

**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, 2018 to December 31, 2018



**FILED**  
08/27/2019



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Richard Murphy	01-01-18 to 12-31-19
Mayor	Ron Meer	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Stephen Janus	01-01-18 to 12-31-19
President of the Common Council	Donald Przybylinski	01-01-18 to 12-31-19
Superintendent of the Water Utility	Randall Russell	01-01-18 to 12-31-19
President of the Water Utility Board of Directors	L. J. Jordan, III (Vacant) Kenneth Behrendt	01-01-18 to 07-02-19 07-03-19 to 07-22-19 07-23-19 to 12-31-19
General Manager of the Sanitary District	Michael Kuss	01-01-18 to 12-31-19
President of the Sanitary District Board of Commissioners	Garry Mitchell	01-01-18 to 12-31-19



**STATE OF INDIANA**  
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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, 2018, 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 from 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 to 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, 2018.

***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, 2018, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 July 29, 2019, 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 solely 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 effectiveness of the City's 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

July 29, 2019



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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, 2018, and the related notes to the financial statement, and have issued our report thereon dated July 29, 2019, 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.

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 City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002, that we consider 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*  
(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 items 2018-001 and 2018-002.

**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

July 29, 2019

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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, 2018

Fund	Cash and Investments			Cash and Investments
	01-01-18	Receipts	Disbursements	
General Fund	\$ 1,421,113	\$ 23,424,458	\$ 24,899,591	\$ (54,020)
Motor Vehicle Highway	331,349	1,737,064	1,453,417	614,996
Local Road And Street	236,688	466,857	412,190	291,355
M C Unsafe Building Fund	18,049	4,300	1,666	20,683
Animal Control	5,894	4,238	3,179	6,953
Riverboat Gaming	6,773,614	9,347,160	11,064,524	5,056,250
Park And Recreation	853,955	2,484,752	2,714,890	623,817
LOIT Special Distribution Fund	656,778	616,495	1,273,273	-
Levy Excess	54,926	-	-	54,926
DEA Forfeiture	42,455	67	22,534	19,988
Cumulative Capital Development	822,922	420,362	930,675	312,609
Subdivision Improvement & Main Fund	-	121,845	116,189	5,656
Cumulative Channel Maintenance	2,617,417	148,808	128,202	2,638,023
Cumulative Capital Improvement	113,067	73,586	103,028	83,625
Credit	1,704,429	3,047,312	2,317,227	2,434,514
Police Pension	52,661	1,313,739	1,481,199	(114,799)
Fire Pension	22,187	1,578,911	1,714,703	(113,605)
City Donation Fund- EOC Activity	11,194	-	-	11,194
MC Economic Dev Revolving Loan Fund	668,300	41,719	-	710,019
CZ 115- MC Esplande Plan	5,000	-	-	5,000
AIP 15 Grant	47,873	-	-	47,873
Commission For Women Fund	27,082	10,000	3,892	33,190
Security Deposit Fund	10,765	5,500	-	16,265
AIP 16 Grant	803	-	-	803
EPA Beach Act Grant	36,844	-	-	36,844
CZM Fedder Alley Improvements	(19,569)	-	-	(19,569)
CZM Kayak Launch Hanson Park	3,911	-	-	3,911
CZM Lighthouse Museum Restoration	38,376	-	-	38,376
AIP 17 Grant	571	-	-	571
Public Arts Committee Donation Fund	8,837	10,453	7,610	11,680
Commission on SSAAM Donation Fund	9,674	10,100	12,950	6,824
Human Rights Commission Donation Fund	5,907	17,400	12,639	10,668
Daniel Bruce Memorial Donation Fund	4,335	-	-	4,335
New Police Station Project Fund	4,674	-	-	4,674
Triangle Bus Project	(79,104)	-	-	(79,104)
AIP 18 Grant	13,108	-	-	13,108
SSTIF Refunding 2015 Capital	18,049	-	267	17,782
SSTIF Refunding 2015 Debt Reserve	336,309	-	-	336,309
Wabash Streetscape Construction	125,419	-	3,075	122,344
Wabash Streetscape Debt Reserve	216,073	-	-	216,073
Winding Creek Cove Project	99,521	-	-	99,521
Animal Control Board Donation	4,260	-	-	4,260
MC Promise Scholarship Fund	3,060,337	708,000	252,682	3,515,655
Worker Training Program Fund	2,500	10,000	-	12,500
SCU State Forfeiture Fund	2,736	-	1,495	1,241
AIP 20 Grant	(53,836)	-	-	(53,836)
MC Marketing/Promotional Non-Reverting	1,474	421	25	1,870
Grants	-	701,279	625,768	75,511
CDBG	-	356,643	356,643	-
Cemetery Operating	357,719	439,427	576,682	220,464
Zoo Donation	120,628	100,404	128,417	92,615
Controlled Substance Excise	1,927	-	-	1,927
Fire Donation	12,079	66,699	23,571	55,207
Park Gift And Donation	26,680	28,044	27,444	27,280
Police Donation	16,235	76,289	40,244	52,280
Golf	60,963	591,860	672,626	(19,803)
Park Concession	281,026	274,856	214,035	341,847
MCPA Receiving	2,072	4,570	3,443	3,199
Zoo Education Nonreverting	6,239	17,957	11,376	12,820
Senior Center Nonreverting	22,656	15,506	11,338	26,824
Park And Recreation Nonreverting	46,820	77,675	85,186	39,309
Patriot Park Nonreverting	10,232	-	4,582	5,650
Michigan City Tree Fund	890	-	-	890
Michigan City Youth Council	212	-	-	212

CITY OF MICHIGAN CITY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
Millennium Park Brick	23,985	375	6,291	18,069
Mayor's Special Events	1,942	39,717	25,790	15,869
Demolition Recovery	2,573	16	-	2,589
Barker Civic Center	160,888	210,845	184,789	186,944
Police Continuing Education	95,316	29,121	38,399	86,038
Aviation Operating	26,734	242,641	269,039	336
Aviation Fuel	43,946	182,614	253,929	(27,369)
Cemetery Extension	28,660	77,266	85,544	20,382
Cemetery Merchandise And Commission	22,625	88,915	10,285	101,255
Singing Sands Bike Trail Grant	298,936	-	-	298,936
Redevelopment Operating	35,514	210,667	198,156	48,025
MCPD Seizure Fund	44,070	-	1,673	42,397
Park And Recreation Capital Improve	42,997	1,024	11,540	32,481
Blue Chip Development	2,488,081	836,904	1,865,860	1,459,125
Coolspring Ave Reconstruction Grant	660,495	-	-	660,495
Northeast TIF	340,846	269,675	249,271	361,250
Southside TIF	13,475,128	3,690,159	2,437,035	14,728,252
Northside TIF	8,763,617	4,188,447	7,247,258	5,704,806
Michigan Blvd Reconstruction Grant	4,367	-	-	4,367
AIP 14 Grant	6,259	-	-	6,259
Employee Health & Life Insurance	82,618	1,367	68,860	15,125
Cemetery Blanket And Wreath	19,573	10,838	9,540	20,871
Cemetery Flower Fund	25,530	69	536	25,063
Cemetery Dabbert Vault	2,341	9	-	2,350
Cemetery Lutz Vault	4,434	17	-	4,451
Cemetery PM GW Trust	1,063,177	30,513	26,858	1,066,832
Cemetery PM SL Trust	556,542	23,607	13,468	566,681
Cemetery Extension Trust	602,216	47,990	44,885	605,321
Cemetery Mds And Comm Trust	25,961	57,009	38,348	44,622
MC Employee Medical Trust	171,910	5,907,114	6,771,133	(692,109)
MC Employee Benefit Trust	212,230	541,733	750,494	3,469
Intergovernmental Wagering Tax	64	2,031,617	2,031,616	65
SRF Debt Reserve Fund	479,125	7,778	-	486,903
SRF Bond and Interest Fund	204,822	708,675	706,650	206,847
Vehicle Replacement Fund	358,514	294,328	536,325	116,517
Equipment Replacement Fund	1,251,689	-	390,654	861,035
SRF- Construction Additional Projects	-	4,390	4,390	-
Sanitary District Rainy Day Fund	81,308	-	-	81,308
Karwick Remediation Fund	1,426,268	1,195,899	78,828	2,543,339
Sanitary District Energy Savings Loan	1,490,574	1,026	1,491,600	-
Sewage Works Operating	1,201,088	10,600,934	11,333,754	468,268
Sewage Works Improvement	841,635	-	-	841,635
Sewage Works- Indian Springs Proj	-	75,290	75,290	-
Sanitary District Operating	183,105	711,867	508,279	386,693
Sanitary District Refuse	172,875	3,491,564	2,447,478	1,216,961
Sanitary District Special Revenue	20,527	6,956	24,024	3,459
Sanitary District Levy Excess	8,522	-	-	8,522
Debt Reserve	361,696	176,402	-	538,098
Payment in Lieu of Taxes	186,313	445,149	444,000	187,462
Water Dept Operating	1,036,292	8,564,919	8,472,591	1,128,620
Water Dept Bond And Interest	481,624	1,440,846	1,440,281	482,189
Water Dept Improvement	1,487,624	1,249,303	484,482	2,252,445
Water Dept Customer Deposit	628,983	131,359	95,850	664,492
Water Dept Contingencies	678,183	335,844	10,990	1,003,037
Water Utility- Imprest Funds	5,350	281	-	5,631
MCPA Operating	1,178,525	2,393,298	2,310,343	1,261,480
MCPA Security Deposit	9,821	304	-	10,125
MCPA Suplus- Horizon	3,106,815	415,155	52,320	3,469,650
<b>Totals</b>	<b>\$ 67,520,158</b>	<b>\$ 99,326,592</b>	<b>\$ 105,261,203</b>	<b>\$ 61,585,547</b>

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

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

The accompanying financial statement presents the financial information for the City.

**B. Basis of Accounting**

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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.* 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 the following: peddler licenses, animal 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.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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.* Amounts received 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.* Amounts received from charges for current services.

*Other receipts.* Amounts received from various sources, including, but 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.* Amounts disbursed 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.* Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Utility operating expenses.* Amounts disbursed for operating the utilities.

*Other disbursements.* Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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 December 31 of the year preceding the budget year or January 15 of the budget year if the City is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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, the following: 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) Defined Benefit Plan is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2, IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the City authority to contribute to the plan.

My Choice: Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2, IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the City authority to contribute to the plan.

New employees hired have a one-time election to join either the Public Employees' Hybrid Plan (PERF Hybrid) or the My Choice: Retirement Savings Plan for Public Employees (My Choice), which is a multiple-employer defined contribution plan. PERF Hybrid consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Financial Report*

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. (844) 464-6777

*Contributions*

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

*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.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy*

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

*On Behalf Payments*

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

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

*Plan Description*

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

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.

*Financial Report*

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. (844) 464-6777

*Contributions*

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS based on actuarial valuation. Employers may pay all or part of the member contribution for the member.

*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:

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

McKready and Keen, 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 the 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.

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash.

CZM Feddler Alley Improvements	(\$19,569)
Triangle Bus Project	(\$79,104)
AIP 20 Grant	(\$53,836)

All grant receipts and disbursements in 2018, excluding CDBG, were posted to fund 4121. The beginning balances of all existing grant funds in Gateway, excluding CDBG, should have been added to fund 4121, thereby eliminating the negative balance.

General Fund	(\$54,020)
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Transit Grant reimbursement requests for 2018 were not submitted by December 31, 2018. Grant reimbursements of \$785,486.00, which represented 2018 activity, were received by June 2019.

Police Pension	(\$114,799)
Fire Pension	(\$113,605)

Per INPRS, the true up of the pension distributions is one year in arrears, as it would be impossible for employers to provide their actual benefit payment for all of 2018 to INPRS in early 2018. Since distributions are based on estimates, they can be short in the current year and will receive the difference in the succeeding year. In addition, the City will discuss taking a proactive step in the 2020 Budget to build reserves by requesting a small levy increase to both the Police and Fire Pension funds.

Golf	(\$19,803)
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Golf revenues in 2018 and 2019 have been at historic lows, mainly due to inclement weather. As has been done previously, the Parks Department will request an additional appropriation in 2019 of riverboat revenue to offset the deficit.

Aviation Fuel	(\$27,369)
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Actual revenue received for fuel sales was lower than expected, due to an overall decline in aviation. Fuel costs were also higher than expected.

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

MC Employee Medical Trust (\$692,109)

This is the result of higher than anticipated employee health care claims. The City took proactive measures, effective January 1, 2019, to change health care providers and plans to reduce costs and is currently experiencing significant savings, that we project will more than offset the negative balance at the end of 2019.

**Note 8. Other Postemployment Benefits**

The City provides to eligible retirees and their spouses the following benefits: health, dental, and vision insurance. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

**Note 9. Restatements**

After the financial statement for the year ended December 31, 2017, was audited, the City back-dated adjustments effective January 1, 2018, when they corrected errors found in the Motor Vehicle Highway and the SRF Bond and Interest Fund. In addition, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances:

Fund	Balances as of December 31, 2017	Prior Period Adjustment	Balances as of January 1, 2018
Motor Vehicle Highway	\$ 327,343	\$ 4,006	\$ 331,349
SRF Bond and Interest Fund	244,406	(39,584)	204,822
Refunding Bonds 2011 Sinking	63	(63)	-
Refunding Bonds 2011 Operating and Reserve	13,800	(13,800)	-
Refunding Bonds 2011 Reserve	212,948	(212,948)	-
MCRD Bonds 2010 Sinking	42	(42)	-
MCRD Bonds 2010 Oper & Reserve	30,113	(30,113)	-
MCRD Bonds 2010 Debt Serv Resv	755,938	(755,938)	-
MCRD Bonds 2011 Sinking	120	(120)	-
MCRD Bonds 2011 Oper & Reserve	18,325	(18,325)	-
MCRD Bonds 2011 Reserve	497,073	(497,073)	-
MCRD Bonds 2011 Bond Interest	68	(68)	-
Totals	<u>\$ 2,100,239</u>	<u>\$ (1,564,068)</u>	<u>\$ 536,171</u>

CITY OF MICHIGAN CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 10. Subsequent Events**

*Karwick Nature Park Remediation*

The Indiana Department of Environmental Management (IDEM) has an enforcement action against the City and the Sanitary District regarding the remediation of the Karwick Nature Park dump site. IDEM has approved the proposed remediation plan and the Sanitary District is in the process of finalizing a contract with an engineering firm to design the selected remediation alternative. The engineer's latest estimation of the cost of construction for the approved remediation is less than \$3 million, which is not expected to be incurred until mid-2019. The City and Sanitary District have pursued litigation to obtain liability insurance coverage through earlier general liability policies of the City and the Sanitary District for the costs of defending against the enforcement action and constructing the remediation project. To date, the Sanitary District has obtained coverage for the legal and engineering costs of defense, plus cash settlements of approximately \$2.7 million for design and construction costs. The Sanitary District has established a separate Karwick Remediation fund to accurately track expenses and receipts.

*Lead Safe Michigan City Grant Award*

In 2019, the City was awarded \$2,300,000 by the U.S. Department of Housing and Urban Development to reduce exposure to lead-based paint. The City team is currently working on the scope and timeline of the project to kick off early summer.

#### OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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 City's Annual Financial Report 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, 2018

	General Fund	Motor Vehicle Highway	Local Road And Street	M C Unsafe Building Fund	Animal Control	Riverboat Gaming
Cash and investments - beginning	\$ 1,421,113	\$ 331,349	\$ 236,688	\$ 18,049	\$ 5,894	\$ 6,773,614
Receipts:						
Taxes	15,183,024	203,390	-	-	-	9,337,255
Licenses and permits	507,318	-	-	4,300	873	-
Intergovernmental receipts	1,952,835	1,527,892	466,857	-	-	-
Charges for services	28,490	5,580	-	-	-	-
Fines and forfeits	60,962	-	-	-	3,365	-
Utility fees	-	-	-	-	-	-
Other receipts	5,691,829	202	-	-	-	9,905
Total receipts	23,424,458	1,737,064	466,857	4,300	4,238	9,347,160
Disbursements:						
Personal services	20,848,866	1,044,803	-	-	-	-
Supplies	1,037,820	228,197	-	-	-	1,974
Other services and charges	2,977,761	174,023	412,164	1,666	3,179	224,581
Debt service - principal and interest	-	-	-	-	-	2,053,463
Capital outlay	-	-	-	-	-	4,206,378
Utility operating expenses	-	-	-	-	-	-
Other disbursements	35,144	6,394	26	-	-	4,578,128
Total disbursements	24,899,591	1,453,417	412,190	1,666	3,179	11,064,524
Excess (deficiency) of receipts over disbursements	(1,475,133)	283,647	54,667	2,634	1,059	(1,717,364)
Cash and investments - ending	\$ (54,020)	\$ 614,996	\$ 291,355	\$ 20,683	\$ 6,953	\$ 5,056,250

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Park And Recreation	LOIT Special Distribution Fund	Levy Excess	DEA Forfeiture	Cumulative Capital Development	Subdivision Improvement & Main Fund
Cash and investments - beginning	\$ 853,955	\$ 656,778	\$ 54,926	\$ 42,455	\$ 822,922	\$ -
Receipts:						
Taxes	1,178,418	-	-	-	388,148	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	97,801	378,287	-	-	32,214	-
Charges for services	1,146,420	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	62,113	238,208	-	67	-	121,845
Total receipts	2,484,752	616,495	-	67	420,362	121,845
Disbursements:						
Personal services	1,765,069	-	-	-	-	-
Supplies	229,484	-	-	7,419	40,000	-
Other services and charges	669,665	-	-	15,000	10,000	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	553,192	-	-	880,675	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	50,672	720,081	-	115	-	116,189
Total disbursements	2,714,890	1,273,273	-	22,534	930,675	116,189
Excess (deficiency) of receipts over disbursements	(230,138)	(656,778)	-	(22,467)	(510,313)	5,656
Cash and investments - ending	\$ 623,817	\$ -	\$ 54,926	\$ 19,988	\$ 312,609	\$ 5,656

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Cumulative Channel Maintenance	Cumulative Capital Improvement	Credit	Police Pension	Fire Pension	City Donation Fund- EOC Activity
Cash and investments - beginning	\$ 2,617,417	\$ 113,067	\$ 1,704,429	\$ 52,661	\$ 22,187	\$ 11,194
Receipts:						
Taxes	137,404	-	3,047,312	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	11,404	73,586	-	1,313,739	1,578,711	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	200	-
Total receipts	148,808	73,586	3,047,312	1,313,739	1,578,911	-
Disbursements:						
Personal services	-	-	-	2,584	2,584	-
Supplies	-	-	26,086	-	-	-
Other services and charges	-	17,512	1,937,241	9,077	10,036	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	128,202	85,199	196,193	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	317	157,707	1,469,538	1,702,083	-
Total disbursements	128,202	103,028	2,317,227	1,481,199	1,714,703	-
Excess (deficiency) of receipts over disbursements	20,606	(29,442)	730,085	(167,460)	(135,792)	-
Cash and investments - ending	\$ 2,638,023	\$ 83,625	\$ 2,434,514	\$ (114,799)	\$ (113,605)	\$ 11,194

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	MC Economic Dev Revolving Loan Fund	CZ 115- MC Esplande Plan	AIP 15 Grant	Commission For Women Fund	Security Deposit Fund	AIP 16 Grant
Cash and investments - beginning	\$ 668,300	\$ 5,000	\$ 47,873	\$ 27,082	\$ 10,765	\$ 803
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	41,719	-	-	10,000	5,500	-
Total receipts	41,719	-	-	10,000	5,500	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	3,892	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	-	-	3,892	-	-
Excess (deficiency) of receipts over disbursements	41,719	-	-	6,108	5,500	-
Cash and investments - ending	\$ 710,019	\$ 5,000	\$ 47,873	\$ 33,190	\$ 16,265	\$ 803

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	EPA Beach Act Grant	CZM Fedder Alley Improvements	CZM Kayak Launch Hanson Park	CZM Lighthouse Museum Restoration	AIP 17 Grant	Public Arts Committee Donation Fund
Cash and investments - beginning	\$ 36,844	\$ (19,569)	\$ 3,911	\$ 38,376	\$ 571	\$ 8,837
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	10,453
Total receipts	-	-	-	-	-	10,453
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	7,610
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	7,610
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	2,843
Cash and investments - ending	\$ 36,844	\$ (19,569)	\$ 3,911	\$ 38,376	\$ 571	\$ 11,680

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Commission on SSAAM Donation Fund	Human Rights Commission Donation Fund	Daniel Bruce Memorial Donation Fund	New Police Station Project Fund	Triangle Bus Project	AIP 18 Grant
Cash and investments - beginning	\$ 9,674	\$ 5,907	\$ 4,335	\$ 4,674	\$ (79,104)	\$ 13,108
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	10,100	17,400	-	-	-	-
Total receipts	10,100	17,400	-	-	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	12,950	12,599	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	40	-	-	-	-
Total disbursements	12,950	12,639	-	-	-	-
Excess (deficiency) of receipts over disbursements	(2,850)	4,761	-	-	-	-
Cash and investments - ending	\$ 6,824	\$ 10,668	\$ 4,335	\$ 4,674	\$ (79,104)	\$ 13,108

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	SSTIF Refunding 2015 Capital	SSTIF Refunding 2015 Debt Reserve	Wabash Streetscape Construction	Wabash Streetscape Debt Reserve	Winding Creek Cove Project	Animal Control Board Donation
Cash and investments - beginning	\$ 18,049	\$ 336,309	\$ 125,419	\$ 216,073	\$ 99,521	\$ 4,260
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	2,474	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	267	-	601	-	-	-
Total disbursements	267	-	3,075	-	-	-
Excess (deficiency) of receipts over disbursements	(267)	-	(3,075)	-	-	-
Cash and investments - ending	\$ 17,782	\$ 336,309	\$ 122,344	\$ 216,073	\$ 99,521	\$ 4,260

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	MC Promise Scholarship Fund	Worker Training Program Fund	SCU State Forfeiture Fund	AIP 20 Grant	MC Marketing/ Promotional Non-Reverting	Grants
Cash and investments - beginning	\$ 3,060,337	\$ 2,500	\$ 2,736	\$ (53,836)	\$ 1,474	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	701,279
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	10,000	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	708,000	-	-	-	421	-
Total receipts	708,000	10,000	-	-	421	701,279
Disbursements:						
Personal services	75,815	-	-	-	-	225,156
Supplies	3,804	-	-	-	-	34,963
Other services and charges	169,985	-	1,495	-	-	204,461
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	161,188
Utility operating expenses	-	-	-	-	-	-
Other disbursements	3,078	-	-	-	25	-
Total disbursements	252,682	-	1,495	-	25	625,768
Excess (deficiency) of receipts over disbursements	455,318	10,000	(1,495)	-	396	75,511
Cash and investments - ending	\$ 3,515,655	\$ 12,500	\$ 1,241	\$ (53,836)	\$ 1,870	\$ 75,511

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	CDBG	Cemetery Operating	Zoo Donation	Controlled Substance Excise	Fire Donation	Park Gift And Donation
Cash and investments - beginning	\$ -	\$ 357,719	\$ 120,628	\$ 1,927	\$ 12,079	\$ 26,680
Receipts:						
Taxes	-	405,284	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	356,643	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	34,143	100,404	-	66,699	28,044
Total receipts	356,643	439,427	100,404	-	66,699	28,044
Disbursements:						
Personal services	-	434,009	-	-	-	-
Supplies	-	15,074	4,592	-	23,571	11,004
Other services and charges	-	52,675	123,825	-	-	16,440
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	356,643	74,924	-	-	-	-
Total disbursements	356,643	576,682	128,417	-	23,571	27,444
Excess (deficiency) of receipts over disbursements	-	(137,255)	(28,013)	-	43,128	600
Cash and investments - ending	\$ -	\$ 220,464	\$ 92,615	\$ 1,927	\$ 55,207	\$ 27,280

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Police Donation	Golf	Park Concession	MCPA Receiving	Zoo Education Nonreverting	Senior Center Nonreverting
Cash and investments - beginning	\$ 16,235	\$ 60,963	\$ 281,026	\$ 2,072	\$ 6,239	\$ 22,656
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	591,362	274,856	4,570	-	15,506
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	76,289	498	-	-	17,957	-
Total receipts	76,289	591,860	274,856	4,570	17,957	15,506
Disbursements:						
Personal services	-	407,405	40,561	-	-	-
Supplies	40,229	137,959	142,197	-	10,181	2,310
Other services and charges	-	116,630	26,987	1,371	1,195	9,028
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	15	10,632	4,290	2,072	-	-
Total disbursements	40,244	672,626	214,035	3,443	11,376	11,338
Excess (deficiency) of receipts over disbursements	36,045	(80,766)	60,821	1,127	6,581	4,168
Cash and investments - ending	\$ 52,280	\$ (19,803)	\$ 341,847	\$ 3,199	\$ 12,820	\$ 26,824

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Park And Recreation Nonreverting	Patriot Park Nonreverting	Michigan City Tree Fund	Michigan City Youth Council	Millennium Park Brick	Mayor's Special Events
Cash and investments - beginning	\$ 46,820	\$ 10,232	\$ 890	\$ 212	\$ 23,985	\$ 1,942
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	76,603	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,072	-	-	-	375	39,717
Total receipts	77,675	-	-	-	375	39,717
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	24,809	-	-	-	90	-
Other services and charges	58,427	4,582	-	-	6,201	23,810
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,950	-	-	-	-	1,980
Total disbursements	85,186	4,582	-	-	6,291	25,790
Excess (deficiency) of receipts over disbursements	(7,511)	(4,582)	-	-	(5,916)	13,927
Cash and investments - ending	\$ 39,309	\$ 5,650	\$ 890	\$ 212	\$ 18,069	\$ 15,869

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Demolition Recovery	Barker Civic Center	Police Continuing Education	Aviation Operating	Aviation Fuel	Cemetery Extension
Cash and investments - beginning	\$ 2,573	\$ 160,888	\$ 95,316	\$ 26,734	\$ 43,946	\$ 28,660
Receipts:						
Taxes	-	156,036	-	157,588	182,614	29,086
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	12,950	-	13,079	-	-
Charges for services	-	27,727	27,196	17,753	-	48,180
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	16	14,132	1,925	54,221	-	-
Total receipts	16	210,845	29,121	242,641	182,614	77,266
Disbursements:						
Personal services	-	130,953	-	182,881	-	-
Supplies	-	1,521	15,416	16,555	174,504	-
Other services and charges	-	52,315	22,983	69,603	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	79,425	85,544
Total disbursements	-	184,789	38,399	269,039	253,929	85,544
Excess (deficiency) of receipts over disbursements	16	26,056	(9,278)	(26,398)	(71,315)	(8,278)
Cash and investments - ending	\$ 2,589	\$ 186,944	\$ 86,038	\$ 336	\$ (27,369)	\$ 20,382

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Cemetery Merchandise And Commission	Singing Sands Bike Trail Grant	Redevelopment Operating	MCPD Seizure Fund	Park And Recreation Capital Improve	Blue Chip Development
Cash and investments - beginning	\$ 22,625	\$ 298,936	\$ 35,514	\$ 44,070	\$ 42,997	\$ 2,488,081
Receipts:						
Taxes	55,523	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	33,392	-	-	-	1,024	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	210,667	-	-	836,904
Total receipts	88,915	-	210,667	-	1,024	836,904
Disbursements:						
Personal services	-	-	184,866	-	-	-
Supplies	-	-	613	-	-	-
Other services and charges	-	-	12,674	-	11,540	415,964
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	1,049,896
Utility operating expenses	-	-	-	-	-	-
Other disbursements	10,285	-	3	1,673	-	400,000
Total disbursements	10,285	-	198,156	1,673	11,540	1,865,860
Excess (deficiency) of receipts over disbursements	78,630	-	12,511	(1,673)	(10,516)	(1,028,956)
Cash and investments - ending	\$ 101,255	\$ 298,936	\$ 48,025	\$ 42,397	\$ 32,481	\$ 1,459,125

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Coolspring Ave Reconstruction Grant	Northeast TIF	Southside TIF	Northside TIF	Michigan Blvd Reconstruction Grant	AIP 14 Grant
Cash and investments - beginning	\$ 660,495	\$ 340,846	\$ 13,475,128	\$ 8,763,617	\$ 4,367	\$ 6,259
Receipts:						
Taxes	-	268,192	2,875,131	4,108,195	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	1,483	815,028	80,252	-	-
Total receipts	-	269,675	3,690,159	4,188,447	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	1,301,530	5,781,645	-	-
Debt service - principal and interest	-	247,771	1,036,611	1,464,696	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	1,500	98,894	917	-	-
Total disbursements	-	249,271	2,437,035	7,247,258	-	-
Excess (deficiency) of receipts over disbursements	-	20,404	1,253,124	(3,058,811)	-	-
Cash and investments - ending	\$ 660,495	\$ 361,250	\$ 14,728,252	\$ 5,704,806	\$ 4,367	\$ 6,259

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Employee Health & Life Insurance	Cemetery Blanket And Wreath	Cemetery Flower Fund	Cemetery Dabbert Vault	Cemetery Lutz Vault	Cemetery PM GW Trust
Cash and investments - beginning	\$ 82,618	\$ 19,573	\$ 25,530	\$ 2,341	\$ 4,434	\$ 1,063,177
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,367	10,838	69	9	17	30,513
Total receipts	1,367	10,838	69	9	17	30,513
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	9,525	536	-	-	-
Other services and charges	53,927	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	14,933	15	-	-	-	26,858
Total disbursements	68,860	9,540	536	-	-	26,858
Excess (deficiency) of receipts over disbursements	(67,493)	1,298	(467)	9	17	3,655
Cash and investments - ending	\$ 15,125	\$ 20,871	\$ 25,063	\$ 2,350	\$ 4,451	\$ 1,066,832

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	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	\$ 556,542	\$ 602,216	\$ 25,961	\$ 171,910	\$ 212,230	\$ 64
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	2,031,617
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	23,607	47,990	57,009	5,907,114	541,733	-
Total receipts	23,607	47,990	57,009	5,907,114	541,733	2,031,617
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	6,368,897	149,985	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	13,468	44,885	38,348	402,236	600,509	2,031,616
Total disbursements	13,468	44,885	38,348	6,771,133	750,494	2,031,616
Excess (deficiency) of receipts over disbursements	10,139	3,105	18,661	(864,019)	(208,761)	1
Cash and investments - ending	\$ 566,681	\$ 605,321	\$ 44,622	\$ (692,109)	\$ 3,469	\$ 65

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	SRF Debt Reserve Fund	SRF Bond and Interest Fund	Vehicle Replacement Fund	Equipment Replacement Fund	SRF- Construction Additional Projects	Sanitary District Rainy Day Fund
Cash and investments - beginning	\$ 479,125	\$ 204,822	\$ 358,514	\$ 1,251,689	\$ -	\$ 81,308
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	7,778	708,675	294,328	-	4,390	-
Total receipts	7,778	708,675	294,328	-	4,390	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	475,000	478,524	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	4,390	-
Other disbursements	-	231,650	57,801	390,654	-	-
Total disbursements	-	706,650	536,325	390,654	4,390	-
Excess (deficiency) of receipts over disbursements	7,778	2,025	(241,997)	(390,654)	-	-
Cash and investments - ending	\$ 486,903	\$ 206,847	\$ 116,517	\$ 861,035	\$ -	\$ 81,308

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Karwick Remediation Fund	Sanitary District Energy Savings Loan	Sewage Works Operating	Sewage Works Improvement	Sewage Works- Indian Springs Proj	Sanitary District Operating
Cash and investments - beginning	\$ 1,426,268	\$ 1,490,574	\$ 1,201,088	\$ 841,635	\$ -	\$ 183,105
Receipts:						
Taxes	-	-	-	-	-	455,089
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	194,284
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	9,064,810	-	-	-
Other receipts	1,195,899	1,026	1,536,124	-	75,290	62,494
Total receipts	1,195,899	1,026	10,600,934	-	75,290	711,867
Disbursements:						
Personal services	-	-	2,814,111	-	-	273,948
Supplies	-	-	-	-	-	-
Other services and charges	-	-	307,997	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	1,491,600	-	-	-	16,187
Utility operating expenses	78,828	-	3,470,922	-	-	12,147
Other disbursements	-	-	4,740,724	-	75,290	205,997
Total disbursements	78,828	1,491,600	11,333,754	-	75,290	508,279
Excess (deficiency) of receipts over disbursements	1,117,071	(1,490,574)	(732,820)	-	-	203,588
Cash and investments - ending	\$ 2,543,339	\$ -	\$ 468,268	\$ 841,635	\$ -	\$ 386,693

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Sanitary District Refuse	Sanitary District Special Revenue	Sanitary District Levy Excess	Debt Reserve	Payment in Lieu of Taxes	Water Dept Operating
Cash and investments - beginning	\$ 172,875	\$ 20,527	\$ 8,522	\$ 361,696	\$ 186,313	\$ 1,036,292
Receipts:						
Taxes	2,852,903	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	634,622	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	8,196,497
Other receipts	4,039	6,956	-	176,402	445,149	368,422
Total receipts	3,491,564	6,956	-	176,402	445,149	8,564,919
Disbursements:						
Personal services	833,783	-	-	-	-	1,885,921
Supplies	-	-	-	-	-	-
Other services and charges	101,324	-	-	-	-	112,329
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	12,796	24,024	-	-	-	68,210
Utility operating expenses	1,405,687	-	-	-	-	3,225,467
Other disbursements	93,888	-	-	-	444,000	3,180,664
Total disbursements	2,447,478	24,024	-	-	444,000	8,472,591
Excess (deficiency) of receipts over disbursements	1,044,086	(17,068)	-	176,402	1,149	92,328
Cash and investments - ending	\$ 1,216,961	\$ 3,459	\$ 8,522	\$ 538,098	\$ 187,462	\$ 1,128,620

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Water Dept Bond And Interest	Water Dept Improvement	Water Dept Customer Deposit	Water Dept Contingencies	Water Utility- Imprest Funds
Cash and investments - beginning	\$ 481,624	\$ 1,487,624	\$ 628,983	\$ 678,183	\$ 5,350
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	1,440,846	1,249,303	131,359	335,844	281
Total receipts	1,440,846	1,249,303	131,359	335,844	281
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	1,440,281	-	-	-	-
Capital outlay	-	484,482	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	95,850	10,990	-
Total disbursements	1,440,281	484,482	95,850	10,990	-
Excess (deficiency) of receipts over disbursements	565	764,821	35,509	324,854	281
Cash and investments - ending	\$ 482,189	\$ 2,252,445	\$ 664,492	\$ 1,003,037	\$ 5,631

CITY OF MICHIGAN CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	MCPA Operating	MCPA Security Deposit	MCPA Suplus- Horizon	Totals
Cash and investments - beginning	\$ 1,178,525	\$ 9,821	\$ 3,106,815	\$ 67,520,158
Receipts:				
Taxes	-	-	-	41,020,592
Licenses and permits	-	-	-	512,491
Intergovernmental receipts	-	-	-	11,377,800
Charges for services	2,380,834	-	-	4,679,493
Fines and forfeits	-	-	-	74,327
Utility fees	-	-	-	17,261,307
Other receipts	12,464	304	415,155	24,400,582
Total receipts	<u>2,393,298</u>	<u>304</u>	<u>415,155</u>	<u>99,326,592</u>
Disbursements:				
Personal services	734,704	-	-	31,888,019
Supplies	475,513	-	-	2,715,946
Other services and charges	631,094	-	-	22,712,349
Debt service - principal and interest	-	-	-	7,196,346
Capital outlay	1,031	-	52,320	9,411,573
Utility operating expenses	-	-	-	8,197,441
Other disbursements	468,001	-	-	23,139,529
Total disbursements	<u>2,310,343</u>	<u>-</u>	<u>52,320</u>	<u>105,261,203</u>
Excess (deficiency) of receipts over disbursements	<u>82,955</u>	<u>304</u>	<u>362,835</u>	<u>(5,934,611)</u>
Cash and investments - ending	<u>\$ 1,261,480</u>	<u>\$ 10,125</u>	<u>\$ 3,469,650</u>	<u>\$ 61,585,547</u>

CITY OF MICHIGAN CITY  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2018

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater Utility	\$ -	\$ 995,006
Water Utility	26,130	572,518
Port Authority	(714)	-
Governmental activities	<u>1,790</u>	<u>380,854</u>
Totals	<u>\$ 27,206</u>	<u>\$ 1,948,378</u>

CITY OF MICHIGAN CITY  
SCHEDULE OF LEASES AND DEBT  
December 31, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Wastewater Utility:				
Crossroads Bank	Equipment	\$ 154,248	09/01/2017	03/01/2020
Crossroads Bank	Equipment	82,271	05/08/2018	03/01/2021
Michigan City Redevelopment Authority	Redevelopment Auth Elston Grove Bonds of 2011	496,000	02/01/2012	02/01/2028
Michigan City Redevelopment Authority	Redevelopment Auth Lafayette/Barker Bonds of 2010	755,000	02/01/2012	02/01/2033
Michigan City Redevelopment Authority	Redevelopment Auth Refunding Bonds 2011 (Cleveland Ave)	259,500	08/01/2011	02/01/2021
Michigan City Redevelopment Authority	Ohio Street Sinking	<u>890,000</u>	07/15/2018	07/15/2036
Total of annual lease payments		<u>\$ 2,637,019</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Redevelopment NE Roeske Ave Bonds of 1999	\$ 154,795	\$ 497,278
General obligation bonds	Redevelopment Dist Bonds Series 2015 (Wabash Streetscape)	2,935,000	208,098
General obligation bonds	Redevelopment Dist Refunding Bonds 2015 (400 N)	2,785,000	331,265
General obligation bonds	Bond Anticipation Note of 2015 (MCPD)	2,060,000	2,075,450
Loan	Energy Savings Program	<u>1,467,274</u>	<u>390,654</u>
Total governmental activities		<u>9,402,069</u>	<u>3,502,745</u>
Wastewater Utility:			
Notes and loans payable	Indian Springs Wastewater Improv Project IFA Loan 2004	665,775	23,580
Notes and loans payable	MCSD Small issue Loan Trail Creek Project (Whippoorwill)	42,525	6,465
Notes and loans payable	Sewage Works Revenue Bonds Series 2013 (SRF Loan)	2,090,000	140,000
Notes and loans payable	Sewage Works Revenue Bonds Series 2014A (SRF Loan)	4,211,000	263,000
Notes and loans payable	Sewage Works Revenue Bonds Series 2014B (SRF Loan)	<u>1,081,400</u>	<u>72,000</u>
Total Wastewater Utility		<u>8,090,700</u>	<u>505,045</u>
Water Utility:			
Revenue bonds	Waterworks Refunding Revenue Bonds of 2014	3,910,000	1,184,275
Revenue bonds	Waterworks Revenue Bonds Series 2015	<u>8,585,000</u>	<u>251,731</u>
Total Water Utility		<u>12,495,000</u>	<u>1,436,006</u>
Totals		<u>\$ 29,987,769</u>	<u>\$ 5,443,796</u>

CITY OF MICHIGAN CITY  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2018

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	\$ 8,232,016
Infrastructure	133,122,156
Buildings	40,276,245
Improvements other than buildings	22,438,299
Machinery, equipment, and vehicles	26,936,652
Construction in progress	<u>3,154,484</u>
Total governmental activities	<u>234,159,852</u>
Wastewater Utility:	
Land	984,970
Infrastructure	80,074,263
Buildings	25,879,755
Improvements other than buildings	1,606,677
Machinery, equipment, and vehicles	<u>12,588,228</u>
Total Wastewater Utility	<u>121,133,893</u>
Water Utility:	
Land	110,990
Infrastructure	45,075,334
Buildings	10,102,660
Improvements other than buildings	10,339,614
Machinery, equipment, and vehicles	2,112,628
Construction in progress	<u>4,514,131</u>
Total Water Utility	<u>72,255,357</u>
Port Authority:	
Land	2,038,751
Infrastructure	4,809,751
Buildings	6,006,174
Improvements other than buildings	1,031,629
Machinery, equipment, and vehicles	<u>893,599</u>
Total Port Authority	<u>14,779,904</u>
Total capital assets	<u>\$ 442,329,006</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

We have audited the City of Michigan City's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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

As described in items 2018-004, 2018-005, and 2018-006 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Procurement and Suspension and Debarment, Special Tests and Provisions - Required Certification and HUD Approvals, and Special Tests and Provisions - Rehabilitation that are applicable to its CDBG - Entitlement Grants Cluster. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

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

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

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on CDBG - Entitlement Grants Cluster* paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the CDBG Entitlement Grants Cluster for the year ended December 31, 2018.

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2018.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-007. Our opinion on this 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.


A 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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003, 2018-004, 2018-005, 2018-006, and 2018-007, that we consider 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

July 29, 2019

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, 2018

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	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Coastal Zone Management Administration Awards	Indiana Department of Natural Resources	11.419			
Design and Engineering Fedder's Alley Boardwalks			CZ541	\$ -	\$ 32,429
2018 Trail Creek Week Wilderness Inquiry Canoemobile Program			CZ741	-	3,276
Total - Department of Commerce				-	35,705
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	Direct Grant	14.218			
CDBG 2016			B-16-MC-180022	36,239	83,375
CDBG 2017			B-17-MC-18022	65,846	272,158
CDGB 2018			B-18-MC-18022	-	1,110
Total - CDBG - Entitlement Grants Cluster				102,085	356,643
Total - Department of Housing and Urban Development				102,085	356,643
<u>Department of Justice</u>					
Equitable Sharing Program	Direct Grant	16.922			
DEA Forfeiture			FY 2018	-	22,419
Total - Department of Justice				-	22,419
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Singing Sands Lighthouse Trail Phase I			DES #301165	-	3,172
Singing Sands Lighthouse Trail Phase II			DES #1500324	-	94,916
Singing Sands Lighthouse Trail Phase III			DES #1601869	-	175,474
Total - Highway Planning and Construction Cluster				-	273,562
Federal Transit Cluster					
Federal Transit Formula Grants	Direct Grant	20.507			
Transit Operating			IN-2016-02602	-	140,655
CMAQ Transit Bus			IN-95-0045	-	20,718
Transit Triangle			IN-95-0052	-	78,686
Total - Federal Transit Cluster				-	240,059
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
Operation Pull Over			D3-17-11104	-	10,236
Airport Improvement Program					
AIP 20	Direct Grant	20.106			
AIP 21				-	2,317
Total - Airport Improvement Program				-	270,996
Total - Department of Transportation				-	797,170
<u>Department of Homeland Security</u>					
Staffing for Adequate Fire And Emergency Response (SAFER)	Direct Grant	97.083			
Fire Safer Grant			EMW-2016-FH-00446	-	291,272
Total - Department of Homeland Security				-	291,272
Total federal awards expended				\$ 102,085	\$ 1,503,209

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 (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Highway Planning and Construction Cluster CDBG - Entitlement Grants Cluster	Unmodified Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2018-001**

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat of Finding 2017-001 from the immediately prior audit report.

*Condition*

There were several deficiencies in the internal control system of the City related to financial transactions and reporting. There was a lack of segregation of duties as the City had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

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

*Cash and Investments*

*City and Sanitary District*

The City and the Sanitary Department each had employees who were responsible for ensuring that their respective ledgers were reconciled with the bank depository balances. Effective controls were not in place to ensure that the depository reconciliements were performed accurately and timely. Reconciliements for 2018 were unperformed as of June 5, 2019. Officials completed the December 31, 2018 reconciliements on June 20, 2019, with the following variances:

Bank Account	Reconciled Depository Balance at 12-31-18	Cash Ledger Balance 12-31-18	Difference
City Operating	\$ 18,478,409	\$ 18,549,922	\$ (71,513)
Medical Trust	692,221	692,109	112
Department of Redevelopment	21,530,137	21,534,906	(4,769)
Port Authority Operating and Maintenance	4,742,332	4,741,256	1,076
Sanitary District Operating	2,331,020	2,287,455	43,565
Sanitary District Tax Levy	1,668,375	1,696,943	(28,568)
Water Transfer	2,378	2,611	(234)
Totals	<u>\$ 49,444,871</u>	<u>\$ 49,505,202</u>	<u>\$ (60,331)</u>

*Water*

The Water Department had employees who were responsible for ensuring that their ledgers were reconciled with the bank depository balances. Effective controls were not in place to ensure that the depository reconciliements were performed accurately and timely. All utility collections were deposited and subsequently disbursed from the Transfer Fund bank account into all other utility bank accounts and funds. The December 31, 2018 Transfer Fund bank reconciliation was not presented for audit. As of May 20, 2019, the bank reconciliation had not been completed.

*Receipts - City and Sanitary District*

The City had designed controls over the receipting process. The departments generated the individual receipts at the time of collection. One employee verified that the receipts entered into the software system were in agreement with a receipt listing from the department and with the deposits made to the bank before the receipts were recorded, but the control was inconsistent for the Sanitary District and City receipts. There was not always evidence of an oversight or approval process to ensure the accuracy and classification of the receipts.

As a result of the lack of effective controls, electronic fund transfers totaling \$173,880 deposited in 2018 were not recorded in the City and Sanitary District's ledgers as of July 2019.

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

*Receipts and Disbursements - Journal Entries*

Journal entries were made by one employee without evidence of a review, oversight, or approval process to ensure the accuracy and classification of the receipts and disbursements to the proper funds and accounts.

The City disbursed funds through electronic payments and posted the transactions via a journal entry. These payments were not approved by the fiscal officer or appropriate governing board at a public meeting.

*Financial Reporting*

*Water Department*

Annual financial data is entered into an Excel spreadsheet at the Water Department and sent to the City Controller's office for entry into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement. Adequate supporting documentation from the Water Department's point-of-sale software was not provided to the City for review to ensure the amounts were accurate. An oversight or review process was not documented at the Water Department or at the City for the amounts reported from the Water Department.

*City*

A consultant prepared the financial information for the Annual Financial Report (AFR) submitted through Gateway. The AFR was the source for the City's financial statement. The City had designed controls over the financial transactions regarding the financial report; however, no documentation was provided that controls had been properly implemented. The lack of controls allowed errors on the financial statement to occur and not be detected as follows:

Fund	Receipts Overstatement (Understatement)	Disbursements Overstatement (Understatement)	Ending Balance Overstatement (Understatement)
General Fund	\$ 814,573	\$ 814,471	\$ 102
Local Road And Street	(26)	-	(26)
Redevelopment Operating	(63)	-	(63)
Aviation Operating	1,044	1,045	(1)
Riverboat Gaming	238,129	238,130	(1)
Golf	498	479	19
Cemetery Extension	2,000	-	2,000
Cemetery Flower Fund	(22,500)	(22,500)	-
Cemetery Dabbert Vault	(2,000)	(2,000)	-
Cemetery Lutz Vault	(2,800)	(2,800)	-
Aviation Fuel	(5,244)	(5,244)	-
Mayor's Special Events	2,000	1,980	20
MC Promise Scholarship Fund	1,500	1,500	-
Sewage Works Operating	(43,718)	(35,318)	(8,400)
Sewage Works - Indian Springs Proj	(71,172)	(71,172)	-
MCPA Operating	-	17	(17)
Security Deposit Fund	(31,200)	(31,200)	-
Sanitary District Special Revenue	508	508	-
<b>Totals</b>	<b>\$ 881,528</b>	<b>\$ 887,896</b>	<b>\$ (6,368)</b>

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

*Context*

The lack of controls related to cash and investments was a systemic issue, which occurred throughout the audit period. The noncompliance related to cash and investments was a systemic issue for the City and Sanitary District, but was isolated to the Transfer Fund bank account for the Water Department. The lack of controls and noncompliance related to receipts were isolated to the electronic funds transfers. The lack of controls and noncompliance related to journal entries were limited to transactions posted for transfers between funds and other electronic payments. The lack of controls over financial reporting was a systemic issue, which occurred throughout the audit period.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

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:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (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. . . ."

Indiana Code 5-11-1-4(a) 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 in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

*Cause*

Management of the City had not established a proper system of internal controls that segregated key functions and would have ensured timely and accurate depository reconcilements, timely recording of electronic funds transfers, proper approval of disbursements, and accurate financial reporting.

*Effect*

Without a proper system of internal controls in place that operated effectively, noncompliance occurred and remained undetected as identified in the *Condition*. Additionally, the failure to establish controls over financial reporting could have enabled misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the City establish a system of internal controls related to financial transactions and reporting. Additionally, we recommended that the City ensures that bank reconciliations will be performed accurately and timely for all bank accounts, all receipts, including EFTs, are posted at the time the transaction occurs, disbursements posted via a journal entry will be approved by the fiscal officer and appropriate governing board, and that accurate cash receipts and disbursements are submitted to the Gateway.

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

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2018-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat of Finding 2017-002 from the immediately prior audit report.

*Condition*

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 federal grant information entered and submitted in the Indiana Gateway for Government Units (Gateway) financial reporting system was the source of the SEFA. The City Controller's office did not have an effective review process in place to detect and correct errors prior to submission.

During 2017, the City converted to a new financial accounting software system. The system has the capability to generate Project Transaction Reports by fund that reflect the receipt and disbursement activity of various grant projects. The software does not have the capability to track the cash and investment balances by project.

The City had not designed or implemented controls to ensure that the grant transactions were accurately recorded to the proper fund and that the cash and investment balances of the grants could be determined. The City established a new fund in 2017, Grants #4121, to track grant activity. There were 16 prior grant funds with a combined cash balance of \$1,063,555 on January 1, 2018, that were not included in the new grant fund presented on the financial statement. The 2018 financial transactions of these grants were recorded in the new grant fund, but none of the current period activity was recorded in the 16 prior grant funds presented in the financial statement.

*Context*

Due to the lack of controls, the SEFA contained the following errors:

1. The Indiana Department of Transportation Community Crossing state grant funds of \$378,288 were erroneously reported as federal expenditures.
2. The Indiana Department of Homeland Security Fire Infrastructure state grant funds of \$34,949 were erroneously reported as federal expenditures.
3. The State Clean Diesel Program expenditures of \$112,500 were reported on the SEFA; however, the City did not receive the funds for this grant in 2018.
4. The Coastal Zone Management Administration Awards expenditures were overstated by \$19,295, which was determine to be the non-federal dollars received in 2018.
5. The Equitable Sharing Program funds were omitted, which understated the federal expenditures by \$22, 419.

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

Audit adjustments were proposed, approved by the City, and made to the SEFA.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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.

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

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the City's management establish a system of controls to ensure that federal expenditures will be properly reported on the SEFA.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

**FINDING 2018-003**

Subject: Highway Planning and Construction Cluster - Cash  
Management, Matching, Period of Performance

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): DES#301165, DES #1500324,  
DES #1601869

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirements: Cash Management; Matching, Level of Effort,  
Earmarking; Period of Performance

Audit Finding: Material Weakness

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

*Condition*

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements:

*Cash Management and Matching*

The Employee in Responsible Charge (ERC) prepared the Local Public Agency (LPA) Invoice Voucher with the required supporting documentation to request reimbursement and to ensure that the City had met the matching percentage included in the Indiana Department of Transportation LPA contract (contract). An oversight or review process had not been established to ensure that the expenditure dates were prior to the LPA Invoice Voucher and that the matching percentage was in agreement with the contract.

*Period of Performance*

The City had not designed adequate internal controls to ensure that the LPA Invoice Vouchers were submitted within the period of performance allowed by the federal grantor agency. The LPA had 90 days after the project end date to request reimbursement from the grantor agency. The ERC maintained an LPA Invoice Voucher Purchase Order Tracking Log to track the projects; however, the project end date was not included on the tracking log.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

The City had not developed a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds could have resulted in the loss of federal funds to the City.

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the City's management establish controls to ensure compliance with the Cash Management; Matching, Level of Effort, Earmarking; and Period of Performance compliance requirements.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2018-004**

Subject: CDBG - Entitlement Grants Cluster - Special Tests and Provisions - Required Certification and HUD Approvals, Special Tests and Provisions - Rehabilitation

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/Entitlement Grants

CFDA Number: 14.218

Federal Award Numbers and Years (or Other Identifying Numbers): B-16-MC-180022,  
B-17-MC-18022,  
B-18-MC-18022

Compliance Requirements: Special Tests and Provisions - Required Certification and HUD Approvals, Special Tests and Provisions - Rehabilitation

Audit Findings: Material Weakness, Modified Opinion

*Condition*

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements:

*Special Tests and Provisions - Required Certification and HUD Approvals*

The City had not designed or implemented adequate policies and procedures in order to ensure that the request for release of funds was submitted for each grant year before funds were expended or that the determination was made in writing for each activity or project that was exempt and met the conditions specified for such exemptions.

Administrative and management expenditures were exempt from the required certification and HUD approvals, but the City did not document in writing that those expenditures were exempt and that they met the conditions specified for the exemption.

*Special Tests and Provisions - Rehabilitation*

The City had not designed or implemented adequate policies and procedures in order to ensure that rehabilitation work was properly completed according to the contractual specifications. The rehabilitation projects completed during the audit period did not have verification that work was properly completed according to the contract specifications.

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

*Context*

The lack of controls over required certifications and HUD approval requirements was a systemic issue throughout the audit period. The noncompliance was isolated to the administrative and management expenditures. The lack of controls and noncompliance over Special Tests and Provisions - Rehabilitation were systemic issues throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

24 CFR 58.22(a) states:

"Neither a recipient nor any participant in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, may commit HUD assistance under a program listed in § 58.1(b) on an activity or project until HUD or the state has approved the recipient's RROF and the related certification from the responsible entity. In addition, until the RROF and the related certification have been approved, neither a recipient nor any participant in the development process may commit non-HUD funds on or undertake an activity or project under a program listed in § 58.1(b) if the activity or project would have an adverse environmental impact or limit the choice of reasonable alternatives."

24 CFR 58.34 states in part:

"(a) Except for the applicable requirements of § 58.6, the responsible entity does not have to comply with the requirements of this part or undertake any environmental review, consultation or other action under NEPA and the other provisions of law or authorities cited in § 58.5 for the activities exempt by this section or projects consisting solely of the following exempt activities:  
. . .

(3) Administrative and management activities; . . .

(b) A recipient does not have to submit an RROF and certification, and no further approval from HUD or the State will be needed by the recipient for the drawdown of funds to carry out exempt activities and projects. However, the responsible entity must document in writing its determination that each activity or project is exempt and meets the conditions specified for such exemption under this section."

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

24 CFR section 570.506 states in part:

"Each recipient shall establish and maintain sufficient records to enable the Secretary to determine whether the recipient has met the requirements of this part. At a minimum, the following records are needed: . . .

(b) Records demonstrating that each activity undertaken meets one of the criteria set forth in 570.208. Such records shall include the following information: . . .

(9) For each residential rehabilitation activity determined to aid in the prevention or elimination of slums or blight in a slum or blighted area:

(i) The local definition of 'substandard;'

(ii) A pre-rehabilitation inspection report describing the deficiencies in each structure to be rehabilitated; and

(iii) Details and scope of CDBG assisted rehabilitation, by structure. . . ."

*Cause*

The City's management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements listed above could have resulted in the loss of federal funds to the City.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the City's management establish a system of internal controls to ensure compliance and comply with the grant agreement and the Special Tests and Provisions - Required Certification and HUD Approvals and Special Tests and Provisions - Rehabilitation compliance requirements.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

***FINDING 2018-005***

Subject: CDBG - Entitlement Grants Cluster - Activities Allowed  
or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/Entitlement Grants

CFDA Number: 14.218

Federal Award Numbers and Years (or Other Identifying Numbers): B-16-MC-180022,  
B-17-MC-18022,  
B-18-MC-18022

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

*Condition*

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the compliance requirements listed above.

The City had not designed or implemented adequate policies and procedures to ensure that payroll disbursements were only for program costs and that appropriate supporting documentation was available and agreed to the payroll disbursements.

Personal services amounts were reported on the drawdown vouchers and reimbursed as follows:

1. The City claimed a portion of an employee's gross pay over nine payrolls totaling \$1,902. It did not meet the program objectives and is considered a questioned cost.
2. The City claimed one employee's portion of the gross pay totaling \$1,495 over 13 payrolls, without any supporting documentation for the time spent on program activities.
3. The time records for two employees did not agree with the number of hours paid, which resulted in overpayments of \$133 and \$459, respectively.
4. An incorrect pay rate was used for the gross pay of one employee, which resulted in an underpayment of \$80.
5. The City claimed one employee's portion of gross pay using the incorrect pay rate, which resulted in the City's reimbursement being \$35 lower than the amount paid to the employee.

The errors resulted in known questioned costs of \$3,874.

*Context*

The lack of internal controls and noncompliance over payroll disbursements was a systemic issue, which occurred throughout the audit period. There were errors in every payroll submitted for reimbursement.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

24 CFR 570.207 states in part:

"The general rule is that any activity that is not authorized under the provisions of §§ 570.201–570.206 is ineligible to be assisted with CDBG funds. This section identifies specific activities that are ineligible and provides guidance in determining the eligibility of other activities frequently associated with housing and community development.

(a) The following activities may not be assisted with CDBG funds: . . .

(2) *General government expenses.* Except as otherwise specifically authorized in this subpart or under 2 CFR part 200, subpart E, expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for assistance under this part. . . ."

2 CFR 200.430 states in part:

"(a) *General.* Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in § 200.431 Compensation - fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

- (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
- (2) Follows an appointment made in accordance with anon-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and
- (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable. . . ."

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

2 CFR 200.430(i) states in part:

*"Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

*Cause*

The City had not developed a system of internal controls that would have ensured compliance with the grant agreement and the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements listed above could have resulted in the loss of federal funds to the City.

*Questioned Costs*

Known questioned costs of \$3,873.62 were identified, as detailed in the *Condition*.

*Recommendation*

We recommended that the City's management establish controls to ensure compliance and comply with the compliance requirements listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

***FINDING 2018-006***

Subject: CDBG - Entitlement Grants Cluster - Suspension and Debarment  
Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/Entitlement Grants  
CFDA Number: 14.218  
Federal Award Numbers and Years (or Other Identifying Numbers): B-16-MC-180022,  
B-17-MC-180022,  
B-18-MC-180022

Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*Condition*

An effective internal control system was not in place at the City in order to ensure compliance related to the grant agreement and the suspension and debarment requirements.

The City had not designed or implemented a system of internal controls to ensure that vendors were not suspended or debarred from participation in federal programs.

*Context*

The lack of controls and noncompliance were isolated to one vendor. The contracted vendor represented 24 percent of program disbursements.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

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

*Cause*

The City's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the suspension and debarment requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the suspension and debarment requirements could have resulted in the loss of federal funds to the City.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the City's management establish controls to ensure compliance and comply with the grant agreement and the suspension and debarment requirements.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

***FINDING 2018-007***

Subject: CDBG - Entitlement Grants Cluster - Reporting  
Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/Entitlement Grants  
CFDA Number: 14.218  
Federal Award Numbers and Years (or Other Identifying Numbers): B-16-MC-180022,  
B-17-MC-18022,  
B-18-MC-18022

Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The City had not designed or implemented adequate policies and procedures to ensure that the quarterly SF-425 Federal Financial Report and annual HUD 60002, Section 3 Summary Report, Economic Opportunities for Low-and Very Low-Income Persons (Annual Report) were accurately prepared and reviewed prior to submission. The City failed to submit the Annual Report as required.

*Context*

The lack of internal controls was a systemic issue, which occurred throughout the audit period. The noncompliance was isolated to the Annual Report.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.328(b)(1) states in part:

"The non-Federal entity must submit performance reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. Intervals must be no less frequent than annually nor more frequent than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes. Annual reports must be due 90 calendar days after the reporting period; . . ."

*Cause*

The City's management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the reporting requirements could have resulted in the loss of federal funds to the City.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the City's management establish a system of internal controls to ensure compliance with the grant agreement and the Reporting compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2017-001**

Fiscal year in which the finding initially occurred: 2017  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A  
Contact Person Responsible for Corrective Action: Richard Murphy  
Contact Phone Number: (219) 873-1404

#### Status of Audit Finding:

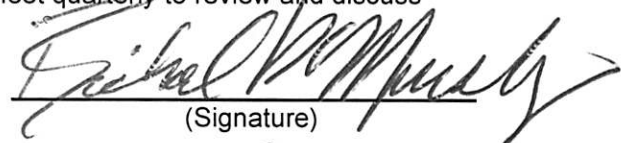
##### Description of Corrective Action Plan:


1. The New World ERP General Ledger currently requires two approvals prior to posting any Journal Entries. The Controller, Assistant Controller and 2<sup>nd</sup> Assistant Controller have approval rights. Any journal prepared by the Assistant or 2<sup>nd</sup> Assistant Controller will be reviewed and approved by another employee with approval rights prior to posting.
2. All electronic payments will be entered in the New World ERP Accounts Payable system as an EFT payment. A payment register will be presented to the appropriate governing board for approval.
3. Prior to entering the Water Department data into the Indiana Gateway for Government Units financial reporting system, the Controller's office will review the data using the financial statements which are sent to the Controller's office monthly.

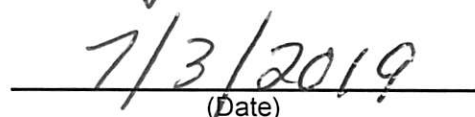
Item 1 was implemented in September 2018 on New World System.

Item 2 was implemented in September 2018 on New World System.

Item 3 will be implemented in August 2019. The Water Department submits monthly financials to the Controller and includes the cycle receipts journal as a source document. The Controller confirms receipt, reviews financials, and files them on the shared City Drive. The Controller's office receives the annual CTAR report from the Water Department and enters data on Gateway. Controller's office reviews data and submits on Gateway. The Controller and Water Department meet quarterly to review and discuss financials.

  
(Signature)

  
(Title)

  
(Date)

RON MEER – MAYOR

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# MICHIGAN CITY INDIANA

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

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2017-002**

Fiscal year in which the finding initially occurred: 2017  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Richard Murphy  
Contact Phone Number: (219) 873-1404

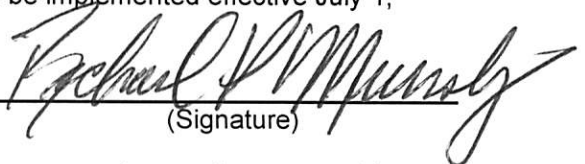
Status of Audit Finding:

Description of Corrective Action Plan:

- 1 Prior to submitting the SEFA, the 2<sup>nd</sup> Assistant Controller will review the Community Development Block Grant to ensure the pass-through amounts to the subrecipients are accurately reported.
- 2 The policy to track grants from inception to award will be reviewed. Prior to compiling the data for the SEFA, the Assistant Controller will have all grant receiving departments review the proposed SEFA to check for omissions or closed or misreported grants. The SEFA will also be reviewed by the 2<sup>nd</sup> Assistant Controller prior to submission in Gateway

The pass through identifying numbers will be checked by the 2<sup>nd</sup> controller prior to submission in Gateway.

At the time of the implementation of the CAP, Assistant Controller Yvonne Hoffmaster had recently retired and we were amidst the hiring process to fill the position. Due to understaffing as we headed into year end, we contracted the assistance of a municipal finance and accounting firm, Cender and Company, LLC to assist in entering data into Gateway. The new Assistant Controller Mary Lynne Wall reviewed Gateway prior to submittal by the Controller, Rich Murphy. The above CAP that lists the 2<sup>nd</sup> Controller review step required the training of the new 2<sup>nd</sup> Controller, Tamiko Smith. Due to staff transition and required training, the implementation of the this step of the CAP was delayed and will be implemented effective July 1, 2019.

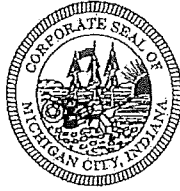
  
(Signature)

  
(Title)

  
(Date)

RON MEER – MAYOR

City of Michigan City ~ City Hall ~ 100 East Michigan Boulevard, Michigan City, IN 46360 ~ 219.873.1400 ~ fax 219.873.1515  
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# MICHIGAN CITY INDIANA

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

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2017-003**

Fiscal year in which the finding initially occurred: 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Transportation

Contact Person Responsible for Corrective Action: Richard Murphy

Contact Phone Number: (219) 873-1404

Status of Audit Finding:

### **FINDING 2017-003**

Contact Person Responsible for Corrective Action: Richard Murphy

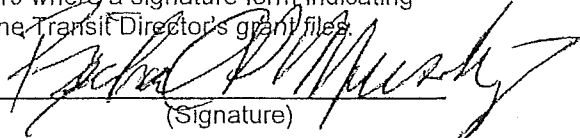
Contact Phone Number: 219-873-1404

Views of Responsible Official: The controller's office understands the comment and will implement the corrective action plan to resolve the issue

Description of Corrective Action Plan:

1. Prior to submitting the Quarterly Federal Financial Reports (FFR), a signature form indicating review by the Assistant Controller will be completed and filed with the Transit Director's grant files.

After the submittal of this CAP, the Controller's office learned that Quarterly Federal Financial Reports to the FTA for our active grants now may be reported annually rather than quarterly. Item 1 will be implemented upon the annual submittal of the (FFR) in October 2019 where a signature form indicating review by the Assistant Controller will be completed and filed with the Transit Director's grant files.

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

*City Controller*  
\_\_\_\_\_  
(Title)

*6/13/2019*  
\_\_\_\_\_  
(Date)

RON MEER -- MAYOR

City of Michigan City ~ City Hall ~ 100 East Michigan Boulevard, Michigan City, IN 46360 ~ 219.873.1400 ~ fax 219.873.1515  
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# 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 2018-001**

Contact Person Responsible for Corrective Action: Richard Murphy  
Contact Phone Number: (219) 873-1404

Views of Responsible Official: We concur with finding.

### Description of Corrective Action Plan:

Due to our total financial software conversion that was implemented in 2018, personnel fell behind on bank reconciliations. For 2019, our action plan is to have all bank reconciliations completed in a timely manner effective September 30, 2019. This process will include a monthly review of bank reconciliations by a second person in the Controller's office. Going forward from September 30, 2019 the action plan is to have City, Water, and Sanitary bank reconciliations completed with 60 days following the end of the month.

A timely management of bank reconciliations will insure that all EFTs have been properly identified and recorded in the ledger.


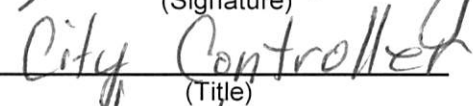
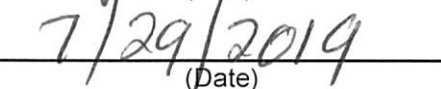
Effective August 1, 2019, all journals prepared by the Controller's office will be reviewed and approved by another employee with approval rights prior to posting.

Effective August 1, 2019 all disbursed funds through EFTs will be posted through the accounts payable system thereby places on a claims docket and will be approved the appropriate governing board.

Effective September 1, 2019 the Water Department submits monthly financials to the Controller and includes the cycle receipts journal as a source document. The Controller confirms receipt, reviews financials, and files them on the shared City Drive. The Controller's office receives the annual CTAR report from the Water Department and enters data on Gateway. Controller's office reviews data and submits on Gateway. The Controller and Water Department meet quarterly to review and discuss financials.

Effective March 2019 with the preparation of the 2019 Annual Financial Report, all worksheets and supporting documentation will be provided in order to support the amounts included in the Annual Financial Report and will be reviewed and signed off by the Controller's office.

Anticipated Completion Date: See above for anticipated completion date for each item.

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(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 2018-002**

Contact Person Responsible for Corrective Action: Richard Murphy  
Contact Phone Number: (219) 873-1404

Views of Responsible Official: We concur with finding.

Description of Corrective Action Plan:

Effective September 30, 2019, the City Controller's office will maintain a file containing all executed federal grant agreements. The Controller's office will review those grant agreements and monitor the receipts and disbursements to insure that the federal SEFA is properly prepared.

Prior to submitting the 2019 Annual Financial Report, all prior grant funds will be reviewed to determine if the cash balances are correct and adjustments will be made if necessary.

Anticipated Completion Date: September 30, 2019

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

RON MEER – MAYOR

City of Michigan City ~ City Hall ~ 100 East Michigan Boulevard, Michigan City, IN 46360 ~ 219.873.1400 ~ fax 219.873.1515  
web ~ emichigancity.com e-mail ~ mayormeer@emichigancity.com



# MICHIGAN CITY INDIANA

## CORRECTIVE ACTION PLAN

### **FINDING 2018-003**

Contact Person Responsible for Corrective Action: Richard Murphy  
Contact Phone Number: 219-873-1404

Views of Responsible Official: We concur with the finding

#### Description of Corrective Action Plan:

The ERC will request the Purchase Order end date and add the date to the LPA Invoice Voucher Purchase Order Tracking Log to ensure reimbursement requests are being made prior to the PO end date.

The ERC will prepare the LPA Invoice Voucher with the required supporting documentation to request reimbursement. The ERC will submit the Voucher to the Controller to review the Voucher for contract compliance. The Controller's office will review the invoice voucher to ensure the matching percentage agrees with the contract. The Controller's office will also review the expenditure and request dates to ensure expenditures were prior to the invoice voucher and the request is within 90 days of the project end date. Once reviewed and approved by the Controller by their signature and date, the voucher will be returned to the ERC for submission for reimbursement.

Anticipated Completion Date: July 24, 2019

  
(Signature)

City Controller  
(Title)

July 29, 2019  
(Date)

RON MEER – MAYOR



# MICHIGAN CITY INDIANA

## CORRECTIVE ACTION PLAN

### **FINDING 2018-004**

Contact Person Responsible for Corrective Action: Sherry Wilson  
Contact Phone Number: 219-873-1419

Views of Responsible Official: We concur with finding

### Description of Corrective Action Plan:

Internal Control will be corrected to alleviate risk related to achieving the defined objectives of the CDBG Grant. The City will prepare the Request for Release of Funds for the CDBG Grant Award. If necessary, the City will include the NEPA Form 3 (see attached) in the administrative files for any projects that require a categorical exclusion.

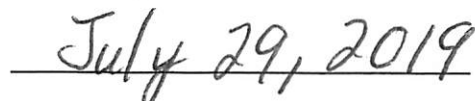
The City will coordinate with the Inspection Department to issue a final inspection report after rehabilitation work has been performed at each site. An inspection report will be included in the unit file to certify rehabilitation activities.

This will ensure that the City establishes internal controls that are in compliance with the grant agreement and rehabilitation compliance requirements.

Anticipated Completion Date: July 29, 2019

  
(Signature)

  
(Title)



RON MEER – MAYOR

**This project is CATEGORICALLY EXCLUDED (24 CFR Part 58.35) and NOT Subject to 24 CFR Part 58.5 (CENST) as indicated below:**

Project Name	
Project Description	
Funding Amount \$	Name of Recipient

**Check one or more below as applicable and place in the Environmental Review Record:** Categorical exclusions not subject to Sec. 58.5. The City/Town/County has determined that the following categorically excluded activities would not alter any conditions that would require a review or compliance determination under the Federal law and authorities cited in Se. 58.5. When the following kinds of activities are undertaken, the responsible entity does not have to publish a NOI/RROF or execute a certification and the recipient does not have to submit a RROF to HUD (or the State) except in the circumstances described in paragraph (c) of this section. Following the award of the assistance, no further approval from HUD or the State will be needed with respect to environmental requirements, except where paragraph (c) of this section applies. The recipient remains responsible for carrying out any applicable requirements under Sec. 58.6.

1.  Tenant-based rental assistance;
2.  Supportive service including but not limited to; healthcare, housing services, permanent housing placement, daycare, nutritional services, short-term payments for rent/mortgage/utility cost, and assistance in gaining access to local, State, and Federal government benefits and services;
3.  Operating costs including maintenance, security operation, utilities, furnishing, equipment, supplies, staff training, and recruitment and other incidental costs;
4.  Economic development activities including but not limited to; equipment purchase, inventory financing, interest subsidy, operating expenses and similar cost not associated with construction or expansion of existing operations;
5.  Activities to assist homebuyer to purchase existing dwelling units or dwelling units under construction, including closing costs and down payment assistance, interest buy downs, and similar activities that result in the transfer of title;
6.  Affordable housing pre-development costs including; legal, consulting, development and other costs related to obtaining site options, project financing, administrative costs and fees for loan commitments, zoning approvals, and other related activities which do not have a physical impact;
7.  Approval of supplemental assistance (including insurance or guarantee) to project previously approved under this part, if the approval is made by the same responsible entity that conducted the environmental review on the original project and re-evaluation of the environment findings is not required under Sec. 58.47.

Signature of Responsible Entity Certifying Official Name & Title	Date
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# MICHIGAN CITY INDIANA

## CORRECTIVE ACTION PLAN

### **FINDING 2018-005**

Contact Person Responsible for Corrective Action: Sherry Wilson  
Contact Phone Number: 219-873-1419



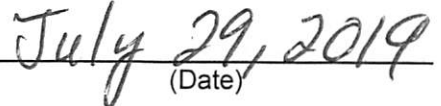
Views of Responsible Official: We concur with finding

### Description of Corrective Action Plan:

Internal Control will be corrected to alleviate risk related to achieving the defined objectives of the Community Development Block Grant. The City will establish internal controls to ensure compliance with activities allowed, disallowed and allowable cost(s) principals that are in compliance with federal grant requirements. The City will ensure all supporting documents are included with each voucher request and the appropriate files are maintained.

This will ensure that the City adheres to accurate accounting principles and remains in compliance with the applicable OMB Circular cost principles and the CDBG agreement requirements.

Anticipated Completion Date: July 29, 2019

  
(Signature)  
  
(Title)  
  
(Date)

RON MEER – MAYOR



# MICHIGAN CITY INDIANA

Planning Department ~ Craig A. Phillips, AICP, Planning Director ~ ph: 219-873-1419 ~ fax: 219-873-1580 ~ [cphillips@emichiganacity.com](mailto:cphillips@emichiganacity.com)

## CORRECTIVE ACTION PLAN

### FINDING 2018-006

**Contact Person Responsible for Corrective Action:** Sherry Wilson

**Contact Phone Number:** 219-873-1419

**Views of Responsible Official:** We concur with the finding.

### Description of Corrective Action Plan:

Internal Control will be corrected to alleviate risk related to achieving the defined objectives of the Community Development Block Grant. The City will coordinate with inter departments to include Systems for Award Management verifications and/or issuance of a suspension & debarment certification page (see attached) for contractor signature requirement as part of the pre-bid award procedure.

This will ensure that the City does not contract with a disbarred contractor and meets the requirements of internal control as established by "The Standards for Internal Control in Federal Government".

**Anticipated Completion Date:** July 29, 2019

Community Development Block Grant Administrator

July 19, 2019

**RON MEER – MAYOR**

City of Michigan City ~ City Hall ~ 100 East Michigan Boulevard, Michigan City, IN 46360 ~ ph: 219-873-1400 ~ fax: 219-873-1515  
web: [emichiganacity.com](http://emichiganacity.com) ~ e-mail: [mee@emichiganacity.com](mailto:mee@emichiganacity.com)

**Michigan City, Indiana Community Development Block Grant Program  
Contractor Debarment Check**

**Legal Name of Contractor:** \_\_\_\_\_

**Contractor's Address:** \_\_\_\_\_

**Date Debarment Check Completed:** \_\_\_\_\_

**CERTIFICATE SIGNATURE:**

**SIGNATURE:**

**By signing this Debarment and Suspension Certification Page – The contractor (or vendor, or consultant, depending on the transaction) certifies to the best of its knowledge and belief that it and its principals are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency.**

**Grantee Name:** \_\_\_\_\_

**Program Name: Community Development Block Grant  
Residential Exterior Community Appeal Program (RECAP)**

**Chief Elected Official or Designee:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

*(Signed Certifications are to be kept in CDBG project files)*



# MICHIGAN CITY INDIANA

## CORRECTIVE ACTION PLAN

### **FINDING 2018-007**

Contact Person Responsible for Corrective Action: Sherry Wilson  
Contact Phone Number: 219-873-1419


Views of Responsible Official: We concur with finding

### Description of Corrective Action Plan:

Internal Control will be corrected to alleviate risk related to achieving the defined objectives of the Community Development Block Grant. The CDBG department will review the quarterly SF-425 prepared by the Controller's office prior to submitting the SF-425 Federal Financial Report to HUD. The required CDBG annual reports will be reviewed by the Controller's office prior to submittal to HUD.

This will ensure the City maintains authorizations/permissions to Secure Systems and all other applicable federal grant reporting agencies to ensure compliance with the grant agreement and the reporting compliance requirement.

Anticipated Completion Date: July 29, 2019

  
(Signature)  
  
(Title)  
  
(Date)

RON MEER – MAYOR

#### 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/>.