

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

EXAMINATION REPORT
OF
PORTAGE TOWNSHIP
PORTER COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
02/12/2007

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OFFICIALS

Office

Official

Term

Trustee

Jack Jent
Joyce Webster

01-01-03 to 12-31-06
01-01-07 to 12-31-10

Chairman of the
Township Board

Susanne I. Lynch

01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF PORTAGE TOWNSHIP, PORTER COUNTY, INDIANA

We have examined the financial information presented herein of Portage Township (Township), for the period of January 1, 2005 to December 31, 2006. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Funding Progress and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 24, 2007

PORTAGE TOWNSHIP, PORTER COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
Township	\$ 218,528	\$ 674,738	\$ 683,665	\$ 209,601
Dog	494	176	194	476
Township Assistance	12,112	1,143,635	1,089,570	66,177
Firefighting	189,937	603,788	644,732	148,993
Park and Recreation	39,777	25,362	53,820	11,319
Community Building	57,735	397,739	436,179	19,295
Township Debt	-	40,815	40,815	-
Community Service	21,221	147,624	153,774	15,071
Fire Debt	-	1,500,000	75,018	1,424,982
Cumulative Fire	148,230	192,466	152,429	188,267
Levy Excess	-	2,566	-	2,566
Fiduciary Fund:				
Social Security Payee	1,307	13,944	12,546	2,705
Totals	<u>\$ 689,341</u>	<u>\$ 4,742,853</u>	<u>\$ 3,342,742</u>	<u>\$ 2,089,452</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 209,601	\$ 404,372	\$ 521,648	\$ 92,325
Dog	476	149	625	-
Township Assistance	66,177	1,024,955	924,688	166,444
Firefighting	148,993	561,260	599,386	110,867
Park and Recreation	11,319	20,643	25,452	6,510
Community Building	19,295	463,248	452,029	30,514
Township Debt	-	27,937	25,490	2,447
Community Service	15,071	153,549	156,817	11,803
Township Assistance Bond	-	232,395	205,308	27,087
Fire Equipment Bond	-	375,241	302,310	72,931
Fire Debt	1,424,982	759,069	2,141,411	42,640
Cumulative Fire	188,267	36,109	119,035	105,341
Levy Excess	2,566	-	2,566	-
Fiduciary Funds:				
Social Security Payee	2,705	14,512	14,917	2,300
Payroll Withholdings	-	240,373	240,373	-
Totals	<u>\$ 2,089,452</u>	<u>\$ 4,313,812</u>	<u>\$ 5,732,055</u>	<u>\$ 671,209</u>

The accompanying notes are an integral part of the schedules.

PORTAGE TOWNSHIP, PORTER COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% 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 become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

PORTAGE TOWNSHIP, PORTER COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

PORTAGE TOWNSHIP, PORTER COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess Of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 485,285	\$ 465,711	\$ 19,574	104%	\$ 493,789	4%
07-01-04	491,031	534,686	(43,655)	92%	554,452	(8%)
07-01-05	508,985	601,213	(92,228)	85%	437,589	(21%)

PORTAGE TOWNSHIP, PORTER COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Fire Station Copier Lease	\$ 5,500	\$ 1,320
Ambulance	<u>36,482</u>	<u>25,000</u>
 Total Capital Leases	 <u>41,982</u>	 <u>26,320</u>
 General obligation bonds payable:		
Public Works Bond 2005	92,310	21,664
GO Bonds Advancement 2006	175,000	87,500
2005 Fire Station Bonds	<u>1,250,000</u>	<u>260,000</u>
 Total Bonds	 <u>1,517,310</u>	 <u>369,164</u>
 Total governmental activities long-term debt	 <u>\$ 1,559,292</u>	 <u>\$ 395,484</u>

PORTAGE TOWNSHIP, PORTER COUNTY
EXAMINATION RESULTS AND COMMENTS

TRANSACTION RECORDING

The Township borrowed \$110,000 for the purchase of a piece of property adjoining other Township property. The loan proceeds and the corresponding expenditure to purchase the property were not recorded in the Township's records. The Trustee took the loan check directly from the lending institution to the closing of the property.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PUBLIC WORKS PROJECT

Bids were received for the construction of a new fire station in 2006. The bids were opened and discussed at a Township Board meeting but never officially awarded at that, or any other meeting. Because the bids were too high, the project engineer "worked with the apparent low bid contractors for modifications to get the total figure to \$1.3 million." Changes were made to the scope of the project which reduced the total contracted amounts by \$124,479. Additionally, during construction, several change orders resulting in a net increase of \$79,846.88 as of December 31, 2006, were not approved by the Township Board.

The board shall award the contract for public work or improvements to the lowest responsible and responsive bidder or the board may reject all bids submitted. If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 20)

Indiana Code 36-1-12-18 states: "(a) If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor. (b) If a licensed architect or engineer is assigned to the public work project, the change order must be prepared by that person. (c) A change order may not be issued before commencement of the actual construction, reconstruction, or repairs except in the case of an emergency. In that case, the board must make a declaration, and the board's minutes must show the nature of the emergency."

COMPLIANCE WITH TOWNSHIP ASSISTANCE GUIDELINES AND REQUIREMENTS

The Township has eligibility standards and guidelines for Township Assistance; however, the Township did not always comply with these standards and guidelines. Township assistance payment guidelines were verbally changed by the Deputy Trustee with approval of the Township Trustee without adoption by the Township Board. The change resulted in a significant decrease in township assistance shelter payments in 2006. Additionally, the guidelines and standards were not reviewed and updated annually as required, nor was a written document with all addenda attached readily available for review.

PORTAGE TOWNSHIP, PORTER COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

The Township Trustee shall process all applications for township assistance according to uniform standards and without consideration of the race, creed, nationality, or gender of the applicant or any member of the applicant's household.

The Township's standards for the issuance of township assistance and the processing of applications must be:

1. Governed by the requirements of this article;
2. Proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;
3. Reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
4. Published in a single written document, including addenda attached to the document . . .

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

CAPITAL ASSETS

The Township's listing of capital assets included some items valued at replacement cost or amounts insured for, instead of acquisition cost. Additionally, the capital asset listing had not been updated since 2004 and therefore did not include at least \$1,747,876 of assets acquired since then.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PORTAGE TOWNSHIP, PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 24, 2007, with Joyce Webster, Trustee; Susanne I. Lynch, Chairman of the Township Board; Eva Cloyd, Bookkeeper; and Carrie Stockstill, Administrative Assistant. The officials concurred with our findings.

The contents of this report were discussed on January 22, 2007, with Jack Jent, former Trustee.