

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

ANNUAL FINANCIAL REPORT

2008

CITY OF PORTAGE

PORTER COUNTY, INDIANA



FILED
12/08/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	3
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	4-5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	6-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	11
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	12
Notes to Financial Statements	13-27
Required Supplementary Information:	
Schedules of Funding Progress	28
Schedules of Contributions From the Employer and Other Contributing Entities	29

TABLE OF CONTENTS
(Continued)

<u>Description</u>	<u>Page</u>
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	30-36
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Internal Service Funds	37
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds	38
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Fund	39
Schedule of Capital Assets.....	40
Schedule of Long-Term Debt	41
Audit Results and Comments:	
Temporary Loans.....	42
Internal Controls Over Marina Receipts	42-43
Water Reclamation – Accounts Receivable	43
Water Reclamation – Deposit of Receipts.....	43
Water Reclamation – Overdrawn Cash Balance.....	43
Supplemental Audit of Federal Awards:	
Independent Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	46-47
Schedule of Expenditures of Federal Awards	48
Note to Schedule of Expenditures of Federal Awards.....	49
Schedule of Findings and Questioned Costs	50
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	51
Exit Conference.....	52
Official Response	53

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Pappas	01-01-08 to 12-31-11
Mayor	Olga Velazquez	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Olga Velazquez	01-01-08 to 12-31-11
President of the Common Council	Edward Gottschling Elizabeth Modesto	01-01-07 to 12-31-08 01-01-09 to 12-31-09
President of the Storm Water Management Board	Vernon Cunningham	01-01-08 to 12-31-09
President of the Port Authority	Allen Ek Dahl	01-01-08 to 12-31-09
President of the Water Reclamation Board	Olga Velazquez	01-01-08 to 12-31-09
Superintendent of the Water Reclamation Field Division	Robert Dixon	01-01-08 to 12-31-09
Superintendent of the Water Treatment Plant	Donald Slawnikowski	01-01-08 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portage (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated November 16, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedules of Funding Progress and Schedules of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 16, 2009



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portage (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 16, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 16, 2009

CITY OF PORTAGE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit	
					Governmental Activities	Business-Type Activities	Totals	Port Authority
Primary government:								
Governmental activities:								
General government	\$ 16,757,478	\$ 409,913	\$ 27,294	\$ -	\$ (16,320,271)	\$ -	\$ (16,320,271)	\$ -
Public safety	9,729,554	416,148	29,250	196,775	(9,087,381)	-	(9,087,381)	-
Highways and streets	3,627,022	-	938,381	353,574	(2,335,067)	-	(2,335,067)	-
Sanitation	895,056	1,212,689	-	-	317,633	-	317,633	-
Health and welfare	91,281	648,648	-	-	557,367	-	557,367	-
Economic development	5,464,356	-	-	-	(5,464,356)	-	(5,464,356)	-
Culture and recreation	1,895,119	753,091	7,953,993	-	6,811,965	-	6,811,965	-
Principal and interest on indebtedness	15,143,036	-	-	-	(15,143,036)	-	(15,143,036)	-
Total governmental activities	53,602,902	3,440,489	8,948,918	550,349	(40,663,146)	-	(40,663,146)	-
Business-type activities:								
Water Reclamation Utility	6,373,774	6,513,468	-	-	-	139,694	139,694	-
Storm Water Utility	48,333	94,600	-	-	-	46,267	46,267	-
Total business-type activities	6,422,107	6,608,068	-	-	-	185,961	185,961	-
Total primary government	\$ 60,025,009	\$ 10,048,557	\$ 8,948,918	\$ 550,349	(40,663,146)	185,961	(40,477,185)	-
Component unit:								
Port Authority	\$ 18,201	\$ 38,618	\$ -	\$ -	-	-	-	20,417
General receipts:								
Property taxes					17,794,675	-	17,794,675	-
Intergovernmental					8,437,585	-	8,437,585	-
Other local sources					3,910,715	-	3,910,715	-
Net proceeds from borrowings					10,988,326	-	10,988,326	-
Grants and contributions not restricted to specific programs					55,988	-	55,988	-
Investment earnings					329,191	129,687	458,878	-
Interfund loan					20,000	(20,000)	-	-
Total general receipts and interfund loan					41,536,480	109,687	41,646,167	-
Change in net assets					873,334	295,648	1,168,982	20,417
Net assets - beginning					9,872,289	5,320,994	15,193,283	111,329
Net assets - ending					\$ 10,745,623	\$ 5,616,642	\$ 16,362,265	\$ 131,746
Assets								
Cash and investments					\$ 4,130,223	\$ 5,616,642	\$ 9,746,865	\$ 131,746
Restricted assets:								
Cash and investments					6,615,400	-	6,615,400	-
Total assets					\$ 10,745,623	\$ 5,616,642	\$ 16,362,265	\$ 131,746
Net Assets								
Restricted for:								
Highways and streets					\$ 979,809	\$ -	\$ 979,809	\$ -
Culture and recreation					126,545	-	126,545	-
Debt service					1,757,286	-	1,757,286	-
Capital outlay					927,979	-	927,979	-
Other purposes					2,823,781	-	2,823,781	-
Unrestricted					4,130,223	5,616,642	9,746,865	131,746
Total net assets					\$ 10,745,623	\$ 5,616,642	\$ 16,362,265	\$ 131,746

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

CITY OF PORTAGE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General Fund	Grant Fund	Redevelopment Allocation Area	2006 Ameriplex Debt Service	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 10,737,166	\$ -	\$ 246,965	\$ -	\$ 4,246,963	\$ 15,231,094
Special assessments	-	-	-	-	51,241	51,241
Licenses and permits	358,166	-	-	-	15,655	373,821
Intergovernmental	941,160	6,964,615	4,707,448	-	5,168,389	17,781,612
Charges for services	1,878,610	-	-	-	1,105,977	2,984,587
Fines and forfeits	14,405	-	-	-	16,435	30,840
Interfund loans	2,975,000	200,000	1,150,000	-	6,310,000	10,635,000
Other	204,289	-	332,262	20,359	3,174,506	3,731,416
Total receipts	17,108,796	7,164,615	6,436,675	20,359	20,089,166	50,819,611
Disbursements:						
General government	3,239,275	8,111,917	-	-	1,712,233	13,063,425
Public safety	9,250,284	-	-	-	295,207	9,545,491
Highways and streets	420,807	-	-	-	3,064,920	3,485,727
Health and welfare	91,281	-	-	-	-	91,281
Economic development	-	-	2,481,199	20,359	2,612,455	5,114,013
Culture and recreation	-	-	-	-	1,839,289	1,839,289
Interfund loans	2,800,000	-	1,400,000	-	6,365,000	10,565,000
Debt service:						
Principal	-	-	795,000	-	2,439,513	3,234,513
Interest	-	-	1,246,024	-	1,622,060	2,868,084
Capital outlay:						
General government	-	-	-	-	609,574	609,574
Public safety	-	-	-	-	184,063	184,063
Highways and streets	-	-	-	-	141,295	141,295
Sanitation	-	-	-	-	895,056	895,056
Economic development	-	-	-	-	350,343	350,343
Culture and recreation	-	-	-	-	55,830	55,830
Total disbursements	15,801,647	8,111,917	5,922,223	20,359	22,186,838	52,042,984
Excess (deficiency) of receipts over disbursements	1,307,149	(947,302)	514,452	-	(2,097,672)	(1,223,373)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	2,594,984	2,594,984
Tax anticipation warrants proceeds	6,123,263	-	-	-	1,080,547	7,203,810
Tax anticipation warrants repayments	(7,353,217)	-	-	-	(658,348)	(8,011,565)
Other receipts	158,580	-	-	-	50,376	208,956
Total other financing sources (uses)	(1,071,374)	-	-	-	3,067,559	1,996,185

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

CITY OF PORTAGE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008
(Continued)

	General Fund	Grant Fund	Redevelopment Allocation Area	2006 Ameriplex Debt Service	Other Governmental Funds	Totals
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	235,775	(947,302)	514,452	-	969,887	772,812
Cash and investment fund balance - beginning	<u>130,210</u>	<u>2,978,973</u>	<u>58,293</u>	<u>1,306,875</u>	<u>5,279,095</u>	<u>9,753,446</u>
Cash and investment fund balance - ending	<u>\$ 365,985</u>	<u>\$ 2,031,671</u>	<u>\$ 572,745</u>	<u>\$ 1,306,875</u>	<u>\$ 6,248,982</u>	10,526,258
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:						
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						<u>219,365</u>
Net assets of governmental activities						<u>\$ 10,745,623</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 365,985	\$ -	\$ -	\$ -	\$ 3,764,238	\$ 4,130,223
Restricted assets:						
Cash and investments	-	<u>2,031,671</u>	<u>572,745</u>	<u>1,306,875</u>	<u>2,484,744</u>	<u>6,396,035</u>
Total cash and investment assets - ending	<u>\$ 365,985</u>	<u>\$ 2,031,671</u>	<u>\$ 572,745</u>	<u>\$ 1,306,875</u>	<u>\$ 6,248,982</u>	<u>\$ 10,526,258</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ 979,809	\$ 979,809
Culture and recreation	-	-	-	-	126,545	126,545
Debt service	-	-	-	1,306,875	450,411	1,757,286
Capital outlay	-	-	-	-	927,979	927,979
Other purposes	-	2,031,671	572,745	-	-	2,604,416
Unrestricted	<u>365,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,764,238</u>	<u>4,130,223</u>
Total cash and investment fund balance - ending	<u>\$ 365,985</u>	<u>\$ 2,031,671</u>	<u>\$ 572,745</u>	<u>\$ 1,306,875</u>	<u>\$ 6,248,982</u>	<u>\$ 10,526,258</u>

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

CITY OF PORTAGE
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2008

	Water Reclamation Utility	Storm Water Utility	Totals	Internal Service Funds
Operating receipts:				
Metered/measured	\$ 6,513,468	\$ -	\$ 6,513,468	\$ -
Employee contributions	-	-	-	204,758
Property taxes	-	89,272	89,272	2,563,581
Intergovernmental	-	5,328	5,328	155,240
Miscellaneous	-	-	-	150,764
	<u>6,513,468</u>	<u>94,600</u>	<u>6,608,068</u>	<u>3,074,343</u>
Total operating receipts				
Operating disbursements:				
Salaries and wages	1,653,602	946	1,654,548	-
Employee pensions and benefits	78,547	-	78,547	-
Sludge removal	145,716	-	145,716	-
Purchased power	439,437	-	439,437	-
Chemicals	68,297	-	68,297	-
Material and supplies	728,849	5,990	734,839	-
Contractual services	133,771	39,608	173,379	-
Transportation	19,613	-	19,613	-
Administrative costs	-	-	-	1,351,044
Insurance claims and expense	406,493	-	406,493	1,724,932
Refunds	-	1,739	1,739	-
Interfund loans made/repaid	-	20,000	20,000	-
Miscellaneous	1,786,473	50	1,786,523	-
	<u>5,460,798</u>	<u>68,333</u>	<u>5,529,131</u>	<u>3,075,976</u>
Total operating disbursements				
Excess (deficiency) of operating receipts over operating disbursements	<u>1,052,670</u>	<u>26,267</u>	<u>1,078,937</u>	<u>(1,633)</u>
Nonoperating receipts (disbursements):				
Investment income	129,687	-	129,687	-
Tax anticipation warrants received	-	-	-	1,189,532
Tax anticipation warrants repaid	-	-	-	(1,013,874)
Interest paid on tax anticipation warrants	-	-	-	(15,000)
Debt service of principal	(728,022)	-	(728,022)	-
Interest disbursements	(184,954)	-	(184,954)	-
Reimbursements/refunds	-	-	-	(8,503)
	<u>(783,289)</u>	<u>-</u>	<u>(783,289)</u>	<u>152,155</u>
Total nonoperating receipts (disbursements)				
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	269,381	26,267	295,648	150,522
Interfund loans received	-	-	-	875,000
Interfund loans repaid	-	-	-	(925,000)
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	269,381	26,267	295,648	100,522
Cash and investment fund balance - beginning	<u>5,312,644</u>	<u>8,350</u>	<u>5,320,994</u>	<u>118,843</u>
Cash and investment fund balance - ending	<u>\$ 5,582,025</u>	<u>\$ 34,617</u>	<u>\$ 5,616,642</u>	<u>\$ 219,365</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 5,582,025	\$ 34,617	\$ 5,616,642	\$ -
Restricted assets:				
Cash and investments	-	-	-	219,365
Total cash and investment assets - December 31	<u>\$ 5,582,025</u>	<u>\$ 34,617</u>	<u>\$ 5,616,642</u>	<u>\$ 219,365</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Other purposes	\$ -	\$ -	\$ -	\$ 219,365
Unrestricted	<u>5,582,025</u>	<u>34,617</u>	<u>5,616,642</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 5,582,025</u>	<u>\$ 34,617</u>	<u>\$ 5,616,642</u>	<u>\$ 219,365</u>

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

CITY OF PORTAGE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

	Pension Trust Funds	Agency Fund
Additions:		
Contributions:		
Employer	\$ 329,437	
State	494,580	
Miscellaneous	225,000	
Total additions	1,049,017	
Deductions:		
Benefits	1,098,921	
Refunds of contributions	4,474	
Administrative and general	76,200	
Total deductions	1,179,595	
Excess (deficiency) of total additions over total deductions	(130,578)	
Cash and investment fund balance - beginning	161,807	
Cash and investment fund balance - ending	\$ 31,229	\$ 148,593

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

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS

I. 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 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 reclamation, and urban redevelopment.

The City's financial reporting entity is composed of the following:

Primary Government:	City Portage
Blended Component Unit:	Portage Redevelopment Authority
Discretely Presented Component Unit:	Portage Port Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Blended Component Unit

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City's governing body or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

Component Unit	Description/Inclusion Criteria	Fund Included In
Portage Redevelopment Authority	The primary government appoints a voting majority of the Portage Redevelopment Authority's board and a financial benefit/burden relationship exists between the City and the Portage Redevelopment Authority. Although it is legally separate from the City, the Portage Redevelopment Authority is reported as if it were a part of the City because it provides services entirely or almost entirely to the City.	Other Governmental Funds – 1993 Lease Redemption Account 1993 Lease Sinking Account 1993 Lease Debt Service 1993 Lease Operating/Reserve

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is presented below:

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Component Unit	Description/Inclusion Criteria
Portage Port Authority	The Portage Port Authority is a significant discretely presented component unit of the City. The primary government appoints a voting majority of the Portage Port Authority's board and a financial benefit/burden relationship exists between the City and the Portage Port Authority.

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints two board members of the Porter County Convention, Recreation and Visitor's Commission and one elected official to the Northwestern Indiana Regional Planning Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The grant fund accounts for the state and federal grants received and the subsequent disbursement of the state and federal grant funds.

The redevelopment allocation area fund accounts for the TIF money received and the disbursements are for the redevelopment of the TIF areas.

The 2006 ameriplex debt service fund accounts for financial resources, which are set aside in accordance with bond indenture agreements, for the repayment of the 2006 economic development revenue bonds.

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major proprietary funds:

The water reclamation utility fund accounts for the operation of the water reclamation treatment plant, pumping stations and collection systems.

The storm water utility fund accounts for the operation of the storm water collection system.

Additionally, the City reports the following fund types:

The internal service funds account for the torts; theft of, damage to and destruction of assets; and medical benefits for employees and dependents, which are provided to other departments on a tax rate and a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds, which accumulate resources for pension benefit payments.

The agency fund accounts for assets held by the City as an agent for assets held on behalf of others and serves as control of accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and the Water Reclamation Utility. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in 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.

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2008. Significant delays in the reassessment process have resulted in delays in billing taxes in 2008 and 2009. A provisional tax bill for the 2007 pay 2008 was mailed June 11, 2008, due on July 18, 2008. The reconciliation tax bill for the 2007 pay 2008 was mailed on February 23, 2009, with a due date of April 13, 2009. Final distribution of 2008 taxes collected was made on September 30, 2009. Tax bills normally due in May and November of 2009 have not been mailed as of November 16, 2009.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

Deposits and Investments

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2008, the bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Investments

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The City is 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 (excluding postemployment benefits); and natural disasters.

The risks of theft of, damage to, and destruction of assets other than automobiles; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Torts

The City has chosen to establish a risk financing fund for risks associated with torts. The risk financing fund is accounted for in the Cumulative Liability/Physical Damage Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$1,000,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Funding of this risk group is through a property tax rate.

Theft of, Damage to, and Destruction of Automobiles

The City has chosen to establish a risk financing fund for risks associated with theft of, damage to, and destruction of automobiles. The risk financing fund is accounted for in the Cumulative Liability/Physical Damage Fund, an internal service fund, where assets are set aside for claim settlements. Funding of this risk group is through a property tax rate.

Medical Benefits to Employees, Retirees and Dependents

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Employee Medical Benefit Plan Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$50,000 per year, per person, up to \$2,000,000 lifetime maximum. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Funding for this risk group for the City is through a property tax rate and for the Water Reclamation Utility through actual claim payment.

Job Related Illnesses or Injuries to Employees

During 1993, the City joined with other governmental entities in the Indiana Public Employers' Plan, Inc. (IPEP), a public entity risk pool currently operating as a common risk management and insurance program for approximately 740 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporation

The City has entered into a capital lease with Portage Municipal Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year totaled \$191,500.

C. Subsequent Events

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Firefighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. The City participates in the 1925 Police Pension Fund and the 1937 Firefighters' Fund. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

On June 3, 2009, the City Council approved Ordinance 09-24 for 2009 Tax Anticipation Warrants not to exceed \$10,741,877 for the following funds:

General	\$	8,022,294
Park and Recreation		1,099,882
Employee Medical Benefit Plan		1,619,701

D. Rate Structure – Enterprise Funds

Water Reclamation Utility

The current rate structure was approved by the City Council on July 7, 2009.

Storm Water Utility

The current rate structure was approved by the City Council on July 7, 2009.

E. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City 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 the 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 City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
(Continued)

the member's annuity savings account. The annuity savings account consists of member's 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. The 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

PERF members are required to contribute 3% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 5.75% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the PERF Board of Trustees. The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

Annual Pension Cost

For 2008, the City's annual pension cost of \$338,258 for PERF exceeded the City's required and actual contributions.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which 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 and Annual Pension Cost

Plan members are required by state statute (IC 36-8-6-4) to contribute an amount equal to 6% of the salary of a first class patrolman. The City is required to contribute an amount equal to the funding deficit of the difference between receipts of the fund and the

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
(Continued)

required disbursements of the fund (pay-as-you-go basis); the amount contributed for 2008 is \$370,868. The contribution requirements of plan members and the City are established by state statute. Of this amount, \$217,709 is contributed by the State of Indiana on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Annual Pension Cost

For 2008, the City's annual pension cost of \$497,300 for the 1925 Police Officers Pension Plan was not equal to the City's required and actual contributions.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

Plan members are required by state statute (IC 36-8-7-8) to contribute an amount equal to 6% of the salary of a fully paid first class firefighter. The City is required to contribute an amount equal to the funding deficit of the difference between receipts of the fund and the required disbursements of the fund (pay-as-you-go basis); the amount contributed for 2008 is \$453,149. The contribution requirements of plan members and the City are established by state statute. Of this amount, \$213,177 is contributed by the State of Indiana on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Annual Pension Cost

For 2008, the City's annual pension cost of \$578,300 for the 1937 Firefighters' Pension Plan was not equal to the City's required and actual contributions.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 337,354	\$ 536,900	\$ 626,200
Interest on net pension obligation	(6,473)	151,600	183,100
Adjustment to annual required contribution	<u>7,377</u>	<u>(191,200)</u>	<u>(231,000)</u>
Annual pension cost	338,258	497,300	578,300
Contributions made	<u>316,234</u>	<u>370,868</u>	<u>453,149</u>
Increase (decrease) in net pension obligation	22,024	126,432	125,151
Net pension obligation, beginning of year	<u>(89,284)</u>	<u>2,526,073</u>	<u>3,051,392</u>
Net pension obligation, end of year	<u>\$ (67,260)</u>	<u>\$ 2,652,505</u>	<u>\$ 3,176,543</u>

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	5.75%	1,188%	1,382%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-08	01-01-08	01-01-08
Actuarial cost method	Entry age Normal Cost	Entry age	Entry age
Amortization method	Level dollar, closed amortization period percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	30 years	30 years	30 years
Amortization period (from date)	07-01-07	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 290,283	85%	\$ (113,356)
	06-30-07	304,802	92%	(89,284)
	06-30-08	338,258	93%	(67,260)
1925 Police Officers' Pension Plan	12-31-06	552,000	101%	1,995,073
	12-31-07	531,000	0%	2,526,073
	12-31-08	497,300	75%	2,652,505
1937 Firefighters' Pension Plan	12-31-06	588,700	78%	2,459,492
	12-31-07	591,900	0%	3,051,392
	12-31-08	578,300	78%	3,176,543

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2008, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	22	23
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	-	-

Funded status and Funding Progress for the Above Plans

The funded status of each plan as of July 1, 2008, the most recent actuarial valuation date (except 1925 Police pension fund and 1937 Firefighter's pension which is as of January 1, 2008) is as follows:

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Retirement Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL or (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
PERF	\$ 5,647,706	\$ 5,995,189	\$ (347,483)	94%	\$ 5,442,894	(6%)
1925 Police Officers' Pension Plan	89,325	7,143,500	(7,054,175)	1%	45,200	(15,607%)
1937 Firefighters' Pension Plan	72,482	8,366,900	(8,294,418)	1%	45,300	(18,310%)

The schedule of funding progress, presented as RSI for the above plans following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2008, 2007, and 2006, were \$1,121,653, \$1,084,229, and \$1,037,676, respectively, equal to the required contributions for each year.

CITY OF PORTAGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES 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)
07-01-06	\$ 4,553,267	\$ 4,818,886	\$ (265,619)	94%	\$ 5,248,030	(5%)
07-01-07	5,175,344	5,520,360	(345,016)	94%	5,581,280	(6%)
07-01-08	5,647,706	5,995,189	(347,483)	94%	5,442,894	(6%)

1925 Police Officers' Pension Plan

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)
01-01-03	\$ 445,191	\$ 7,464,200	\$ (7,019,009)	6%	\$ 160,500	(4,373%)
01-01-04	488,480	7,699,300	(7,210,820)	6%	82,400	(8,751%)
01-01-05	312,029	7,112,600	(6,800,571)	4%	84,700	(8,029%)
01-01-06	100,089	7,734,700	(7,634,611)	1%	87,100	(8,765%)
01-01-07	83,408	7,550,700	(7,467,292)	1%	44,600	(16,743%)
01-01-08	89,325	7,143,500	(7,054,175)	1%	45,200	(15,607%)

1937 Firefighters' Pension Plan

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)
01-01-03	\$ 503,029	\$ 7,172,800	\$ (6,669,771)	7%	\$ 40,100	(16,633%)
01-01-04	522,573	9,000,700	(8,478,127)	6%	41,100	(20,628%)
01-01-05	336,189	8,780,800	(8,444,611)	4%	42,400	(19,917%)
01-01-06	146,470	8,513,000	(8,366,530)	2%	43,200	(19,367%)
01-01-07	154,421	8,503,200	(8,348,779)	2%	44,700	(18,677%)
01-01-08	72,482	8,366,900	(8,294,418)	1%	45,300	(18,310%)

CITY OF PORTAGE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-03	\$ 871,900	23%	31%
	12-31-04	901,400	3%	26%
	12-31-05	528,000	3%	41%
	12-31-06	579,100	54%	42%
	12-31-07	560,100	20%	53%
	12-31-08	536,900	29%	41%
1937 Firefighters' Pension Plan	12-31-03	980,600	18%	25%
	12-31-04	1,037,200	1%	23%
	12-31-05	632,100	1%	22%
	12-31-06	620,400	33%	40%
	12-31-07	627,700	16%	43%
	12-31-08	626,200	38%	34%

CITY OF PORTAGE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Motor Vehicle Highway	Local Road and Street	Park Non-Reverting Operating	Gift	Economic Development	New Police Continuing Education
Receipts:						
Taxes	\$ 833,098	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	1,455	-	-	-	-	14,200
Intergovernmental	988,787	353,574	-	-	-	-
Charges for services	-	-	99,752	-	-	10,822
Fines and forfeits	-	-	-	-	-	8,110
Interfund loans	1,000,000	250,000	-	-	-	-
Other	8,116	90	391,303	55,988	-	2,131
Total receipts	2,831,456	603,664	491,055	55,988	-	35,263
Disbursements:						
General government	-	-	-	56,948	-	-
Public safety	-	-	-	-	-	16,049
Highways and streets	1,875,421	133,290	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	418,732	-	-	-
Interfund loans	1,375,000	450,000	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	24,540
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	3,250,421	583,290	418,732	56,948	-	40,589
Excess (deficiency) of receipts over disbursements	(418,965)	20,374	72,323	(960)	-	(5,326)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrants proceeds	347,557	-	-	-	-	-
Tax anticipation warrants repayments	(55,605)	-	-	-	-	-
Other receipts	19,933	16,807	-	-	-	-
Total other financing sources (uses)	311,885	16,807	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(107,080)	37,181	72,323	(960)	-	(5,326)
Cash and investment fund balance - beginning	159,177	168,596	54,222	48,811	825	38,993
Cash and investment fund balance - ending	\$ 52,097	\$ 205,777	\$ 126,545	\$ 47,851	\$ 825	\$ 33,667
Cash and Investment Assets - Ending						
Cash and investments	\$ 52,097	\$ -	\$ -	\$ 47,851	\$ 825	\$ 33,667
Restricted assets:						
Cash and investments	-	205,777	126,545	-	-	-
Total cash and investment assets - ending	\$ 52,097	\$ 205,777	\$ 126,545	\$ 47,851	\$ 825	\$ 33,667
Cash and Investment Fund Balance - Ending						
Restricted for:						
Highways and streets	\$ -	\$ 205,777	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	126,545	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	52,097	-	-	47,851	825	33,667
Total cash and investment fund balance - ending	\$ 52,097	\$ 205,777	\$ 126,545	\$ 47,851	\$ 825	\$ 33,667

CITY OF PORTAGE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Unsafe Building	Riverboat	Drain Maintenance	Park and Recreation	Cable TV Franchise	Marina Shores Bond
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ 1,142,173	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	69,120	-	350,000
Charges for services	-	-	-	-	353,564	-
Fines and forfeits	8,325	-	-	-	-	-
Interfund loans	-	-	-	50,000	-	-
Other	-	210,122	-	-	-	-
Total receipts	8,325	210,122	-	1,261,293	353,564	350,000
Disbursements:						
General government	-	210,340	35,250	-	332,757	350,000
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	1,082,880	-	-
Interfund loans	-	-	-	300,000	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	1,310	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	210,340	35,250	1,382,880	334,067	350,000
Excess (deficiency) of receipts over disbursements	8,325	(218)	(35,250)	(121,587)	19,497	-
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrants proceeds	-	-	-	732,990	-	-
Tax anticipation warrants repayments	-	-	-	(594,944)	-	-
Other receipts	-	-	-	12,336	-	-
Total other financing sources (uses)	-	-	-	150,382	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,325	(218)	(35,250)	28,795	19,497	-
Cash and investment fund balance - beginning	4,616	218	97,563	38,879	170,221	-
Cash and investment fund balance - ending	<u>\$ 12,941</u>	<u>\$ -</u>	<u>\$ 62,313</u>	<u>\$ 67,674</u>	<u>\$ 189,718</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 12,941	\$ -	\$ 62,313	\$ 67,674	\$ 189,718	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 12,941</u>	<u>\$ -</u>	<u>\$ 62,313</u>	<u>\$ 67,674</u>	<u>\$ 189,718</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	12,941	-	62,313	67,674	189,718	-
Total cash and investment fund balance - ending	<u>\$ 12,941</u>	<u>\$ -</u>	<u>\$ 62,313</u>	<u>\$ 67,674</u>	<u>\$ 189,718</u>	<u>\$ -</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Rainy Day	Emergency Response	2002 TIF Bond Series A	2002 TIF Bond Series B	Major Moves Construction	1993 Lease Redemption Account
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	855,160	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	500,000	-	-	-	100,000	-
Other	-	-	869	541	826,322	2,795
Total receipts	1,355,160	-	869	541	926,322	2,795
Disbursements:						
General government	487,566	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	1,056,209	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Interfund loans	500,000	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	987,566	-	-	-	1,056,209	-
Excess (deficiency) of receipts over disbursements	367,594	-	869	541	(129,887)	2,795
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrants proceeds	-	-	-	-	-	-
Tax anticipation warrants repayments	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	367,594	-	869	541	(129,887)	2,795
Cash and investment fund balance - beginning	92,008	466	1,224	763	903,919	127,679
Cash and investment fund balance - ending	<u>\$ 459,602</u>	<u>\$ 466</u>	<u>\$ 2,093</u>	<u>\$ 1,304</u>	<u>\$ 774,032</u>	<u>\$ 130,474</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 459,602	\$ 466	\$ 2,093	\$ 1,304	\$ -	\$ 130,474
Restricted assets:						
Cash and investments	-	-	-	-	774,032	-
Total cash and investment assets - ending	<u>\$ 459,602</u>	<u>\$ 466</u>	<u>\$ 2,093</u>	<u>\$ 1,304</u>	<u>\$ 774,032</u>	<u>\$ 130,474</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ 774,032	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	459,602	466	2,093	1,304	-	130,474
Total cash and investment fund balance - ending	<u>\$ 459,602</u>	<u>\$ 466</u>	<u>\$ 2,093</u>	<u>\$ 1,304</u>	<u>\$ 774,032</u>	<u>\$ 130,474</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	2008 TIF Bond	2006 Ameri- plex Bond	Marina Operation	Bond Redemption	1997 G.O. Bond	1993 Lease Sinking Account
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ 1,855,498	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	112,285	-	-
Charges for services	-	-	325,265	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	900,000	-	-	645,000	100,000	-
Other	27,250	1,084,802	48,846	-	-	195,681
Total receipts	927,250	1,084,802	374,111	2,612,783	100,000	195,681
Disbursements:						
General government	-	-	-	20,791	-	195,664
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	2,236,969	-	-	-	-	-
Culture and recreation	-	-	318,050	-	-	-
Interfund loans	900,000	-	-	945,000	-	-
Debt service:						
Principal	-	310,000	-	830,000	-	-
Interest	-	780,825	-	535,254	-	-
Capital outlay:						
General government	-	-	-	-	78,632	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	3,136,969	1,090,825	318,050	2,331,045	78,632	195,664
Excess (deficiency) of receipts over disbursements	(2,209,719)	(6,023)	56,061	281,738	21,368	17
Other financing sources (uses):						
Net proceeds from borrowings	2,594,984	-	-	-	-	-
Tax anticipation warrants proceeds	-	-	-	-	-	-
Tax anticipation warrants repayments	-	-	-	-	-	-
Other receipts	-	-	-	600	-	-
Total other financing sources (uses)	2,594,984	-	-	600	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	385,265	(6,023)	56,061	282,338	21,368	17
Cash and investment fund balance - beginning	-	28,488	87,505	125,469	8,922	24
Cash and investment fund balance - ending	\$ 385,265	\$ 22,465	\$ 143,566	\$ 407,807	\$ 30,290	\$ 41
Cash and Investment Assets - Ending						
Cash and investments	\$ 385,265	\$ -	\$ 143,566	\$ -	\$ 30,290	\$ -
Restricted assets:						
Cash and investments	-	22,465	-	407,807	-	41
Total cash and investment assets - ending	\$ 385,265	\$ 22,465	\$ 143,566	\$ 407,807	\$ 30,290	\$ 41
Cash and Investment Fund Balance - Ending						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	-	22,465	-	407,807	-	41
Capital outlay	-	-	-	-	-	-
Unrestricted	385,265	-	143,566	-	30,290	-
Total cash and investment fund balance - ending	\$ 385,265	\$ 22,465	\$ 143,566	\$ 407,807	\$ 30,290	\$ 41

CITY OF PORTAGE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	2000 G.O. Bond	Edit Bond	1993 Lease Debt Service	1993 Lease Operating/ Reserve	Redevelopment Debt Service	Cumulative Capital Improvement
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	108,930
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	695,000	-	-	-	300,000
Other	-	-	5,088	211,203	-	-
Total receipts	-	695,000	5,088	211,203	-	408,930
Disbursements:						
General government	-	19,256	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	195,664	-	-
Culture and recreation	-	-	-	-	-	-
Interfund loans	-	195,000	-	-	-	-
Debt service:						
Principal	-	-	-	-	700,000	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	127,653	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	341,909	-	195,664	700,000	-
Excess (deficiency) of receipts over disbursements	-	353,091	5,088	15,539	(700,000)	408,930
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrants proceeds	-	-	-	-	-	-
Tax anticipation warrants repayments	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	353,091	5,088	15,539	(700,000)	408,930
Cash and investment fund balance - beginning	20,098	591,992	232,443	211,260	700,000	105,604
Cash and investment fund balance - ending	<u>\$ 20,098</u>	<u>\$ 945,083</u>	<u>\$ 237,531</u>	<u>\$ 226,799</u>	<u>\$ -</u>	<u>\$ 514,534</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 945,083	\$ 237,531	\$ 226,799	\$ -	\$ -
Restricted assets:						
Cash and investments	20,098	-	-	-	-	514,534
Total cash and investment assets - ending	<u>\$ 20,098</u>	<u>\$ 945,083</u>	<u>\$ 237,531</u>	<u>\$ 226,799</u>	<u>\$ -</u>	<u>\$ 514,534</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	20,098	-	-	-	-	-
Capital outlay	-	-	-	-	-	514,534
Unrestricted	-	945,083	237,531	226,799	-	-
Total cash and investment fund balance - ending	<u>\$ 20,098</u>	<u>\$ 945,083</u>	<u>\$ 237,531</u>	<u>\$ 226,799</u>	<u>\$ -</u>	<u>\$ 514,534</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Cumulative Development Capital	Park Non-Reverting Capital	Sidewalk Waiver	Redevelopment General	Storm Water Construction Bond	2004 Park Bond
Receipts:						
Taxes	\$ 416,194	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	26,741	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	25,186	-	-	-	-	-
Charges for services	-	75,520	-	241,054	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	500,000	-	-
Other	42,824	-	-	60,535	-	-
Total receipts	484,204	75,520	26,741	801,589	-	-
Disbursements:						
General government	3,661	-	-	-	-	-
Public safety	269,558	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	179,822	-	-
Culture and recreation	-	19,627	-	-	-	-
Interfund loans	200,000	-	-	250,000	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	6,697	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Economic development	-	-	-	350,343	-	-
Culture and recreation	-	17,385	-	-	-	34,280
Total disbursements	479,916	37,012	-	780,165	-	34,280
Excess (deficiency) of receipts over disbursements	4,288	38,508	26,741	21,424	-	(34,280)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Tax anticipation warrants proceeds	-	-	-	-	-	-
Tax anticipation warrants repayments	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,288	38,508	26,741	21,424	-	(34,280)
Cash and investment fund balance - beginning	104,276	6,275	131,671	484,917	1,903	47,586
Cash and investment fund balance - ending	\$ 108,564	\$ 44,783	\$ 158,412	\$ 506,341	\$ 1,903	\$ 13,306
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 158,412	\$ 506,341	\$ -	\$ 13,306
Restricted assets:						
Cash and investments	108,564	44,783	-	-	1,903	-
Total cash and investment assets - ending	\$ 108,564	\$ 44,783	\$ 158,412	\$ 506,341	\$ 1,903	\$ 13,306
Cash and Investment Fund Balance - Ending						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	108,564	44,783	-	-	1,903	-
Unrestricted	-	-	158,412	506,341	-	13,306
Total cash and investment fund balance - ending	\$ 108,564	\$ 44,783	\$ 158,412	\$ 506,341	\$ 1,903	\$ 13,306

CITY OF PORTAGE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	1990 Willowcreek Bond	Park and Recreation Non-Reverting Impact Fee	1998 Storm Water Bond	Cumulative Building and Capital Improvement	Economic Development Income Tax	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,246,963
Special assessments	-	24,500	-	-	-	51,241
Licenses and permits	-	-	-	-	-	15,655
Intergovernmental	-	-	-	-	2,305,347	5,168,389
Charges for services	-	-	-	-	-	1,105,977
Fines and forfeits	-	-	-	-	-	16,435
Interfund loans	-	-	-	-	1,270,000	6,310,000
Other	-	-	-	-	-	3,174,506
Total receipts	-	24,500	-	-	3,575,347	20,089,166
Disbursements:						
General government	-	-	-	-	-	1,712,233
Public safety	-	-	9,600	-	-	295,207
Highways and streets	-	-	-	-	-	3,064,920
Economic development	-	-	-	-	-	2,612,455
Culture and recreation	-	-	-	-	-	1,839,289
Interfund loans	-	-	-	-	1,250,000	6,365,000
Debt service:						
Principal	-	-	-	-	599,513	2,439,513
Interest	-	-	-	-	305,981	1,622,060
Capital outlay:						
General government	-	-	-	-	401,979	609,574
Public safety	-	-	1,030	-	151,796	184,063
Highways and streets	-	-	-	-	141,295	141,295
Sanitation	-	-	-	-	895,056	895,056
Economic development	-	-	-	-	-	350,343
Culture and recreation	-	-	-	-	4,165	55,830
Total disbursements	-	-	10,630	-	3,749,785	22,186,838
Excess (deficiency) of receipts over disbursements	-	24,500	(10,630)	-	(174,438)	(2,097,672)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	2,594,984
Tax anticipation warrants proceeds	-	-	-	-	-	1,080,547
Tax anticipation warrants repayments	-	-	-	-	(7,799)	(658,348)
Other receipts	-	-	-	-	700	50,376
Total other financing sources (uses)	-	-	-	-	(7,099)	3,067,559
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	24,500	(10,630)	-	(181,537)	969,887
Cash and investment fund balance - beginning	620	31,500	66,659	11,020	372,683	5,279,095
Cash and investment fund balance - ending	<u>\$ 620</u>	<u>\$ 56,000</u>	<u>\$ 56,029</u>	<u>\$ 11,020</u>	<u>\$ 191,146</u>	<u>\$ 6,248,982</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 620	\$ 56,000	\$ -	\$ -	\$ -	\$ 3,764,238
Restricted assets:						
Cash and investments	-	-	56,029	11,020	191,146	2,484,744
Total cash and investment assets - ending	<u>\$ 620</u>	<u>\$ 56,000</u>	<u>\$ 56,029</u>	<u>\$ 11,020</u>	<u>\$ 191,146</u>	<u>\$ 6,248,982</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 979,809
Culture and recreation	-	-	-	-	-	126,545
Debt service	-	-	-	-	-	450,411
Capital outlay	-	-	56,029	11,020	191,146	927,979
Unrestricted	620	56,000	-	-	-	3,764,238
Total cash and investment fund balance - ending	<u>\$ 620</u>	<u>\$ 56,000</u>	<u>\$ 56,029</u>	<u>\$ 11,020</u>	<u>\$ 191,146</u>	<u>\$ 6,248,982</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 INTERNAL SERVICE FUNDS
 As of and for the Year Ended December 31, 2008

	Employee Medical Benefit Plan	Cumulative Liability/ Physical Damage	Totals
Operating receipts:			
Employee contributions	\$ 204,758	\$ -	\$ 204,758
Property taxes	1,853,858	709,723	2,563,581
Intergovernmental	112,180	43,060	155,240
Miscellaneous	<u>145,391</u>	<u>5,373</u>	<u>150,764</u>
Total operating receipts	<u>2,316,187</u>	<u>758,156</u>	<u>3,074,343</u>
Operating disbursements:			
Administrative costs	852,171	498,873	1,351,044
Insurance claims and expense	<u>1,532,829</u>	<u>192,103</u>	<u>1,724,932</u>
Total operating disbursements	<u>2,385,000</u>	<u>690,976</u>	<u>3,075,976</u>
Excess (deficiency) of receipts over disbursements	<u>(68,813)</u>	<u>67,180</u>	<u>(1,633)</u>
Nonoperating receipts (disbursements):			
Tax anticipation warrants received	1,189,532	-	1,189,532
Tax anticipation warrants repaid	(1,013,874)	-	(1,013,874)
Interest paid on tax anticipation warrants	(15,000)	-	(15,000)
Reimbursements/refunds	<u>(8,503)</u>	<u>-</u>	<u>(8,503)</u>
Total nonoperating receipts (disbursements)	<u>152,155</u>	<u>-</u>	<u>152,155</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	83,342	67,180	150,522
Interfund loans received	525,000	350,000	875,000
Interfund loans repaid	<u>(500,000)</u>	<u>(425,000)</u>	<u>(925,000)</u>
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	108,342	(7,820)	100,522
Cash and investment fund balance - beginning	<u>95,855</u>	<u>22,988</u>	<u>118,843</u>
Cash and investment fund balance - ending	<u>\$ 204,197</u>	<u>\$ 15,168</u>	<u>\$ 219,365</u>
<u>Cash and Investment Assets - December 31</u>			
Restricted assets:			
Cash and investments	<u>\$ 204,197</u>	<u>\$ 15,168</u>	<u>\$ 219,365</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Other purposes	<u>\$ 204,197</u>	<u>\$ 15,168</u>	<u>\$ 219,365</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2008

	Police Pension Fund	Fire Pension Fund	Totals
Additions:			
Contributions:			
Employer	\$ 121,312	\$ 208,125	\$ 329,437
State	249,556	245,024	494,580
Miscellaneous	<u>75,000</u>	<u>150,000</u>	<u>225,000</u>
Total additions	<u>445,868</u>	<u>603,149</u>	<u>1,049,017</u>
Deductions:			
Benefits	532,697	641,224	1,173,921
Refunds of contributions	1,510	2,964	4,474
Administrative and general	<u>600</u>	<u>600</u>	<u>1,200</u>
Total deductions	<u>534,807</u>	<u>644,788</u>	<u>1,179,595</u>
Excess (deficiency) of total additions over total deductions	(88,939)	(41,639)	(130,578)
Cash and investment fund balance - beginning	<u>89,325</u>	<u>72,482</u>	<u>161,807</u>
Cash and investment fund balance - ending	<u>\$ 386</u>	<u>\$ 30,843</u>	<u>\$ 31,229</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2008

	<u>Withholding Fund</u>
Additions:	
Agency fund additions	<u>\$ 3,685,458</u>
Deductions:	
Agency fund deductions	<u>3,681,553</u>
Excess (deficiency) of total additions over total deductions	3,905
Cash and investment fund balance - beginning	<u>144,688</u>
Cash and investment fund balance - ending	<u><u>\$ 148,593</u></u>

CITY OF PORTAGE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2008

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 65,507,587
Infrastructure	50,613,096
Buildings	9,683,451
Improvements other than buildings	7,646,196
Machinery and equipment	<u>13,374,291</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>146,824,621</u>
 Business-type activities:	
Water Reclamation Utility:	
Capital assets, not being depreciated:	
Land	\$ 711,013
Buildings	2,578,393
Plant	14,945,749
Improvements other than buildings	24,515,050
Machinery and equipment	8,507,203
Furniture and fixtures	<u>89,914</u>
 Total business-type activities capital assets	 \$ <u>51,347,322</u>

CITY OF PORTAGE
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
2000 Fire Station	\$ 1,162,000	\$ 383,000
2004 GMC Envoy	9,480	5,136
2004 GMC Sierra	4,647	4,835
2006 Pontiac Montana	10,394	3,908
2006 Street equipment	442,542	187,627
2006 Fire equipment	482,827	131,793
Notes and loans payable:		
Bond anticipation notes	5,474,832	5,540,380
Bonds payable:		
General obligation bonds:		
1996 Storm water bond	1,580,000	243,570
1998 Storm water bond	2,245,000	227,035
2000 GOB	525,000	279,810
2004 Park bond	2,650,000	430,300
Revenue bonds:		
1993 Redevelopment bond	965,000	197,056
2000 TIF revenue AmeriPlex project	200,000	211,250
2005 EDIT bond	5,630,000	584,525
2006 Marina bond	381,000	60,361
2006 Economic redevelopment bond	15,990,000	1,113,795
2008 Refunding TIF	<u>8,745,000</u>	<u>639,750</u>
Total governmental activities debt	<u>\$ 46,497,722</u>	<u>\$ 10,244,131</u>
Business-type activities:		
Wastewater Utility:		
Notes and loans payable:		
State revolving loan payable	\$ 7,585,000	\$ 568,085
Revenue bonds:		
1996 Refunding bond for plant expansion	<u>1,110,000</u>	<u>589,445</u>
Total Wastewater Utility	<u>\$ 8,695,000</u>	<u>\$ 1,157,530</u>

CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS

TEMPORARY LOANS

Sixteen temporary loans were recorded between funds in 2008. These temporary loans were not authorized by the Common Council and \$1,625,000 was not repaid as of December 31, 2008. Resolution No. 09-01, extended the temporary loans to June 30, 2009. On August 31, 2009, \$150,000 was repaid leaving an unpaid balance of temporary loans of \$1,475,000. Unpaid temporary loans were due to the delay of property tax distributions to the City.

IC 36-1-8-4 concerning temporary loans, states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount . . ."

IC 36-1-8-4 also states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

INTERNAL CONTROLS OVER MARINA RECEIPTS

Historically, the internal controls over Marina receipts have been insufficient as follows:

1. The Marina charges \$10 to launch boats. Two-part prenumbered tickets are issued. One part serves as the boater's receipt; the other part is retained to account for the amount of collections. A daily money report is prepared detailing the amount of collections deposited to the bank. We could not locate a daily money report or a deposit for tickets numbered 31744-31758, resulting in \$150 in lost revenue.
2. The Marina office has a cash register to account for merchandise sales. Any voided transactions are recorded manually on the daily register tape. These voids are not authorized by management. Voids totaled \$1,028.62 for the 15 days reviewed. We could not determine the validity of the numerous voided transactions.
3. Duplicate cash register tapes were not retained for audit.
4. All transactions through the cash register are designated as cash. Therefore, it cannot be determined if cash and checks are deposited in the same form in which they are received.

CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS
(Continued)

5. Cash register tapes attached to the daily reports are not dated.
6. The cash register does not allow for a designation as to which employees are entering the transactions.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WATER RECLAMATION – ACCOUNTS RECEIVABLE

As stated in prior reports, the Accounts Receivable (control account) per the general ledger does not agree to the Accounts Receivable Detail. At December 31, 2008, the Accounts Receivable (control account) has a balance of \$779,070.60 and the balance per the detail customer listing is \$508,152.08. The general ledger shows a balance of \$270,918.52 more than the Accounts Receivable detail at December 31, 2008.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WATER RECLAMATION – DEPOSIT OF RECEIPTS

In numerous instances, receipts were deposited later than the next business day.

IC 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

WATER RECLAMATION – OVERDRAWN CASH BALANCE

The cash balance of the Water Reclamation Operating Fund was overdrawn \$36,802 at December 31, 2008. The overdrawn balance is due to the failure to transfer money from the Revenue account for payroll.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Portage (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The City's response to the findings identified in our audit is described in the accompanying Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 16, 2009

CITY OF PORTAGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Pass-Through Indiana Department of Natural Resources			
Coastal Zone Management Administration Awards	11.419		
Little Calumet River Restoration Project		CZ0603	\$ 16,225
Salt Creek Habitat Restoration Project		CZ0702	50,612
Outdoor Science Ed		CZ0715	<u>3,126</u>
Total for federal grantor agency			<u>69,963</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources			
Outdoor Recreation - Acquisition, Development and Planning	15.916		
Imagination Glen Park Phase II Project			<u>36,764</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600	154HE2008-08-01-05	10,704
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	K8-2008-02-03-23	13,481
Safety Incentive Grants for Use of Seatbelts	20.604	PT-08-04-01-38	<u>25,782</u>
Total for federal grantor agency			<u>49,967</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass Through Indiana Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		
Disaster #1795			<u>391,089</u>
Total federal awards expended			<u>\$ 547,783</u>

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

CITY OF PORTAGE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Portage (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF PORTAGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF PORTAGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF PORTAGE
EXIT CONFERENCE

The contents of this report were discussed on November 16, 2009, with Olga Velazquez, Mayor and President of the Water Reclamation Board; Donna Pappas, Clerk-Treasurer; and Elizabeth Modesto, President of the Common Council. The officials concurred with our audit findings.

The contents of this report were discussed on October 29, 2009, with Olga Velazquez, Mayor and President of the Water Reclamation Board; and Joan K. Sobczak, Water Reclamation Secretary-Treasurer. The official response has been made a part of this report and may be found on page 53.

The contents of this report were discussed on October 29, 2009, with Allen Ekdahl, President of the Port Authority. The official concurred with our audit findings.

PORTAGE
WATER RECLAMATION BOARD

Sanitary Sewer Department
6071 Central Avenue • Portage, Indiana 46368-3587
Telephone 762-2016 • Fax #762-1307



Home of the Port of Indiana

October 30, 2009

Bruce Hartman
State Examiner
State Board of Accounts
302 W Washington Street, Room E418
Indianapolis, IN 46204-2765

Mr. Hartman:

Per our exit conference with the auditors, I am writing this letter to explain why these situations occur:

WATER RECLAMATION-ACCOUNTS RECEIVABLE

At this time we are in the process of writing off bad debts in order to bring the amounts closer together. We will continuously have a difference in the amounts as there are a large number of delinquent accounts in collections.

WATER RECLAMATION-DEPOSIT OF RECEIPTS

We are a utility and honor all post marks for the last day of the month that come into the office during the first few days of the following month. There are also times that the last day of the month falls on the weekend, therefore creating an honor date on the following Monday. The size of our office at times prevents next day deposits as towards the end of the month we may receive 15 or more bundles for deposit.

WATER RECLAMATION-OVERDRAWN CASH BALANCE

The reason this occurred is that there was a transfer made after 3:00p.m. on December 31, 2009 which did not show until the next business day. It was in turn shown as an outstanding transfer of funds.

This should answer any questions you have concerning these matters.

Sincerely,



Joan K. Sobczak
Secretary-Treasurer