B44995

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF LAKE STATION
LAKE COUNTY, INDIANA

January 1, 2013 to December 31, 2013

FILED
04/10/2015

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Brenda Samuels	01-01-12 to 12-31-15
Mayor	Keith Soderquist	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Keith Sodequist	01-01-13 to 12-31-15
President Pro Tempore of the Common Council	Todd Lara	01-01-13 to 12-31-13
	Todd Rogers	01-01-14 to 12-31-14
	John McDaniel	01-01-15 to 12-31-15

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF LAKE STATION, LAKE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Lake Station (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

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, 2013.

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, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Going Concern

The accompanying financial statement has been prepared assuming that the City will continue as a going concern. As discussed in Note 10 to the financial statement, the City has been experiencing significant negative cash balances of the City's General Fund, as well as other funds related to the operations of City functions. The deficit cash balances of the City, as well as the City's procedures performed to operate without addressing the root causes of the deficits raises substantial doubt about the City's ability to continue as a going concern. The financial statement does not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 6, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

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

accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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 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.

Based upon information obtained during the audit of the financial statement, we believe that the Schedule of Capital Assets is materially misstated as presented in this report. As described in the preceding paragraph, the Schedule of Capital Assets presented in this report is for additional analysis and is not a required part of the financial statement nor has it been subjected to any auditing procedures and, accordingly, we express no opinion on it.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

January 6, 2015

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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 LAKE STATION, LAKE 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 Lake Station (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated January 6, 2015, 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 2013-001 and 2013-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Question Costs as items 2013-001 and 2013-002.

City of Lake Station'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
Paul D. Joyce, CPA
State Examiner

January 6, 2015

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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 LAKE STATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
GENERAL FUND	$ (1,957,818)	$ 6,304,811	$ 6,364,124	$ (2,017,131)
MOTOR VEHICLE HIGHWAY	(56,785)	732,888	627,781	48,322
LOCAL ROAD AND STREET	104,628	143,167	211,771	36,024
BRICK DONATION FUND	17	-	-	17
PARK NON-REVERTING FUND	16,356	130,005	133,296	13,065
EMPLOYEES HEALTH INS.	742	-	742	-
ALCOHOL PROGRAM MONITOR	1,282	2,900	3,235	947
AMBULANCE DONATION FUND	125	-	125	-
ECONOMIC DEVELOPMENT	25,552	4,725	26,361	3,916
DRUNK DRIVING /BLITZ	401	49,629	49,628	402
REFUSE DEPARTMENT	22,298	678,969	750,937	(49,670)
PARK CONST (2008 BLDG)	-	738,722	1,178	737,544
LOCAL LAW ENFOR. CON'T EDUCATION	13,698	20,065	14,994	18,769
CLERK'S RECORD PERPETUATION	2,239	1,474	-	3,713
DEFERRAL - ORDINANCE VIOLATION	-	30,493	20,200	10,293
UNSAFE BUILDING NON-REVERTING	2,004	-	-	2,004
RIVERBOAT- INFRASTRUCTURE	401,571	149,128	27,665	523,034
PARK AND RECREATION FUND	195,936	38,284	269,554	(35,334)
USER FEE LS CONTINUING EDUCATION	3,751	2,526	-	6,277
FIRE HAZARDOUS NON-REVERTING	12,734	-	-	12,734
POLICE K9 DONATION	2,266	50	2,316	-
DRUG SEIZURE (FEDERAL)	680	26,473	26,913	240
MAJOR MOVES CONSTRUCTION	111,889	-	4,069	107,820
FIREFIGHTERS GRANT	31	-	31	-
POLICE DEPT - VESTS	30	-	30	-
FIRE DONATION	158	-	158	-
CUMULATIVE SEWAGE FUND	271,955	28,526	-	300,481
STORMWATER MS4	195,122	589,922	399,053	385,991
AMBULANCE NON-REVERTING	3,180	-	3,180	-
MUNICIPAL COMPLEX	(179,564)	460,000	491,724	(211,288)
COMPOST	1	57,867	57,778	90
CUMULATIVE CAPITAL IMPROVEMENT	117,102	33,750	78,111	72,741
DRUG SEIZURE (STATE)	1,107	1,990	1,483	1,614
POLICE PENSION FUND	322,047	327,200	334,594	314,653
COURT COST DUE COUNTY	-	2,129	2,129	-
COURT	237,267	511,665	493,528	255,404
CIVIC CENTER	6,725	26,000	17,522	15,203
GRAND BLVD LAKE ENHANCEMENT	4,265	6,850	8,952	2,163
GENERAL OBLIGATION BOND	-	1,125,910	1,106,943	18,967
PARK GO	43,818	132,656	152,152	24,322
POLICE DONATION FUND	2,018	-	1,000	1,018
POLICE GRANTS/ INSURANCE	216	-	216	-
STREETS AND SANI CLOTHING	-	4,351	4,225	126
PARK DONATION FUND	21,754	3,292	2,260	22,786
PARK SECURITY DEPOSIT	1,876	15,072	14,630	2,318

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

CITY OF LAKE STATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
COPS	-	43,100	43,100	-
DEFERRAL - POLICE	-	30,400	20,153	10,247
DEFERRAL - INFRACTION	-	27,840	15,305	12,535
MUNICIPAL BOND	190,408	1,515,471	1,448,043	257,836
PARK CAPITAL IMPROVE. FUND	170	-	-	170
SEWAGE	207,455	1,148,051	1,201,483	154,023
PAY-DD-NET	-	2,865,138	2,865,138	-
PAY-FED W/H	-	374,859	374,859	-
PAY-FICA	-	281,780	281,780	-
PAY-MEDI	-	102,222	102,222	-
PAY-STATE	-	126,835	126,835	-
PAY-COUNTY	-	13,857	13,857	-
PAY-PERF	10,442	44,294	54,736	-
PAY-INPP	14,389	78,050	92,439	-
PAY-AFLAC	842	18,396	18,686	552
PAY-CHILD SUPPORT	-	20,518	20,518	-
PAY-DENTAL	-	5,544	5,544	-
PAY-457 2%	-	67,110	67,110	-
PAY-457 VOL%	-	3,269	3,269	-
PAY-457 C/P	-	67,110	67,110	-
PAY-FOP DUES	-	3,780	3,780	-
PAY-GARNI-DY	-	821	821	-
PAY-GARNI-DJ	-	278	278	-
PAY-GARNI-HP	-	4,377	4,377	-
PAY-GARNI-DG	-	950	950	-
PAY-GARNI-KG	-	18,980	18,980	-
PAY-GARNI-JG	-	175	175	-
PAY-GARNI-SO	-	3,892	3,892	-
PAY-CIN LIFE INS	691	7,427	8,071	47
PAY-HEALTH	-	144,979	144,979	-
PAY-PP LEGAL	-	383	383	-
PAY-SUPPORT FEES	-	165	165	-
PAY-UNION DUES	-	9,965	9,965	-
PAY-VISION	-	5,053	5,053	-
PAY-VOL CIVIL PERF	1,231	6,035	7,266	-
SANITARY DIST - BOND	271,393	732,261	709,175	294,479
SANITARY DIST OPERATING	(257,249)	3,470,269	3,032,802	180,218
WATER UTILITY OPERATING	(17,394)	1,953,372	1,971,733	(35,755)
WATER DEPOSIT	45,405	22,865	-	68,270
WATER SRF - BOND	-	7,949,091	7,949,091	-
WATER SRF - SINK BOND INTEREST	23,201	379,867	162,406	240,662
WATER SRF - SINK RESERVE	10,353	134,148	-	144,501
Totals	$ 454,011	$ 34,064,466	$ 32,561,117	$ 1,957,360

The notes to the financial statement are an integral part of this 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, 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, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

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

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

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.

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.

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

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

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

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

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

Plan Description

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

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

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

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

Funding Policy

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of some funds that have been overdrawn prior to 2008, and the tax caps. Although the City has a plan in place, it will take years to alleviate the large deficits.

Note 8. Holding Corporation

The City has entered into capital leases with the Lake Station 2008 Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year 2013 totaled $960,000.

Note 9. Subsequent Events

The improvement projects to the Water Treatment system continued in 2013. It is anticipated that the projects should be substantially completed by the end of 2014.

Note 10. Current and Future Financial Considerations

At December 31, 2013, the City's overall cash and investment balance was $1,957,360 with the General Fund, Refuse Department, Park and Recreation Fund, Municipal Complex, and Water Utility Operating funds cash and investment balances at a negative $2,017,131, $49,670, $35,334, $211,288, and $35,755, respectively. The General Fund has reported an overdrawn ending cash balance at December 31 for every year since 2007. The General Fund's cash position at December 31, 2013, would have been a larger negative balance except for the interfund loans it received from various funds as described below.

The City's General Fund disbursements exceeded the fund's budget. The budget, as approved by Department of Local Government and Finance (DLGF), for 2013 was $2,506,430. After adjusting for disbursements that do not require appropriation, such as temporary loans and tax anticipation warrants, the adjusted budget amount as computed was $4,699,691. The City disbursed $6,364,124 from the General Fund in 2013, resulting in disbursements in excess of budget of $1,664,433. Disbursements in excess of budgets for the General Fund have also occurred in prior years.

The Municipal Complex fund overdrawn cash balance was due to a temporary interfund loan of $250,000 provided to the General Fund in October 2013 and not repaid until 2014.

The Water Utility Operating fund has a negative cash balance at year-end of $35,755 due to a temporary interfund loan of $50,000 provided to the General Fund in October 2013 and not repaid until 2014.

The Water Deposit fund's cash balance at December 31, 2013, is less than the meter deposit liability to its customers of $181,531. Additionally, the Water Deposit fund shares a bank account with the Water Utility Operating fund (which was overdrawn at year end). This has resulted in the operating fund relying on customer deposits to fund operations.

The bond ordinance adopted by the Common Council for the Water Utility's State Revolving Loans requires the Water Utility to maintain sufficient cash to fund two months of operating and maintenance expenses in the Water Utility Operating fund. The bond ordinance requires the Water Utility Operating fund to be funded before making payments in lieu of taxes (PILOT) to the City. Although the water utility rate had a rate increase in 2012, the Water Utility Operating fund does not have sufficient cash to meet the bond ordinance requirements, due to PILOT transfers made to the General Fund of the City in 2013.

The City's cash balance per the financial statement at December 31, 2013, was $1,957,360. The court funds are not accounted for through the City's accounting system and are not available for City disbursements. Debt Service funds and debt proceeds are restricted by debt covenants and agreements to be spent only for debt service or the purpose for which the debt was issued. After reducing the reported ending balance for court and debt service funds, the City's net available ending cash balance was ($16,355).

City's Plans to address General Fund concerns:

In fiscal 2014, the City took measures to reduce the deficit balance. The City transferred funds to the General Fund from the Riverboat- Infrastructure fund of $420,000, Cumulative Sewage of $317,841, and the Economic Development fund of $30,000, totaling $767,841. Lake County instituted a Local Option Income Tax, which is expected to generate additional revenue for certain political subdivisions in Lake County, including the City, reducing the circuit breaker tax credits. For 2014, the Local Option Income Taxes is expected to reduce the circuit breaker tax credits (and increase property tax distributions) by $509,800. The City increased the payment in lieu of taxes made by the Water and Storm Water Utilities paid to the City's General Fund by $177,000 and paid $141,964 for a portion of public safety employees' salaries and wages and $132,577 for vehicles from new the LOIT Public Safety Fund to help reduce the burden on the General Fund.

In fiscal 2015, the City adopted a budget of $4,243,393 for the City's General Fund, which is an approximate 6.51 percent reduction in the budget. The certified budget was $4,538,936 for 2014. The City will continue to work at reducing its budget and operating costs in order to work towards balancing the budget and bring its General Fund balance to a positive amount over the next several years.

SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

CITY OF LAKE STATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD AND STREET	BRICK DONATION FUND	PARK NON-REVERTING FUND	EMPLOYEES HEALTH INS.	ALCOHOL PROGRAM MONITOR
Cash and investments - beginning	$ (1,957,818)	$ (56,785)	$ 104,628	$ 17	$ 16,356	$ 742	$ 1,282
Receipts:							
Taxes	2,607,571	-	-	-	-	-	-
Licenses and permits	101,130	-	-	-	-	-	-
Intergovernmental	775,288	627,714	143,167	-	-	-	-
Charges for services	358,029	-	-	-	61,941	-	-
Fines and forfeits	100	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,462,693	105,174	-	-	68,064	-	2,900
Total receipts	6,304,811	732,888	143,167	-	130,005	-	2,900
Disbursements:							
Personal services	3,209,909	444,974	-	-	-	742	3,235
Supplies	137,031	25,744	168,004	-	-	-	-
Other services and charges	609,067	34,834	18,000	-	133,296	-	-
Debt service - principal and interest	1,118,379	105,273	-	-	-	-	-
Capital outlay	108,091	16,956	25,767	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,181,647	-	-	-	-	-	-
Total disbursements	6,364,124	627,781	211,771	-	133,296	742	3,235
Excess (deficiency) of receipts over disbursements	(59,313)	105,107	(68,604)	-	(3,291)	(742)	(335)
Cash and investments - ending	$ (2,017,131)	$ 48,322	$ 36,024	$ 17	$ 13,065	$ -	$ 947

CITY OF LAKE STATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	AMBULANCE DONATION FUND	ECONOMIC DEVELOPMENT	DRUNK DRIVING /BLITZ	REFUSE DEPARTMENT	PARK CONST (2008 BLDG)	LOCAL LAW ENFOR. CON'T EDUCATION	CLERK'S RECORD PERPETUATION
Cash and investments - beginning	$ 125	$ 25,552	$ 401	$ 22,298	$ -	$ 13,698	$ 2,239
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	664,189	-	20,065	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	4,725	49,629	14,780	738,722	-	1,474
Total receipts	-	4,725	49,629	678,969	738,722	20,065	1,474
Disbursements:							
Personal services	-	-	49,628	269,681	-	-	-
Supplies	125	-	-	68,373	-	-	-
Other services and charges	-	26,361	-	8,425	-	14,994	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	404,458	1,178	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	125	26,361	49,628	750,937	1,178	14,994	-
Excess (deficiency) of receipts over disbursements	(125)	(21,636)	1	(71,968)	737,544	5,071	1,474
Cash and investments - ending	$ -	$ 3,916	$ 402	$ (49,670)	$ 737,544	$ 18,769	$ 3,713

CITY OF LAKE STATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	DEFERRAL - ORDINANCE VIOLATION	UNSAFE BUILDING NON-REVERTING	RIVERBOAT-INFRASTRUCTURE	PARK AND RECREATION FUND	USER FEE LS CONTINUING EDUCATION	FIRE HAZARDOUS NON-REVERTING	POLICE K9 DONATION
Cash and investments - beginning	$ -	$ 2,004	$ 401,571	$ 195,936	$ 3,751	$ 12,734	$ 2,266
Receipts:							
Taxes	-	-	-	38,061	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	149,128	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	30,493	-	-	223	2,526	-	50
Total receipts	30,493	-	149,128	38,284	2,526	-	50
Disbursements:							
Personal services	-	-	-	183,053	-	-	-
Supplies	20,200	-	-	15,804	-	-	2,316
Other services and charges	-	-	27,665	59,964	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	8,721	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	2,012	-	-	-
Total disbursements	20,200	-	27,665	269,554	-	-	2,316
Excess (deficiency) of receipts over disbursements	10,293	-	121,463	(231,270)	2,526	-	(2,266)
Cash and investments - ending	$ 10,293	$ 2,004	$ 523,034	$ (35,334)	$ 6,277	$ 12,734	$ -

CITY OF LAKE STATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	DRUG SEIZURE (FEDERAL)	MAJOR MOVES CONSTRUCTION	FIREFIGHTERS GRANT	POLICE DEPT - VESTS	FIRE DONATION	CUMULATIVE SEWAGE FUND	STORMWATER MS4
Cash and investments - beginning	$ 680	$ 111,889	$ 31	$ 30	$ 158	$ 271,955	$ 195,122
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	28,526	589,922
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	26,473	-	-	-	-	-	-
Total receipts	26,473	-	-	-	-	28,526	589,922
Disbursements:							
Personal services	-	-	-	-	-	-	185,376
Supplies	-	-	31	30	158	-	12,174
Other services and charges	26,913	-	-	-	-	-	194,103
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	4,069	-	-	-	-	4,000
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	3,400
Total disbursements	26,913	4,069	31	30	158	-	399,053
Excess (deficiency) of receipts over disbursements	(440)	(4,069)	(31)	(30)	(158)	28,526	190,869
Cash and investments - ending	$ 240	$ 107,820	$ -	$ -	$ -	$ 300,481	$ 385,991

CITY OF LAKE STATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	AMBULANCE NON-REVERTING	MUNICIPAL COMPLEX	COMPOST	CUMULATIVE CAPITAL IMPROVEMENT	DRUG SEIZURE (STATE)	POLICE PENSION FUND	COURT COST DUE COUNTY
Cash and investments - beginning	$ 3,180	$ (179,564)	$ 1	$ 117,102	$ 1,107	$ 322,047	$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	33,750	-	327,200	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	460,000	57,867	-	1,990	-	2,129
Total receipts	-	460,000	57,867	33,750	1,990	327,200	2,129
Disbursements:							
Personal services	-	-	-	-	-	600	-
Supplies	3,180	-	-	-	-	-	-
Other services and charges	-	450,000	57,691	9,716	1,483	333,994	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	41,724	-	68,395	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	87	-	-	-	2,129
Total disbursements	3,180	491,724	57,778	78,111	1,483	334,594	2,129
Excess (deficiency) of receipts over disbursements	(3,180)	(31,724)	89	(44,361)	507	(7,394)	-
Cash and investments - ending	$ -	$ (211,288)	$ 90	$ 72,741	$ 1,614	$ 314,653	$ -

CITY OF LAKE STATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	COURT	CIVIC CENTER	GRAND BLVD LAKE ENHANCEMENT	GENERAL OBLIGATION BOND	PARK GO	POLICE DONATION FUND	POLICE GRANTS/ INSURANCE
Cash and investments - beginning	$ 237,267	$ 6,725	$ 4,265	$ -	$ 43,818	$ 2,018	$ 216
Receipts:							
Taxes	-	-	-	-	123,156	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	26,000	-	-	-	-	-
Fines and forfeits	511,665	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	6,850	1,125,910	9,500	-	-
Total receipts	511,665	26,000	6,850	1,125,910	132,656	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	1,000	216
Other services and charges	-	17,522	8,952	-	-	-	-
Debt service - principal and interest	-	-	-	1,106,943	105,152	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	493,528	-	-	-	47,000	-	-
Total disbursements	493,528	17,522	8,952	1,106,943	152,152	1,000	216
Excess (deficiency) of receipts over disbursements	18,137	8,478	(2,102)	18,967	(19,496)	(1,000)	(216)
Cash and investments - ending	$ 255,404	$ 15,203	$ 2,163	$ 18,967	$ 24,322	$ 1,018	$ -

CITY OF LAKE STATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	STREETS AND SANI CLOTHING	PARK DONATION FUND	PARK SECURITY DEPOSIT	COPS	DEFERRAL - POLICE	DEFERRAL - INFRACTION	MUNICIPAL BOND
Cash and investments - beginning	$ -	$ 21,754	$ 1,876	$ -	$ -	$ -	$ 190,408
Receipts:							
Taxes	-	-	-	-	-	-	1,032,956
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	43,100	-	-	2,515
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	4,351	3,292	15,072	-	30,400	27,840	480,000
Total receipts	4,351	3,292	15,072	43,100	30,400	27,840	1,515,471
Disbursements:							
Personal services	-	-	-	43,100	-	-	-
Supplies	4,225	2,260	14,630	-	20,153	15,305	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	1,443,609
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	4,434
Total disbursements	4,225	2,260	14,630	43,100	20,153	15,305	1,448,043
Excess (deficiency) of receipts over disbursements	126	1,032	442	-	10,247	12,535	67,428
Cash and investments - ending	$ 126	$ 22,786	$ 2,318	$ -	$ 10,247	$ 12,535	$ 257,836

CITY OF LAKE STATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	PARK CAPITAL IMPROVE. FUND	SEWAGE	PAY-DD-NET	PAY-FED W/H	PAY-FICA	PAY-MEDI	PAY-STATE
Cash and investments - beginning	$ 170	$ 207,455	$ -	$ -	$ -	$ -	$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	970,481	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	177,570	2,865,138	374,859	281,780	102,222	126,835
Total receipts	-	1,148,051	2,865,138	374,859	281,780	102,222	126,835
Disbursements:							
Personal services	-	509,636	-	-	-	-	-
Supplies	-	387,918	-	-	-	-	-
Other services and charges	-	262,210	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	41,719	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	2,865,138	374,859	281,780	102,222	126,835
Total disbursements	-	1,201,483	2,865,138	374,859	281,780	102,222	126,835
Excess (deficiency) of receipts over disbursements	-	(53,432)	-	-	-	-	-
Cash and investments - ending	$ 170	$ 154,023	$ -	$ -	$ -	$ -	$ -

CITY OF LAKE STATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	PAY-COUNTY	PAY-PERF	PAY-INPP	PAY-AFLAC	PAY-CHILD SUPPORT	PAY-DENTAL	PAY-457 2%
Cash and investments - beginning	$ -	$ 10,442	$ 14,389	$ 842	$ -	$ -	$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	13,857	44,294	78,050	18,396	20,518	5,544	67,110
Total receipts	13,857	44,294	78,050	18,396	20,518	5,544	67,110
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	13,857	54,736	92,439	18,686	20,518	5,544	67,110
Total disbursements	13,857	54,736	92,439	18,686	20,518	5,544	67,110
Excess (deficiency) of receipts over disbursements	-	(10,442)	(14,389)	(290)	-	-	-
Cash and investments - ending	$ -	$ -	$ -	$ 552	$ -	$ -	$ -

CITY OF LAKE STATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	PAY-457 VOL%	PAY-457 C/P	PAY-FOP DUES	PAY-GARNI-DY	PAY-GARNI-DJ	PAY-GARNI-HP	PAY-GARNI-DG
Cash and investments - beginning	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	3,269	67,110	3,780	821	278	4,377	950
Total receipts	3,269	67,110	3,780	821	278	4,377	950
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	3,269	67,110	3,780	821	278	4,377	950
Total disbursements	3,269	67,110	3,780	821	278	4,377	950
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Cash and investments - ending	$ -	$ -	$ -	$ -	$ -	$ -	$ -

CITY OF LAKE STATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	PAY-GARNI-KG	PAY-GARNI-JG	PAY-GARNI-SO	PAY-CIN LIFE INS	PAY-HEALTH	PAY-PP LEGAL
Cash and investments - beginning	$ -	$ -	$ -	$ 691	$ -	$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	18,980	175	3,892	7,427	144,979	383
Total receipts	18,980	175	3,892	7,427	144,979	383
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	18,980	175	3,892	8,071	144,979	383
Total disbursements	18,980	175	3,892	8,071	144,979	383
Excess (deficiency) of receipts over disbursements	-	-	-	(644)	-	-
Cash and investments - ending	$ -	$ -	$ -	$ 47	$ -	$ -

CITY OF LAKE STATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	PAY-SUPPORT FEES	PAY-UNION DUES	PAY-VISION	PAY-VOL CIVIL PERF	SANITARY DIST - BOND	SANITARY DIST OPERATING
Cash and investments - beginning	$ -	$ -	$ -	$ 1,231	$ 271,393	$ (257,249)
Receipts:						
Taxes	-	-	-	-	732,261	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	2,889,160
Other receipts	165	9,965	5,053	6,035	-	581,109
Total receipts	165	9,965	5,053	6,035	732,261	3,470,269
Disbursements:						
Personal services	-	-	-	-	-	29,790
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	709,175	-
Capital outlay	-	-	-	-	-	268,888
Utility operating expenses	-	-	-	-	-	2,134,024
Other disbursements	165	9,965	5,053	7,266	-	600,100
Total disbursements	165	9,965	5,053	7,266	709,175	3,032,802
Excess (deficiency) of receipts over disbursements	-	-	-	(1,231)	23,086	437,467
Cash and investments - ending	$ -	$ -	$ -	$ -	$ 294,479	$ 180,218

CITY OF LAKE STATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	WATER UTILITY OPERATING	WATER DEPOSIT	WATER SRF - BOND	WATER SRF - SINK BOND INTEREST	WATER SRF - SINK RESERVE	Totals
Cash and investments - beginning	$ (17,394)	$ 45,405	$ -	$ 23,201	$ 10,353	$ 454,011
Receipts:						
Taxes	-	-	-	-	-	4,534,005
Licenses and permits	-	-	-	-	-	101,130
Intergovernmental	-	-	-	-	-	2,101,862
Charges for services	-	-	-	-	-	2,719,153
Fines and forfeits	-	-	-	-	-	511,765
Utility fees	1,601,047	-	-	-	-	4,490,207
Other receipts	352,325	22,865	7,949,091	379,867	134,148	19,606,344
Total receipts	1,953,372	22,865	7,949,091	379,867	134,148	34,064,466
Disbursements:						
Personal services	237,088	-	-	-	-	5,166,812
Supplies	-	-	-	-	-	898,877
Other services and charges	60,000	-	-	-	-	2,355,190
Debt service - principal and interest	514,015	-	-	162,406	-	5,264,952
Capital outlay	3,329	-	7,949,091	-	-	8,946,386
Utility operating expenses	651,063	-	-	-	-	2,785,087
Other disbursements	506,238	-	-	-	-	7,143,813
Total disbursements	1,971,733	-	7,949,091	162,406	-	32,561,117
Excess (deficiency) of receipts over disbursements	(18,361)	22,865	-	217,461	134,148	1,503,349
Cash and investments - ending	$ (35,755)	$ 68,270	$ -	$ 240,662	$ 144,501	$ 1,957,360

CITY OF LAKE STATION
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Ally Financial	Police vehicle	$ 9,874	9/26/2013	3/26/2016
Crossroads Bank	Street Mack Truck	36,034	10/1/2013	9/1/2018
Johnson Melloh Solutions	Wind-solar system	42,400	10/7/2011	9/1/2021
PNC Equipment Finance	Fire Truck	47,021	6/3/2008	6/1/2015
TCF Equipment Finance	Refuse equipment & software #300	67,131	9/16/2013	8/27/2018
TCF Equipment Finance	Refuse trucks & equipment #301	100,729	9/17/2013	8/30/2016
TCF Equipment Finance	Refuse Truck #303	68,307	11/1/2013	8/28/2018
TCF Equipment Finance	Park Leaf Vac	9,022	10/1/2013	10/1/2016
Lake Station 2008 Building Corporation	City Hall	959,000	9/17/2009	7/15/2030
Lake Station 2008 Building Corporation	Park - Refinance of bond issue	126,500	6/13/2013	1/15/2025
Lake Station 2008 Building Corporation	Park improvements	108,000	6/13/2013	1/15/2025
Total governmental activities		1,574,018		
Wastewater:				
Crossroads Bank	Vactor Truck	79,112	9/9/2013	9/9/2018
Total of annual lease payments		$ 1,653,130		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	General Obligation Judgment Bond 2013	$ 1,130,000	$ 39,728
Wastewater:			
General obligation bonds	Sanitary District Bond	1,025,000	711,444
Water:			
Revenue bonds	Waterworks Revenue Bonds of 2012 (SRF1)	9,715,000	361,525
Revenue bonds	Waterworks Revenue Bonds of 2013 (SRF2)	2,100,000	121,143
Total Water		11,815,000	482,668
Totals		$ 13,970,000	$ 1,233,840

CITY OF LAKE STATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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	$ 1,175,851
Buildings	7,220,819
Improvements other than buildings	1,641,753
Machinery, equipment, and vehicles	5,953,261
Total governmental activities	15,991,684
Wastewater:	
Machinery, equipment, and vehicles	772,512
Water:	
Machinery, equipment, and vehicles	60,189
Total capital assets	$ 16,824,385

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 THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE CITY OF LAKE STATION, LAKE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the City of Lake Station'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 its major federal program for the year ended December 31, 2013. The City's major federal program is 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 the City's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2013.

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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 item 2013-003 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
Paul D. Joyce, CPA
State Examiner

January 6, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

CITY OF LAKE STATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

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
Department of Justice				
Public Safety Partnership and Community Policing Grants	Direct Grant			
COPS grant		16.710	2012UMWX0073	$ 43,100
Equitable Sharing Program	Direct Grant	16.922	IN0450400	26,473
Total - Department of Justice				69,573
Department of Transportation				
Highway Safety Cluster				
State and Community Highway Safety	Indiana Criminal Justice Institute			
Operation Pull Over		20.600	K4-2013-09-03-08	1,500
			1488	19,484
Total - Highway Safety Cluster				20,984
Total - Department of Transportation				20,984
Environmental Protection Agency				
Capitalization Grants for Drinking Water State Revolving Funds	Indiana Finance Authority	66.468		
Water Improvement - Phase I			DW12034501	2,823,055
Water Improvement - Phase II			DW12034502	442,025
Total - Environmental Protection Agency				3,265,080
Total federal awards expended				$ 3,355,637

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF LAKE STATION
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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.

CITY OF LAKE STATION
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 program:	
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 Program:

CFDA Number	Name of Federal Program or Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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 2013-001 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING

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

1. Lack of Segregation of Duties: The City has not separated incompatible activities related to cash and investment balances, disbursements (including payroll), and the preparation of the Annual Financial Report (AFR) and financial statement. Due to the size of the Clerk-Treasurer's Office, one employee performs all functions related to payroll. The Clerk-Treasurer is solely responsible for reconciling cash and investments. The Clerk-Treasurer also prepares the AFR in Gateway without oversight, review, or approval. The financial information submitted via Gateway generates the City's financial statement.

The Clerk-Treasurer and another employee perform the vendor disbursement functions, but there is insufficient segregation of duties at times due to the needs of the office and availability of staff. Although the Board of Public Works and Safety approves all disbursements on the Accounts Payable Voucher (APV) Docket, they do not physically inspect the APVs.

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.

2. 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 either may not be designed properly or not be 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.

The Water SRF - Bond fund was used to account for the activity related to the State Revolving Loan which financed water improvements. The activity recorded in the fund is based upon loan draws made from the Indiana Finance Authority (IFA). Two draws recorded had errors related to retainage for the improvement projects. The amounts recorded were from the draws submitted to the IFA and were not reconciled to the draws as approved by the IFA. The result of these errors was that both receipts and disbursements in the records, the AFR, and the financial statement were overstated by $379,852.

Audit adjustments were proposed, accepted by the City, and made to the financial statement included in this report.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by in the manner prescribed under IC 5-14-3.8-7."

FINDING 2013-002 - INTERNAL CONTROLS AND COMPLIANCE OVER 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 SEFA was prepared by the Clerk-Treasurer and was not reviewed by another knowledgeable individual.

The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

1. The SEFA did not contain the Capitalization Grants for Drinking Water State Revolving Funds, which was the major program for the City. The Clerk-Treasurer's Office did not receive all the documents from the Indiana Finance Authority approving the draws made in 2013. The documents were sent to another office which did not realize that these documents contained the information needed for accurate reporting of the SEFA.

   Although that office later provided many of the copies, there were still several draw approvals that could not be located and provided to the Clerk-Treasurer's Office. The missing draw approvals included Draws 5, 6, and 10 for grant DW12034501, and Draws 1 through 5 for grant DW12034502. These were obtained for audit after requested from the granting agency.

2. The Equitable Sharing Program was also omitted from the SEFA.

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

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

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

"<u>Schedule of expenditures of Federal awards</u>. 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 2013-003 - INTERNAL CONTROL OVER CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Drinking Water State Revolving Funds
CFDA Number: 66.468
Federal Award Number: DW12034501 and DW12034502
Pass-Through Entity: Indiana Finance Authority

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 Activities Allowed or Unallowed, Allowable Costs, and Reporting compliance requirements. This would also include monitoring activities of paid consultants, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs, Davis-Bacon Act, and Suspension and Debarment compliance requirements, as follows:

1. The consultant engineering firm reviews all contractor requests for payment and submits them to the City for payment. The firm also submits invoices to the City for payment for services rendered. Upon receipt of the invoices and requests from the Mayor's Office, the Clerk-Treasurer prepares the Accounts Payable Vouchers (APV) and the drawdown requests to be submitted to the Indiana Finance Authority (IFA) for State Revolving Fund (SRF) payment.

   The drawdowns prepared by the Clerk-Treasurer, for submission to the IFA for payment, are not reviewed by anyone else at the City. Although the Mayor signs the drawdown requests as required, the requests are not reviewed for compliance with reporting requirements.

2. The consulting engineering firm inserted Suspension and Debarment compliance language into the bid specifications for the construction projects. The City relied upon the consultants engaged by the IFA to ensure that Suspension and Debarment compliance requirements were met for other vendors paid from the SRF funds. The City also relied upon these same consultants to ensure that Davis-Bacon Act compliance requirements were met for construction payments paid from the SRF. An oversight or review process has not been established.

3. The APVs prepared by the Clerk-Treasurer are approved by the Board of Public Works and Safety (Board), based upon an APV register submitted at a meeting. The actual APVs with the attached invoices are not individually reviewed by the Board. No documentation was noted that the APVs were reviewed for compliance with Activities Allowed or Unallowed, and Allowable Costs compliance requirements.

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.

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, and to ensure that the activities of paid consultants are monitored. 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. Additionally, the City did not have a system in place to ensure the work product provided by consultants relates to Activities Allowed or Unallowed, Allowable Costs, Davis-Bacon Act, Suspension and Debarment, and Reporting requirements was adequate, complete, and accurate.

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. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above. We also recommended that the City's management establish controls to effectively monitor consultants to ensure compliance related to the grant agreement and compliance requirements that have a direct and material effect on the program.

AUDITEE PREPARED DOCUMENT

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

WELCOME TO
LAKE STATION
"OUR HOME TOWN"

1969 Central Ave. Lake Station, IN 46405

CORRECTIVE ACTION PLAN

FINDING 2013-001

Contact Person Responsible for Corrective Action: Brenda Samuels, Clerk-Treasurer
Contact Phone Number: (219) 962-3111, ext. 318

Description of Corrective Action Plan:

Lack of Segregation of Duties
The City has not separated incompatible activities due to the size of the Clerk-Treasurer's Office and the availability of staff. The Clerk-Treasurer's Office will review the segregation of duties and separate the approval function, the accounting/reconciliation function, and the asset custody function when possible. When these functions cannot be separated, a detailed supervisory review of related activities will be required.

Monitoring of Controls
The Clerk-Treasurer's Office will design, implement and monitor a system of internal controls. The Clerk-Treasurer's Office implement controls over the receipting, disbursing, recording and accounting for financial activities. When these controls cannot be implemented, a detailed supervisory review of related activities will be required.

Anticipated Completion Date: March 30, 2015

Brenda Samuels
(Signature)

Clerk Treasurer
(Title)

01-14-15
(Date)

Mayor Keith Soderquist
(Signature)

Mayor
(Title)

1/14/15
(Date)

L McDonald
(Signature)

Council President
(Title)

1/14/15
(Date)

WELCOME TO
LAKE STATION
"OUR HOME TOWN"

1969 Central Ave. Lake Station, IN 46405

CORRECTIVE ACTION PLAN

FINDING 2013-002

Contact Person Responsible for Corrective Action: Brenda Samuels, Clerk-Treasurer
Contact Phone Number: (219) 962-3111, ext. 318

Description of Corrective Action Plan: The Clerk-Treasurer's Office will implement a procedure whereby the Police Department staff will reconcile with the Clerk-Treasure's Office staff grant balances, payroll and general ledger expenditures, and drawdown receipt reports to assure that reports submitted are accurate, and has proper documentation to ensure a proper system of internal controls on the Schedule of Expenditures of Federal Awards (SEFA).

Anticipated Completion Date: June 30, 2015

Brenda Samuels
(Signature)

Clerk Treasurer
(Title)

01-14-15
(Date)

Mayor Keith Sodergren
(Signature)

Mayor
(Title)

1/14/15
(Date)

(Signature)

Council President
(Title)

1/14/15
(Date)

WELCOME TO
LAKE STATION
"OUR HOME TOWN"

1969 Central Ave. Lake Station, IN 46405

CORRECTIVE ACTION PLAN

FINDING 2013-003

Contact Person Responsible for Corrective Action: Brenda Samuels, Clerk-Treasurer
Contact Phone Number: (219) 962-3111, ext. 318

Description of Corrective Action Plan: The Clerk-Treasurer will establish a system of internal controls, including segregation of duties related to monitoring compliance with the federal grant agreement's requirements, including activities that are allowed or not allowed, allowable costs, and documenting and reporting compliance with the requirements. The Clerk-Treasurer will also review the accounts payable vouchers and monitor and document the monitoring of consultant activities to ensure compliance with all requirements of the grant agreement, including, but not limited to Davis-Bacon requirements.

Anticipated Completion Date: April 30, 2015

Brenda Samuels
(Signature)

Clerk Treasurer
(Title)

01-14-15
(Date)

Mayor Keith Sodergquist
(Signature)

Mayor
(Title)

1/14/15
(Date)

(Signature)

Council President
(Title)

1/14/15
(Date)

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the City. That report can be found on the Indiana State Board of Accounts' website: http://www.in.gov/sboa/.