwanke Timothy Bietry	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16
Superintendent of Water Utility	Randall E. Russell	01-01-14 to 12-31-16
Sanitary District Manager	Michael Kuss	01-01-14 to 12-31-16



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

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

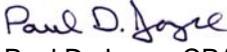
Other Information

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 March 8, 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

March 8, 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 MICHIGAN CITY, LAPORTE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Michigan City (City), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated March 8, 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 items 2014-001 and 2014-002 to be material weaknesses.

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*

Compliance and Other Matters

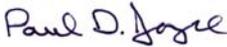
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002.

City of Michigan City'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

March 8, 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 MICHIGAN CITY
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
General Fund	\$ 116,085	\$ 55,013,064	\$ 55,079,343	\$ 49,806
Motor Vehicle Highway	92,266	2,326,626	1,928,111	490,781
Local Road And Street	96,442	291,546	290,050	97,938
M C Unsafe Building Fund	3,407	5,650	774	8,283
Animal Control	4,063	8,191	-	12,254
Riverboat Gaming	2,686,841	26,433,852	19,409,075	9,711,618
Park And Recreation	117,618	5,088,536	5,205,910	244
Levy Excess	326,706	-	326,706	-
DEA Forfeiture	14,288	70,719	19,887	65,120
Major Moves	427,964	-	427,964	-
Cumulative Capital Development	62,058	588,267	650,000	325
Cumulative Channel Maintenance	722,149	1,308,807	-	2,030,956
Cumulative Capital Improvement	45,103	83,266	34,656	93,713
CEDIT	1,027,043	3,760,447	2,407,143	2,380,347
Police Pension	1,363,665	538,073	1,658,800	242,938
Fire Pension	635,124	820,862	1,367,129	88,857
MCRD Bonds 2010 Sinking	1,211	754,013	755,217	7
MCRD Bonds 2011 Reserve	494,860	30	18	494,872
MCRD Bonds 2011 Construction	149	675	824	-
MCRD Bonds 2011 Bond Interest	68	-	-	68
City Donation Fund - EOC Activity	11,194	-	-	11,194
MC Economic Dev Revolving Loan Fund	650,000	-	-	650,000
Lake Michigan Costal Prog Grant	1,350	19,998	-	21,348
CZ 115 - MC Esplande Plan	5,000	-	-	5,000
AIP 15 Grant	39,342	8,531	-	47,873
MCRD Bonds 2010 Oper & Reserve	1,332	11,664	1,100	11,896
MCRD Bonds 2011 Sinking	-	498,168	498,162	6
Commission For Women Fund	309	8,626	2,440	6,495
Security Deposit Fund	10,040	21,475	21,375	10,140
AIP 16 Grant	6,146	32,470	37,813	803
MCRD Bonds 2011 Oper & Reserve	3,258	5,375	1,100	7,533
CDBG 2012B 12-MC-180022	-	473,927	473,927	-
CDBG 2013B 13-MC-180022	-	78,538	78,538	-
EPA Beach Act Grant	12,467	24,376	-	36,843
CZM Plan Development Fedder's Alley	13,500	13,500	27,000	-
CZM Fedder Alley Marram Grass	25,000	-	-	25,000
CZM Kayak Launch Hanson Park	34,208	-	14,294	19,914
CZM Lighthouse Museum Restoration	76,941	-	75,675	1,266
CMAQ IN950045 Vehicle Replacement	(294,813)	429,452	134,639	-
AIP 17 Grant	39,402	443,651	478,811	4,242
Public Arts Committee Donation Fund	-	16,400	2,100	14,300
Commission on SSAAM Donation Fund	-	15,900	5,956	9,944
Human Rights Commission Donation Fund	-	9,503	2,100	7,403
Daniel Bruce Memorial Donation Fund	-	4,335	-	4,335
New Police Station Project Fund	-	850,150	230,062	620,088
Triangle Bus Project	-	30,028	-	30,028
AIP 18 Grant	-	99,664	77,327	22,337
Cemetery Operating	95	682,552	466,419	216,228
Zoo Donation	79,772	215,183	32,730	262,225
Controlled Substance Excise	1,927	-	-	1,927
Fire Donation	8,453	8,775	11,567	5,661
Park Gift And Donation	80,478	15,849	75,395	20,932
Police Donation	5,439	54,757	46,359	13,837
Golf	84,160	669,487	680,403	73,244
Park Concession	119,264	237,031	211,664	144,631
MCPA Receiving	-	2,100	2,100	-
Zoo Education Nonreverting	3,054	6,927	4,355	5,626
Senior Center Nonreverting	18,125	13,094	13,375	17,844
Park And Recreation Nonreverting	49,805	97,329	114,109	33,025
Patriot Park Nonreverting	13,366	2,250	4,095	11,521
Michigan City Tree Fund	657	42	236	463
Michigan City Youth Council	212	-	-	212
Millennium Park Brick	67,893	-	5,281	62,612
Mayor's Special Events	965	82,976	80,021	3,920
Demolition Recovery	14,066	2	11,500	2,568
Barker Civic Center	180	402,004	402,020	164
Police Continuing Education	120,772	29,740	35,932	114,580
Aviation Operating	549	593,690	540,214	54,025
Aviation Fuel	22,147	270,358	284,668	7,837
Cemetery Extension	34,859	25,723	24,468	36,114

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

CITY OF MICHIGAN CITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS

For the Year Ended December 31, 2014
(Continued)

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
Cemetery Merchandise And Commission	20,172	151,211	151,406	19,977
Singing Sands Bike Trail Grant	52,798	7,500	-	60,298
Brownsfield Redevelopment	8,381	-	8,381	-
Redevelopment Operating	182,382	143,700	196,378	129,704
Refunding Bonds 2011 Operating And Reserve	1,685	5,413	1,200	5,898
Refunding Bonds 2011 Reserve	212,000	13	6	212,007
Northside TIF Investment	742,678	179	742,858	(1)
INDOT Traffic Study Grant	30,235	5,436	6,040	29,631
Pawloske/Linn See Property	5,136	-	5,136	-
MCPD Seizure Fund	47,949	-	3,879	44,070
2009 Cops Grant	173,528	30,867	-	204,395
Refunding Bonds 2011 Sinking	4,025	259,507	263,532	-
SSTIF Bond 2007 Reserve	362,102	33	2,436	359,699
MCRD Bonds 2010 Debt Svc Rsv	762,078	229	-	762,307
Park And Recreation Capital Improve	9,630	42,855	15,000	37,485
Blue Chip Development	1,030,474	8,934,194	4,393,760	5,570,908
Coolspring Ave Reconstruction Grant	660,495	-	-	660,495
AIP 12 Grant	532	258	790	-
Northeast TIF	509,547	565,646	506,028	569,165
Southside TIF	8,018,865	7,618,755	4,235,646	11,401,974
Northside TIF	8,745,351	18,487,639	5,344,637	21,888,353
Michigan Blvd Reconstruction Grant	4,367	-	-	4,367
AIP 14 Grant	6,259	-	-	6,259
Employee Health & Life Insurance	47,209	99,010	99,066	47,153
Cemetery Blanket And Wreath	26,809	13,466	9,693	30,582
Cemetery Flower Fund	26,976	55	432	26,599
Cemetery Dabbert Vault	2,324	5	-	2,329
Cemetery Lutz Vault	4,409	7	-	4,416
Cemetery PM GW Trust	1,036,251	17,919	23,656	1,030,514
Cemetery PM SL Trust	511,694	18,510	14,547	515,657
Cemetery Extension Trust	539,172	32,326	12,800	558,698
Cemetery Mds And Comm Trust	37,809	75,081	76,873	36,017
MC Employee Medical Trust	1,527,876	5,568,994	6,081,848	1,015,022
MC Employee Benefit Trust	329,278	486,042	478,349	336,971
Intergovernmental Wagering Tax	63	2,159,697	2,159,697	63
SRF Debt Reserve Fund	816,957	49,405	-	866,362
SRF Construction Fund	783,322	14	783,336	-
SRF Bond and Interest Fund	35,004	99,177	70,000	64,181
Vehicle Replacement Fund	-	400,641	334,076	66,565
Equipment Replacement Fund	-	400,008	5,489	394,519
SRF - Construction Additional Projects	-	3,421,972	3,421,972	-
SRF Construction Prison Project	-	1,297,400	1,297,400	-
Sewage Works Operating	1,676,699	10,545,687	11,415,983	806,403
Sewage Works Sinking	527,375	784,211	918,627	392,959
Sewage Works Improvement	857,746	1,317,988	1,288,641	887,093
Sewage Works - Indian Springs Proj	-	53,048	53,048	-
Sewage Works - Whippoorwill Proj	-	3,817	3,817	-
Sanitary District Operating	183,764	1,014,169	518,035	679,898
Sanitary District Bond	14,807	534,438	549,245	-
Sanitary District Refuse	3,318	5,239,058	5,205,841	36,535
Sanitary District Capital	33,357	5,413	33,500	5,270
Sanitary District Levy Excess	11,680	115,000	126,680	-
Water Dept Operating	794,190	6,890,895	6,941,614	743,471
Water Dept Bond And Interest	406,101	1,191,879	1,200,767	397,213
Water Dept Improvement	1,070,989	14,035	483,451	601,573
Water Dept Customer Deposit	531,275	111,318	95,357	547,236
Water Dept Contingencies	622,944	2,513	-	625,457
Water Utility - Imprest Funds	5,350	-	-	5,350
MCPA Operating	1,306,470	2,388,034	2,467,664	1,226,840
MCPA Security Deposit	9,821	-	-	9,821
MCPA Surplus - Fifth Third	50,000	606	50,606	-
MCPA Surplus - Horizon	3,352,188	632,862	2,532,470	1,452,580
Totals	\$ 48,371,920	\$ 184,836,359	\$ 159,402,630	\$ 73,805,649

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

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. 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

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

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.

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Plan Description

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

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

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

Indiana Public Retirement System
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.

E. Water Utility Pension Plan

Plan Description

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

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

Funding Policy and Annual Pension Cost

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

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Loans Between Funds

On December 31, 2014, the City Council approved Resolution 4597 delaying the repayment of the following loans between funds until June 30, 2015:

Fund Receiving Loan	Amount
General Fund	\$ 4,463,000
Park And Recreation	830,000
Cumulative Capital Development	136,000
Barker Civic Center	71,000

These loans were repaid on June 24, 2015. These temporary loans were made to avoid negative cash balances in the funds noted.

Note 8. Subsequent Events

Riverboat Permanent Transfers

During 2015, the City Council approved two ordinances authorizing the permanent transfer of money from the Riverboat Fund to the following funds:

Fund Receiving Permanent Transfer	Per Ordinance 4319 Approved 5/19/2015 Transferred 6/24/2015	Per Ordinance 4334 Approved 8/4/2015 Transferred 8/17/2015
General Fund	\$ 4,820,000	\$ 1,395,000
Motor Vehicle Highway	50,000	-
Park And Recreation	600,000	400,000
Cumulative Capital Development	-	550,000
Barker Civic Center	15,000	30,000
Aviation Operating	15,000	25,000
Totals	\$ 5,500,000	\$ 2,400,000

Water Utility

On December 16, 2015, as provided in Ordinance 4329 adopted by the Common Council of the City on June 16, 2015, the Michigan City Water Utility issued \$8,645,000 of Waterworks Revenue Bonds, Series 2015, for the purpose of paying the costs of certain additions, extensions, and improvements to the Utility, including various system upgrades and expansions, and to pay issuance expenses. These projects are commonly known as a 42" west intake line extension, Phase IV plant improvements, and the Pottawattamie Park project.

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Police Department

On January 6, 2015, the City Council adopted Ordinance 4308 authorizing the sale of \$8,000,000 of General Obligation Bond Anticipation Notes of 2015, for the purpose of constructing a police station for the City. The bonds were sold on June 4, 2015. The total estimated cost of the project is \$13,000,000 with additional funding being provided by the City of Michigan City Redevelopment Commission.

Wabash Street

On March 30, 2015, the Michigan City, Indiana, Redevelopment Commission passed Resolution 7-15 authorizing the issuance of \$3,500,000 Special Taxing District Bonds for the Wabash Street Project. On April 6, 2015, the City Council adopted Resolution 4605 approving the issuance of Special Taxing District Bonds of the City of Michigan City, Indiana, Redevelopment District for this project. The sale of the bonds was June 19, 2015, for a final amount of \$3,300,000.

Southside Refinance

On January 20, 2015, the City Council passed Resolution 4596 approving the issuance of 2015 Special Taxing District Refunding Bonds of the City of Michigan City, Indiana, Redevelopment District, to refund the Special Taxing District Bonds Series 2007. The bonds were sold on April 27, 2015, in the amount of \$3,530,000.

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

	General Fund	Motor Vehicle Highway	Local Road And Street	MC Unsafe Building Fund	Animal Control	Riverboat Gaming	Park And Recreation
Cash and investments - beginning	\$ 116,085	\$ 92,266	\$ 96,442	\$ 3,407	\$ 4,063	\$ 2,686,841	\$ 117,618
Receipts:							
Taxes	24,071,582	722,604	-	-	-	-	2,357,009
Licenses and permits	730,331	-	-	5,650	-	-	-
Intergovernmental	5,871,645	1,258,310	291,546	-	-	10,236,878	292,503
Charges for services	149,283	5,580	-	-	-	-	881,874
Fines and forfeits	47,796	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	24,142,427	340,132	-	-	8,191	16,196,974	1,557,150
Total receipts	<u>55,013,064</u>	<u>2,326,626</u>	<u>291,546</u>	<u>5,650</u>	<u>8,191</u>	<u>26,433,852</u>	<u>5,088,536</u>
Disbursements:							
Personal services	18,249,416	1,052,325	-	-	-	-	1,762,450
Supplies	1,065,735	116,500	290,050	-	-	-	207,676
Other services and charges	2,655,861	259,286	-	774	-	190,403	532,659
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	3,228,197	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	33,108,331	500,000	-	-	-	15,990,475	2,703,125
Total disbursements	<u>55,079,343</u>	<u>1,928,111</u>	<u>290,050</u>	<u>774</u>	<u>-</u>	<u>19,409,075</u>	<u>5,205,910</u>
Excess (deficiency) of receipts over disbursements	<u>(66,279)</u>	<u>398,515</u>	<u>1,496</u>	<u>4,876</u>	<u>8,191</u>	<u>7,024,777</u>	<u>(117,374)</u>
Cash and investments - ending	<u>\$ 49,806</u>	<u>\$ 490,781</u>	<u>\$ 97,938</u>	<u>\$ 8,283</u>	<u>\$ 12,254</u>	<u>\$ 9,711,618</u>	<u>\$ 244</u>

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

	Levy Excess	DEA Forfeiture	Major Moves	Cumulative Capital Development	Cumulative Channel Maintenance	Cumulative Capital Improvement	CEDIT
Cash and investments - beginning	\$ 326,706	\$ 14,288	\$ 427,964	\$ 62,058	\$ 722,149	\$ 45,103	\$ 1,027,043
Receipts:							
Taxes	-	-	-	344,571	252,051	-	-
Licenses and permits	-	-	-	-	24,150	-	-
Intergovernmental	-	70,684	-	47,696	32,606	83,266	2,760,447
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	35	-	196,000	1,000,000	-	1,000,000
Total receipts	-	70,719	-	588,267	1,308,807	83,266	3,760,447
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	4,000	-	-	-	-	2,494
Other services and charges	-	15,887	-	-	-	-	1,694,387
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	427,964	-	-	34,656	154,897
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	326,706	-	-	650,000	-	-	555,365
Total disbursements	326,706	19,887	427,964	650,000	-	34,656	2,407,143
Excess (deficiency) of receipts over disbursements	(326,706)	50,832	(427,964)	(61,733)	1,308,807	48,610	1,353,304
Cash and investments - ending	\$ -	\$ 65,120	\$ -	\$ 325	\$ 2,030,956	\$ 93,713	\$ 2,380,347

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

	Police Pension	Fire Pension	MCRD Bonds 2010 Sinking	MCRD Bonds 2011 Reserve	MCRD Bonds 2011 Construction	MCRD Bonds 2011 Bond Interest	City Donation Fund - EOC Activity
Cash and investments - beginning	\$ 1,363,665	\$ 635,124	\$ 1,211	\$ 494,860	\$ 149	\$ 68	\$ 11,194
Receipts:							
Taxes	537,034	820,862	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,039	-	754,013	30	675	-	-
Total receipts	538,073	820,862	754,013	30	675	-	-
Disbursements:							
Personal services	2,584	2,584	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	4,604	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,656,216	1,359,941	755,217	18	824	-	-
Total disbursements	1,658,800	1,367,129	755,217	18	824	-	-
Excess (deficiency) of receipts over disbursements	(1,120,727)	(546,267)	(1,204)	12	(149)	-	-
Cash and investments - ending	\$ 242,938	\$ 88,857	\$ 7	\$ 494,872	\$ -	\$ 68	\$ 11,194

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

	MC Economic Dev Revolving Loan Fund	Lake Michigan Costal Prog Grant	CZ 115 - MC Esplande Plan	AIP 15 Grant	MCRD Bonds 2010 Oper & Reserve	MCRD Bonds 2011 Sinking	Commission For Women Fund
Cash and investments - beginning	\$ 650,000	\$ 1,350	\$ 5,000	\$ 39,342	\$ 1,332	\$ -	\$ 309
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	19,998	-	8,531	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	11,664	498,168	8,626
Total receipts	-	19,998	-	8,531	11,664	498,168	8,626
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	1,316
Other services and charges	-	-	-	-	-	-	1,124
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	1,100	498,162	-
Total disbursements	-	-	-	-	1,100	498,162	2,440
Excess (deficiency) of receipts over disbursements	-	19,998	-	8,531	10,564	6	6,186
Cash and investments - ending	\$ 650,000	\$ 21,348	\$ 5,000	\$ 47,873	\$ 11,896	\$ 6	\$ 6,495

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

	Security Deposit Fund	AIP 16 Grant	MCRD Bonds 2011 Oper & Reserve	CDBG 2012B 12-MC-180022	CDBG 2013B 13-MC-180022	EPA Beach Act Grant	CZM Plan Development Fedder's Alley
Cash and investments - beginning	\$ 10,040	\$ 6,146	\$ 3,258	\$ -	\$ -	\$ 12,467	\$ 13,500
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	32,470	-	473,927	78,538	24,376	13,500
Charges for services	21,475	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	5,375	-	-	-	-
Total receipts	<u>21,475</u>	<u>32,470</u>	<u>5,375</u>	<u>473,927</u>	<u>78,538</u>	<u>24,376</u>	<u>13,500</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	21,375	-	-	473,927	78,538	-	27,000
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	37,813	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	1,100	-	-	-	-
Total disbursements	<u>21,375</u>	<u>37,813</u>	<u>1,100</u>	<u>473,927</u>	<u>78,538</u>	<u>-</u>	<u>27,000</u>
Excess (deficiency) of receipts over disbursements	<u>100</u>	<u>(5,343)</u>	<u>4,275</u>	<u>-</u>	<u>-</u>	<u>24,376</u>	<u>(13,500)</u>
Cash and investments - ending	<u>\$ 10,140</u>	<u>\$ 803</u>	<u>\$ 7,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,843</u>	<u>\$ -</u>

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

	CZM Fedder Alley Marram Grass	CZM Kayak Launch Hanson Park	CZM Lighthouse Museum Restoration	CMAQ IN950045 Vehicle Replacement	AIP 17 Grant	Public Arts Committee Donation Fund	Commission on SSAAM Donation Fund
Cash and investments - beginning	\$ 25,000	\$ 34,208	\$ 76,941	\$ (294,813)	\$ 39,402	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	424,377	443,651	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	5,075	-	16,400	15,900
Total receipts	-	-	-	429,452	443,651	16,400	15,900
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	5,045
Other services and charges	-	-	-	-	-	2,100	911
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	14,294	75,675	134,639	478,811	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	14,294	75,675	134,639	478,811	2,100	5,956
Excess (deficiency) of receipts over disbursements	-	(14,294)	(75,675)	294,813	(35,160)	14,300	9,944
Cash and investments - ending	\$ 25,000	\$ 19,914	\$ 1,266	\$ -	\$ 4,242	\$ 14,300	\$ 9,944

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

	Human Rights Commission Donation Fund	Daniel Bruce Memorial Donation Fund	New Police Station Project Fund	Triangle Bus Project	AIP 18 Grant	Cemetery Operating	Zoo Donation
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95	\$ 79,772
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	69,594	-	-
Charges for services	-	-	-	-	-	344,022	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	9,503	4,335	850,150	30,028	30,070	338,530	215,183
Total receipts	9,503	4,335	850,150	30,028	99,664	682,552	215,183
Disbursements:							
Personal services	-	-	-	-	-	383,597	-
Supplies	-	-	-	-	-	16,935	25,700
Other services and charges	1,600	-	-	-	-	42,468	7,030
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	230,062	-	77,327	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	500	-	-	-	-	23,419	-
Total disbursements	2,100	-	230,062	-	77,327	466,419	32,730
Excess (deficiency) of receipts over disbursements	7,403	4,335	620,088	30,028	22,337	216,133	182,453
Cash and investments - ending	\$ 7,403	\$ 4,335	\$ 620,088	\$ 30,028	\$ 22,337	\$ 216,228	\$ 262,225

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

	Controlled Substance Excise	Fire Donation	Park Gift And Donation	Police Donation	Golf	Park Concession	MCPA Receiving
Cash and investments - beginning	\$ 1,927	\$ 8,453	\$ 80,478	\$ 5,439	\$ 84,160	\$ 119,264	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	640,191	229,985	2,100
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	8,775	15,849	54,757	29,296	7,046	-
Total receipts	-	8,775	15,849	54,757	669,487	237,031	2,100
Disbursements:							
Personal services	-	-	-	-	459,242	51,856	-
Supplies	-	11,567	65,707	37,959	126,672	134,527	-
Other services and charges	-	-	-	-	94,489	19,281	630
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	9,688	8,400	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	6,000	1,470
Total disbursements	-	11,567	75,395	46,359	680,403	211,664	2,100
Excess (deficiency) of receipts over disbursements	-	(2,792)	(59,546)	8,398	(10,916)	25,367	-
Cash and investments - ending	\$ 1,927	\$ 5,661	\$ 20,932	\$ 13,837	\$ 73,244	\$ 144,631	\$ -

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

	Zoo Education Nonreverting	Senior Center Nonreverting	Park And Recreation Nonreverting	Patriot Park Nonreverting	Michigan City Tree Fund	Michigan City Youth Council	Millennium Park Brick
Cash and investments - beginning	\$ 3,054	\$ 18,125	\$ 49,805	\$ 13,366	\$ 657	\$ 212	\$ 67,893
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	2,000	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	13,094	85,570	2,250	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	6,927	-	9,759	-	42	-	-
Total receipts	<u>6,927</u>	<u>13,094</u>	<u>97,329</u>	<u>2,250</u>	<u>42</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	4,355	1,886	29,628	-	236	-	-
Other services and charges	-	5,489	84,481	4,095	-	-	5,281
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	6,000	-	-	-	-	-
Total disbursements	<u>4,355</u>	<u>13,375</u>	<u>114,109</u>	<u>4,095</u>	<u>236</u>	<u>-</u>	<u>5,281</u>
Excess (deficiency) of receipts over disbursements	<u>2,572</u>	<u>(281)</u>	<u>(16,780)</u>	<u>(1,845)</u>	<u>(194)</u>	<u>-</u>	<u>(5,281)</u>
Cash and investments - ending	<u>\$ 5,626</u>	<u>\$ 17,844</u>	<u>\$ 33,025</u>	<u>\$ 11,521</u>	<u>\$ 463</u>	<u>\$ 212</u>	<u>\$ 62,612</u>

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

	Mayor's Special Events	Demolition Recovery	Barker Civic Center	Police Continuing Education	Aviation Operating	Aviation Fuel	Cemetery Extension
Cash and investments - beginning	\$ 965	\$ 14,066	\$ 180	\$ 120,772	\$ 549	\$ 22,147	\$ 34,859
Receipts:							
Taxes	-	-	204,724	-	412,397	-	-
Licenses and permits	-	-	-	8,160	-	-	-
Intergovernmental	-	-	24,858	-	49,043	-	-
Charges for services	-	-	-	15,429	17,000	270,358	25,723
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	82,976	2	172,422	6,151	115,250	-	-
Total receipts	82,976	2	402,004	29,740	593,690	270,358	25,723
Disbursements:							
Personal services	-	-	124,181	-	204,247	-	-
Supplies	-	-	2,802	14,015	10,609	247,201	-
Other services and charges	-	11,500	45,037	21,917	55,358	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	80,021	-	230,000	-	270,000	37,467	24,468
Total disbursements	80,021	11,500	402,020	35,932	540,214	284,668	24,468
Excess (deficiency) of receipts over disbursements	2,955	(11,498)	(16)	(6,192)	53,476	(14,310)	1,255
Cash and investments - ending	\$ 3,920	\$ 2,568	\$ 164	\$ 114,580	\$ 54,025	\$ 7,837	\$ 36,114

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

	Cemetery Merchandise And Commission	Singing Sands Bike Trail Grant	Brownsfield Redevelopment	Redevelopment Operating	Refunding Bonds 2011 Operating And Reserve	Refunding Bonds 2011 Reserve	Northside TIF Investment
Cash and investments - beginning	\$ 20,172	\$ 52,798	\$ 8,381	\$ 182,382	\$ 1,685	\$ 212,000	\$ 742,678
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	151,211	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	7,500	-	143,700	5,413	13	179
Total receipts	<u>151,211</u>	<u>7,500</u>	<u>-</u>	<u>143,700</u>	<u>5,413</u>	<u>13</u>	<u>179</u>
Disbursements:							
Personal services	-	-	-	182,550	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	8,381	13,806	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	151,406	-	-	22	1,200	6	742,858
Total disbursements	<u>151,406</u>	<u>-</u>	<u>8,381</u>	<u>196,378</u>	<u>1,200</u>	<u>6</u>	<u>742,858</u>
Excess (deficiency) of receipts over disbursements	<u>(195)</u>	<u>7,500</u>	<u>(8,381)</u>	<u>(52,678)</u>	<u>4,213</u>	<u>7</u>	<u>(742,679)</u>
Cash and investments - ending	<u>\$ 19,977</u>	<u>\$ 60,298</u>	<u>\$ -</u>	<u>\$ 129,704</u>	<u>\$ 5,898</u>	<u>\$ 212,007</u>	<u>\$ (1)</u>

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

	INDOT Traffic Study Grant	Pawloske/Linn See Property	MCPD Seizure Fund	2009 Cops Grant	Refunding Bonds 2011 Sinking	SSTIF Bond 2007 Reserve	MCRD Bonds 2010 Debt Svc Rsv
Cash and investments - beginning	\$ 30,235	\$ 5,136	\$ 47,949	\$ 173,528	\$ 4,025	\$ 362,102	\$ 762,078
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	5,436	-	-	30,867	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	259,507	33	229
Total receipts	5,436	-	-	30,867	259,507	33	229
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	6,040	5,136	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	3,879	-	263,532	2,436	-
Total disbursements	6,040	5,136	3,879	-	263,532	2,436	-
Excess (deficiency) of receipts over disbursements	(604)	(5,136)	(3,879)	30,867	(4,025)	(2,403)	229
Cash and investments - ending	\$ 29,631	\$ -	\$ 44,070	\$ 204,395	\$ -	\$ 359,699	\$ 762,307

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

	Park And Recreation Capital Improve	Blue Chip Development	Coolspring Ave Reconstruction Grant	AIP 12 Grant	Northeast TIF	Southside TIF	Northside TIF
Cash and investments - beginning	\$ 9,630	\$ 1,030,474	\$ 660,495	\$ 532	\$ 509,547	\$ 8,018,865	\$ 8,745,351
Receipts:							
Taxes	-	-	-	-	565,149	5,597,366	8,594,743
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	20	-	-	-
Charges for services	42,855	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	8,934,194	-	238	497	2,021,389	9,892,896
Total receipts	42,855	8,934,194	-	258	565,646	7,618,755	18,487,639
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	122
Other services and charges	-	68,498	-	-	7,510	1,797,243	2,453,350
Debt service - principal and interest	-	-	-	-	498,518	438,220	1,252,000
Capital outlay	-	73,762	-	790	-	-	138,641
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	15,000	4,251,500	-	-	-	2,000,183	1,500,524
Total disbursements	15,000	4,393,760	-	790	506,028	4,235,646	5,344,637
Excess (deficiency) of receipts over disbursements	27,855	4,540,434	-	(532)	59,618	3,383,109	13,143,002
Cash and investments - ending	\$ 37,485	\$ 5,570,908	\$ 660,495	\$ -	\$ 569,165	\$ 11,401,974	\$ 21,888,353

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

	Michigan Blvd Reconstruction Grant	AIP 14 Grant	Employee Health & Life Insurance	Cemetery Blanket And Wreath	Cemetery Flower Fund	Cemetery Dabbert Vault	Cemetery Lutz Vault
Cash and investments - beginning	\$ 4,367	\$ 6,259	\$ 47,209	\$ 26,809	\$ 26,976	\$ 2,324	\$ 4,409
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	99,010	13,466	55	5	7
Total receipts	-	-	99,010	13,466	55	5	7
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	99,066	9,693	432	-	-
Total disbursements	-	-	99,066	9,693	432	-	-
Excess (deficiency) of receipts over disbursements	-	-	(56)	3,773	(377)	5	7
Cash and investments - ending	\$ 4,367	\$ 6,259	\$ 47,153	\$ 30,582	\$ 26,599	\$ 2,329	\$ 4,416

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

	Cemetery PM GW Trust	Cemetery PM SL Trust	Cemetery Extension Trust	Cemetery Mds And Comm Trust	MC Employee Medical Trust	MC Employee Benefit Trust	Intergovernmental Wagering Tax
Cash and investments - beginning	\$ 1,036,251	\$ 511,694	\$ 539,172	\$ 37,809	\$ 1,527,876	\$ 329,278	\$ 63
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	2,159,697
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	17,919	18,510	32,326	75,081	5,568,994	486,042	-
Total receipts	17,919	18,510	32,326	75,081	5,568,994	486,042	2,159,697
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	23,656	14,547	12,800	76,873	6,081,848	478,349	2,159,697
Total disbursements	23,656	14,547	12,800	76,873	6,081,848	478,349	2,159,697
Excess (deficiency) of receipts over disbursements	(5,737)	3,963	19,526	(1,792)	(512,854)	7,693	-
Cash and investments - ending	\$ 1,030,514	\$ 515,657	\$ 558,698	\$ 36,017	\$ 1,015,022	\$ 336,971	\$ 63

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

	SRF Debt Reserve Fund	SRF Construction Fund	SRF Bond and Interest Fund	Vehicle Replacement Fund	Equipment Replacement Fund	SRF - Construction Additional Projects	SRF Construction Prison Project
Cash and investments - beginning	\$ 816,957	\$ 783,322	\$ 35,004	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	49,405	14	99,177	400,641	400,008	3,421,972	1,297,400
Total receipts	49,405	14	99,177	400,641	400,008	3,421,972	1,297,400
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	70,000	334,076	-	-	-
Capital outlay	-	760,637	-	-	5,489	2,764,374	1,171,606
Utility operating expenses	-	22,699	-	-	-	657,598	125,794
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	783,336	70,000	334,076	5,489	3,421,972	1,297,400
Excess (deficiency) of receipts over disbursements	49,405	(783,322)	29,177	66,565	394,519	-	-
Cash and investments - ending	\$ 866,362	\$ -	\$ 64,181	\$ 66,565	\$ 394,519	\$ -	\$ -

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

	Sewage Works Operating	Sewage Works Sinking	Sewage Works Improvement	Sewage Works - Indian Springs Proj	Sewage Works - Whippoorwill Proj	Sanitary District Operating	Sanitary District Bond
Cash and investments - beginning	\$ 1,676,699	\$ 527,375	\$ 857,746	\$ -	\$ -	\$ 183,764	\$ 14,807
Receipts:							
Taxes	-	-	-	-	-	853,943	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	160,226	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	9,243,655	-	-	-	-	-	-
Other receipts	1,302,032	784,211	1,317,988	53,048	3,817	-	534,438
Total receipts	<u>10,545,687</u>	<u>784,211</u>	<u>1,317,988</u>	<u>53,048</u>	<u>3,817</u>	<u>1,014,169</u>	<u>534,438</u>
Disbursements:							
Personal services	2,552,312	-	-	-	-	199,966	-
Supplies	-	-	-	-	-	-	-
Other services and charges	250,927	-	-	-	-	-	-
Debt service - principal and interest	344,000	918,223	-	53,048	3,817	-	-
Capital outlay	98,707	-	1,288,641	-	-	25,800	-
Utility operating expenses	4,958,349	400	-	-	-	292,269	-
Other disbursements	3,211,688	4	-	-	-	-	549,245
Total disbursements	<u>11,415,983</u>	<u>918,627</u>	<u>1,288,641</u>	<u>53,048</u>	<u>3,817</u>	<u>518,035</u>	<u>549,245</u>
Excess (deficiency) of receipts over disbursements	<u>(870,296)</u>	<u>(134,416)</u>	<u>29,347</u>	<u>-</u>	<u>-</u>	<u>496,134</u>	<u>(14,807)</u>
Cash and investments - ending	<u>\$ 806,403</u>	<u>\$ 392,959</u>	<u>\$ 887,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 679,898</u>	<u>\$ -</u>

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

	Sanitary District Refuse	Sanitary District Capital	Sanitary District Levy Excess	Water Dept Operating	Water Dept Bond And Interest	Water Dept Improvement	Water Dept Customer Deposit
Cash and investments - beginning	\$ 3,318	\$ 33,357	\$ 11,680	\$ 794,190	\$ 406,101	\$ 1,070,989	\$ 531,275
Receipts:							
Taxes	3,416,479	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	541,242	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	5,280	-	5,972,299	-	-	-
Other receipts	1,281,337	133	115,000	918,596	1,191,879	14,035	111,318
Total receipts	5,239,058	5,413	115,000	6,890,895	1,191,879	14,035	111,318
Disbursements:							
Personal services	1,043,057	-	-	1,717,598	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	76,467	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	1,200,677	-	-
Capital outlay	7,126	33,500	-	781,423	-	23,301	-
Utility operating expenses	1,620,191	-	-	2,355,584	-	-	-
Other disbursements	2,459,000	-	126,680	2,087,009	90	460,150	95,357
Total disbursements	5,205,841	33,500	126,680	6,941,614	1,200,767	483,451	95,357
Excess (deficiency) of receipts over disbursements	33,217	(28,087)	(11,680)	(50,719)	(8,888)	(469,416)	15,961
Cash and investments - ending	\$ 36,535	\$ 5,270	\$ -	\$ 743,471	\$ 397,213	\$ 601,573	\$ 547,236

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

	Water Dept Contingencies	Water Utility - Imprest Funds	MCPA Operating	MCPA Security Deposit	MCPA Surplus - Fifth Third	MCPA MCPA Surplus - Horizon	Totals
Cash and investments - beginning	\$ 622,944	\$ 5,350	\$ 1,306,470	\$ 9,821	\$ 50,000	\$ 3,352,188	\$ 48,371,920
Receipts:							
Taxes	-	-	-	-	-	-	48,750,514
Licenses and permits	-	-	-	-	-	-	770,291
Intergovernmental	-	-	-	-	-	-	25,505,932
Charges for services	-	-	2,303,759	-	-	-	5,201,759
Fines and forfeits	-	-	-	-	-	-	47,796
Utility fees	-	-	-	-	-	-	15,221,234
Other receipts	2,513	-	84,275	-	606	632,862	89,338,833
Total receipts	2,513	-	2,388,034	-	606	632,862	184,836,359
Disbursements:							
Personal services	-	-	616,234	-	-	-	28,604,199
Supplies	-	-	456,185	-	-	-	2,878,922
Other services and charges	-	-	772,771	-	-	-	11,817,621
Debt service - principal and interest	-	-	-	-	-	-	5,112,579
Capital outlay	-	-	-	-	-	2,532,470	14,618,690
Utility operating expenses	-	-	-	-	-	-	10,032,884
Other disbursements	-	-	622,474	-	50,606	-	86,337,735
Total disbursements	-	-	2,467,664	-	50,606	2,532,470	159,402,630
Excess (deficiency) of receipts over disbursements	2,513	-	(79,630)	-	(50,000)	(1,899,608)	25,433,729
Cash and investments - ending	\$ 625,457	\$ 5,350	\$ 1,226,840	\$ 9,821	\$ -	\$ 1,452,580	\$ 73,805,649

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 20,599	\$ 173,387
Wastewater Utility	-	857,643
Water Utility	203,349	459,209
Port Authority	-	674,765
Totals	\$ 223,948	\$ 2,165,004

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Wastewater Utility:				
Crossroads Bank	Equipment	\$ 57,801	12/19/2013	12/19/2017
Crossroads Bank	Equipment	216,406	12/19/2013	9/1/2018
Crossroads Bank	Equipment	<u>66,735</u>	12/19/2013	9/1/2018
Total of annual lease payments		<u>\$ 340,942</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Redevelopment Auth NE Roeske Ave Bonds of 1999	\$ 501,961	\$ 496,706
General obligation bonds	Redevelopment Auth Refunding Bonds 2011 (Cleveland Ave)	1,445,000	253,619
General obligation bonds	Redevelopment Auth Special Taxing Dist Bonds 2007 (400N)	3,630,000	361,096
General obligation bonds	Redevelopment Auth Lafayette/Barker Bonds of 2010	8,470,000	752,605
General obligation bonds	Redevelopment Auth Elston Grove Bonds of 2011	<u>5,260,000</u>	<u>496,338</u>
Total governmental activities		<u>19,306,961</u>	<u>2,360,364</u>
Wastewater Utility:			
Revenue bonds	Sewage Works Refunding Revenue Bonds of 2005	890,000	915,795
Notes and loans payable	Sewage Works Revenue Bonds Series 2013 (SRF Loan)	2,650,000	140,000
Notes and loans payable	Sewage Works Revenue Bonds Series 2014A (SRF Loan)	5,000,000	-
Notes and loans payable	Sewage Works Revenue Bonds Series 2014B (SRF Loan)	<u>1,297,400</u>	<u>-</u>
Total Wastewater Utility		<u>9,837,400</u>	<u>1,055,795</u>
Water Utility:			
Revenue bonds	Waterworks Refunding Revenue Bonds of 2014	<u>8,005,000</u>	<u>1,184,300</u>
Totals		<u>\$ 37,149,361</u>	<u>\$ 4,600,459</u>

CITY OF MICHIGAN CITY
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	\$ 6,650,816
Infrastructure	112,809,450
Buildings	21,745,785
Improvements other than buildings	16,511,314
Machinery, equipment, and vehicles	23,573,545
Construction in progress	485,119
Total governmental activities	181,776,029
Wastewater Utility:	
Land	849,079
Infrastructure	75,515,420
Buildings	26,974,348
Improvements other than buildings	829,450
Machinery, equipment, and vehicles	11,546,793
Construction in progress	839,776
Total Wastewater Utility	116,554,866
Water Utility:	
Land	91,291
Infrastructure	27,976,875
Buildings	10,226,007
Improvements other than buildings	21,625,510
Machinery, equipment, and vehicles	2,766,750
Total Water Utility	62,686,433
Port Authority:	
Land	2,038,751
Infrastructure	4,834,885
Buildings	5,975,101
Improvements other than buildings	992,285
Machinery, equipment, and vehicles	860,248
Total Port Authority	14,701,270
Total capital assets	\$ 375,718,598

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

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

Report on Compliance for Each Major Federal Program

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-004 and 2014-005. Our opinion on each major federal program is not modified with respect to these 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

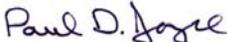
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of 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 2014-003, 2014-004, 2014-005, and 2014-006, to be material weaknesses.

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

March 8, 2016

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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 MICHIGAN CITY
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 Commerce</u>				
Coastal Zone Management Administration Awards Lakeshore Public Access & Restoration	Indiana Department of Natural Resources	11.419	CZM439	\$ 13,500
<u>Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	Direct	14.218		
CDBG 2012			B-12-MC-180022	473,927
CDBG 2013			B-13-MC-180022	78,538
Total - Department of Housing and Urban Development				<u>552,465</u>
<u>Department of Justice</u>				
Public Safety Partnership and Community Policing Grants COPS Grant	Direct	16.710	2009RKWX0348	30,867
Equitable Sharing Program	Direct	16.922	FY 2014	19,887
Total - Department of Justice				<u>50,754</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	Indiana Department of Transportation	20.205		
Barker Rd/Woodland Ave Intersection Improvement			DES #0810302	5,436
CNG Vactor Truck			DES #1172400	300,000
Total - Highway Planning and Construction Cluster				<u>305,436</u>
Federal Transit Cluster				
Federal Transit_Formula Grants	Direct- FTA	20.507		
Transit Operating			IN-90-4660	432,608
CMAQ Transit Bus			IN-95-0045	424,377
Total - Federal Transit Cluster				<u>856,985</u>
Highway Safety Cluster				
State and Community Highway Safety Operation Pull Over	Indiana Criminal Justice Institute	20.600	2534	18,317
Airport Improvement Program	Direct - FAA	20.106		
AIP 12			3-18-0055-012-2008	20
AIP 15			3-18-0055-015-2011	8,531
AIP 16			3-18-0055-016-2012	32,470
AIP 17			3-18-0055-017-2013	443,651
Total - Airport Improvement Program				<u>484,672</u>
Total - Department of Transportation				<u>1,665,410</u>
<u>Environmental Protection Agency</u>				
Clean Water State Revolving Fund Cluster				
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458		
SD SRF 2014A			WW13114602	1,213,507
SD SRF 2014B			WW13114602	432,316
Total - Clean Water State Revolving Fund Cluster				<u>1,645,823</u>
Beach Monitoring and Notification Program Implementation Grants	Indiana Department of Environmental Management	66.472		
Beach Act Grant			305-3-96	2,900
Beach Act Grant			A305-2-64	19,100
Total - Beach Monitoring and Notification Program Implementation Grants				<u>22,000</u>
Total - Environmental Protection Agency				<u>1,667,823</u>
Total federal awards expended				<u>\$ 3,949,952</u>

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City 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	<u>\$ 227,207</u>

CITY OF MICHIGAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Programs:

Name of Federal Program or Cluster

Highway Planning and Construction Cluster
Federal Transit Cluster
Clean Water State Revolving Fund 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 - FINANCIAL TRANSACTIONS

We noted several deficiencies in the internal control system of the City related to financial transactions.

1. Lack of Segregation of Duties: The City has not separated incompatible activities related to the processing of electronic disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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

Journal entries for disbursements withdrawn from the City's bank accounts as electronic funds transfers (EFT's) are created and recorded in the ledger by the Controller's Office personnel. Claims are not prepared for these journal entries nor are they included on a Claim Docket Allowance for Vouchers and, are therefore, not approved by the governing body.

2. Bank reconcilements were completed on a consistent basis. However, City officials failed to properly document that the reconcilements had been reviewed by someone other than the preparer to ensure that identified reconciling items were appropriate, supported, and recorded timely.
3. Receipts are entered into the accounting software by various department personnel. The Controller's Office verifies the receipt amounts with the deposits prior to recording them in the ledger. However, City officials failed to properly document that the receipts were verified with the deposits by Controller's Office personnel prior to recording them in the ledger.
4. Monitoring of Controls: An evaluation of the City's system of internal control has not been conducted. The failure to monitor the internal control system places the City at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the City has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the City to monitor and assess the quality of the system of internal control.

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)

FINDING 2014-002 - 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 Deputy Controller independently prepared the SEFA for inclusion in the financial report without oversight, review, or approval. A proper system of internal controls would include segregation of duties by having a proper oversight, review, or approval process and would allow the City to prevent, detect, or correct errors on the SEFA in a timely manner. A lack of segregation of duties within an internal control system could allow material misstatements of the SEFA to remain undetected.

During the audit of the SEFA, we noted that expenditures for the Capitalization Grants for Clean Water State Revolving Funds were overstated by \$3,856,885, and the expenditures for the Equitable Sharing Program were understated by \$19,887. In addition, the program title for one program was incorrect and three programs reported the incorrect CFDA number. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

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

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:

"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 . . . "

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 - CASH MANAGEMENT

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number: WW13114602
Pass-Through Entity: Indiana Finance Authority

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

Management of the City 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 Capitalization Grants for Clean Water State Revolving Funds (SRF) 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 adequate policies or procedures to ensure compliance with Cash Management requirements. An Administrative Assistant was responsible for preparing and submitting the requests for reimbursement to the Indiana Finance Authority for the SRF program. These requests were not subjected to a review prior to submission to ensure that expenditures were made prior to requesting reimbursement. An oversight, review, or approval process has not been established.

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.

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 failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance 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, including segregation of duties, related to the grant agreement and Cash Management compliance requirements of the program.

FINDING 2014-004 - EQUIPMENT MANAGEMENT

Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205
Federal Award Number: DES# 1172400
Pass-Through Entity: Indiana Department of Transportation

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

Internal Control

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Equipment Management compliance requirements of the Highway Planning and Construction 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 Equipment Management. The City did not have controls in place to properly identify and track equipment purchased with federal program funds.

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.

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."

Compliance

The City purchased a natural gas vector truck with federal program funds. The City's capital asset records did not include a category to identify that the asset had been purchased with Federal funds or to track the percentage of Federal participation in the purchase of the truck as required. This identification is necessary to ensure that the disposition of the asset will be handled in accordance with federal guidelines.

49 CFR 18.32 (d)(1) states:

"Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance 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 ensure compliance and comply with the Equipment Management requirements of the program.

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

FINDING 2014-005 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: Department of Transportation
Federal Program: Federal Transit_Formula Grants
CFDA Number: 20.507
Federal Award Number and Year: IN-90-4660

Internal Controls

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement of the Federal Transit_Formula Grants 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 non-compliance 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 Procurement and Suspension and Debarment requirements of the program. There was no segregation of duties, such as an oversight, review, or approval process to ensure compliance with applicable local, state, and federal laws regarding these requirements.

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.

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."

Compliance

The City has not established proper procedures for the procurement of diesel and unleaded fuel. During 2014, the City procured \$704,147 of diesel and unleaded fuel from local vendors. The purchases were in batches approximately every three weeks and were made without the approval of the City Board of Public Works and Safety. The City has not entered into a written contract with these local vendors from which they procure fuel, nor has the City determined if the local vendors have been suspended or debarred from participation in federal programs.

49 CFR 18.36 (b) states in part: "*Procurement standards.* (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section . . . "

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

Indiana Code 5-22-17-10 states:

"(a) As used in this section, "petroleum products" includes the following:

- (1) Gasoline.
- (2) Fuel oils.
- (3) Lubricants.
- (4) Liquid asphalt.

(b) A purchasing agent may award a contract for petroleum products to:

- (1) the lowest responsible and responsive offeror; or
- (2) all responsible and responsive offerors.

(c) A contract entered into under this section may allow for the escalation or de-escalation of price.

(d) This subsection applies to a petroleum products contract that is awarded to all responsible and responsive offerors as provided in subsection (b). The purchasing agent must purchase the petroleum products from the lowest of the responsible and responsive bidders. The contract must provide that the bidder from whom petroleum products are being purchased shall provide five (5) business days written notice of any change in price. Upon receipt of written notice, the purchasing agent shall request current price quotes in writing based upon terms and conditions of the original offer (as awarded) from all successful responsible and responsive offerors. The purchasing agent shall record the quotes in minutes or memoranda. The purchasing agent shall purchase the petroleum products from the lowest responsible and responsive offeror, taking into account the price change of the current supplier and the price quotes of the other responsible and responsive offerors."

49 CFR 18.35 states:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, 'Debarment and Suspension.'"

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- . . . (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

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

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance 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 ensure compliance and comply with the Procurement and Suspension and Debarment requirements of the program.

FINDING 2014-006 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Transportation
Federal Program: Federal Transit – Formula Grants
CFDA Number: 20.507
Federal Award Number: IN-90-4660, IN-95-0045

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management and Reporting compliance requirements of the Federal Transit_Formula Grants 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 procedures over the preparation and submission of the claims for reimbursement to ensure compliance with the Cash Management and Reporting requirements. One individual was responsible for preparing and submitting required reports on the Federal Transit Administration website. Officials stated that reports were reviewed prior to submission; however, evidence of a review or oversight process to ensure that reports are accurate and complete and in compliance with the Cash Management and Reporting requirements was not provided.

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.

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 failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance 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, including segregation of duties, related to the grant agreement and Cash Management and Reporting compliance requirements of the program.

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AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



MICHIGAN CITY INDIANA

Office of City Controller – Steve Janus, Interim Controller – Phone: 219.873.1404 – Fax: 219.873.1542 – email: steve@janustaxservice.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2013-003

Original Assigned SBA Audit Report Number: B44551
Report Period: 2013
Pass-Through Entity or Federal Grantor Agency: Indiana Finance Authority or Environmental Protection Agency
Contact Person Responsible for Corrective Action: Yvonne Hoffmaster
Contact Phone Number: (219) 873-1404

Status of Audit Finding: On October 21, 2015, we met with Somer Stephens, a representative of Mendenhall & Associates. Mendenhall & Associates has been hired by SRF to oversee the Davis-Bacon requirements on behalf of Michigan City for all of the Phase I and Phase II wastewater projects funded through SRF.

After Mendenhall & Associates has reviewed certified payrolls, a physical copy is mailed to the Controller's Office and are kept in a three-ring binder. In addition to these mailings, we also receive a quarterly mailing outlining the last certified payroll reviewed for each contractor and a "payroll summary" showing each worker, what Davis-Bacon wages they are due and what wages they are actually paid.

The quarterly mailings act as a checks and balance system to make sure the information we receive matches the information Mendenhall & Associated receive.


(Signature)

Assistant Controller
(Title)

October 20, 2015
(Date)

RON MEER – MAYOR



MICHIGAN CITY INDIANA

Office of City Controller - Richard Murphy, City Controller - Phone: 219.873.1404 - Fax: 219.873.1542 - email: rmurphy@emichigancity.com

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Richard Murphy, City Controller
Contact Phone Number: 219 873-1404 ext. 361

Description of Corrective Action Plan:

1. Electronic disbursements will be added to the claims dockets. They will be approved by the Board of Public Works and Safety regularly scheduled meetings.
2. Bank reconcilements will continue to be completed on a consistent basis. Once the reconcilements are completed, they will be reviewed by the Controller or Assistant Controller and initialed. The documents will then be filed with the other monthly documents.
3. The Controller's Office personnel will continue to verify receipts against the bank deposits. The documentation used from the bank to verify the receipts will be maintained and filed with the other monthly documents
4. An evaluation will be performed and a process will be created to assist in identifying and/or correcting any deficiencies that could improve the internal controls.

Anticipated Completion Date:

Items one through three have already been implemented as of November 2015. Item four will be addressed and implemented by the end of fiscal year 2016.

A handwritten signature in black ink, appearing to read "Richard Murphy", is written over a horizontal line.

(Signature)

City Controller

March 7, 2016

RON MEER – MAYOR

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MICHIGAN CITY INDIANA

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CORRECTIVE ACTION PLAN

FINDING 2014-002

Contact Person Responsible for Corrective Action: Richard Murphy, City Controller
Contact Phone Number: 219 873-1404 ext. 361

Description of Corrective Action Plan:

A policy has been developed to track grants from inception to award. This policy will be reviewed and redistributed to all grant receiving departments. Another staff member in the Controller's Office will double check the data input into Gateway to insure that all data entered has been accepted by Gateway. CFDA numbers will continued to be googled and the exact name of each program will be reported on the SEFA. The overstatement of federal expenditures will be corrected with the stricter compliance of the existing policy and with the actions taken in the corrective action plan of finding 2014-003. We will continue to improve on communications with all the departments.

Anticipated Completion Date:

This policy was implemented in September 2014 and will continue to be monitored to until all departments are in full compliance.

A handwritten signature in black ink, appearing to read "Richard Murphy", is written over a horizontal line.

(Signature)
City Controller
March 7, 2016

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CORRECTIVE ACTION PLAN

FINDING 2014-003

Contact Person Responsible for Corrective Action: Richard Murphy, City Controller
Contact Phone Number: 219 873-1404 ext. 361

Description of Corrective Action Plan:

A procedure will be implemented to address the segregation of duties when preparing and submitting requests to the Indiana Finance Authority for the SRF program. The preparation of the documents will be conducted by staff at the Michigan City Sanitary District. The Sanitary District Board will approve submission for payment. After approval by the Board, the documentation will be forwarded to the Controller's Office and the documentation will be reviewed by the AP/AR staff. The payment request will be approved by the Controller and the payment request will be submitted to the IFA for distribution by the Assistant Controller or Internal Auditor. We will continue to improve on communications with all departments.

Anticipated Completion Date:

The procedure is currently being prepared and will be in effect by April 2016.

A handwritten signature in black ink, appearing to read "Richard Murphy", written over a horizontal line.

(Signature)
City Controller
March 7, 2016

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CORRECTIVE ACTION PLAN

FINDING 2014-004

Contact Person Responsible for Corrective Action: Richard Murphy, City Controller
Contact Phone Number: 219 873-1404 ext. 361

Description of Corrective Action Plan:

The policy for tracking grants will be utilized more thoroughly. The Internal Auditor that records and tracks the fixed assets will be more involved with the grant process by noting all equipment that will be purchased with grant dollars. We will continue to improve on communication within the office.

Anticipated Completion Date:

This process has been implemented as of November 2015.

A handwritten signature in black ink, appearing to read "Richard Murphy", is written over a horizontal line.

(Signature)
City Controller
March 7, 2016

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CORRECTIVE ACTION PLAN

FINDING 2014-005

Contact Person Responsible for Corrective Action: Richard Murphy, City Controller
Contact Phone Number: 219 873-1404 ext. 361

Description of Corrective Action Plan:

A policy and procedure will be developed for the procurement of diesel fuel and unleaded gasoline. The procedure will outline the process of purchasing the fuel. The policy will include the procedure for purchasing as well as the determination if the vendors have been suspended or debarred from participation in federal programs. This policy will be approved by the Board of Public Works and Safety at the beginning each year.

Anticipated Completion Date:

The policy and procedure will be completed by June 30, 2016.

A handwritten signature in black ink, appearing to read "Richard Murphy", is written over a horizontal line.

(Signature)
City Controller
March 7, 2016

RON MEER – MAYOR

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CORRECTIVE ACTION PLAN

FINDING 2014-006

Contact Person Responsible for Corrective Action: Richard Murphy, City Controller
Contact Phone Number: 219 873-1404 ext. 361

Description of Corrective Action Plan:

The procedure utilized for the preparation and submitting of grant reimbursements for MC Transit will be updated to include a signature from the Assistant Controller and the Transit Director. The signatures will verify the accuracy of the numbers prepared and submitted.

Anticipated Completion Date:

The update of the procedure will be completed and implemented by March 31, 2016.

A handwritten signature in black ink, appearing to read "Richard Murphy", is written over a horizontal line.

(Signature)
City Controller
March 7, 2016

RON MEER – MAYOR

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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/>.