

B37515

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

EXAMINATION REPORT

OF

CITY OF PORTLAND

JAY COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
09/14/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda L. Kennedy Randy D. Geesaman	01-01-08 to 02-28-09 03-01-09 to 12-31-11
Mayor	Bruce W. Hosier	01-01-08 to 12-31-11
President of the Common Council	William E. Gibson	01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF PORTLAND, JAY COUNTY, INDIANA

We have examined the financial information presented herein of the City of Portland (City), for the period of January 1, 2008 to December 31, 2009. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

July 1, 2010

CITY OF PORTLAND
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments		Cash and Investments	
	01-01-08	Receipts	Disbursements	12-31-08
Governmental Funds:				
General	\$ 1,405,440	\$ 3,491,729	\$ 3,247,713	\$ 1,649,456
Criminal Investigations	6,645	-	961	5,684
Motor Vehicle Highway	777,384	684,812	1,002,264	459,932
Local Road and Street	19,613	24,843	30,319	14,137
Concessions	5,010	5,037	3,965	6,082
Parks and Recreation	224,278	247,182	321,173	150,287
Economic Development Income Tax	395,827	744,753	122,755	1,017,825
Insurance Surplus	227,825	619,172	-	846,997
Parking Meter	34,206	-	-	34,206
Mayor's Golf Outing	-	10,542	10,542	-
Law Enforcement Continuing Education	21,446	7,822	6,129	23,139
Trading Card	71	-	-	71
Riverboat	121,687	40,380	-	162,067
Portland Forfeiture	556	236	-	792
TIF Allocation	17,105	269,193	17,105	269,193
TIF Construction	149,038	3,081	39,156	112,963
TIF Debt Service Reserve	191,000	4,917	4,917	191,000
TIF Bond and Interest	100,533	29,559	90,262	39,830
Premier Ethanol Grant	-	24,000	24,000	-
Fire Department Investigations	-	3,299	-	3,299
Revolving Loan	70,994	24,872	30,053	65,813
Bulletproof Vest	1,262	-	-	1,262
DARE Donation	16,415	3,974	3,310	17,079
Police Dog Donation	15	-	-	15
Smoke Detector Donation	5,117	3,175	3,975	4,317
LOIT Public Safety	-	41,281	-	41,281
Drug Free Community	37	2,936	-	2,973
Sidewalk Reconstruction	44,932	-	9,674	35,258
Building Demolition	26,658	10,000	-	36,658
Infant Carseat Grant	83	-	-	83
Hudson Family Park Rent	184	-	-	184
Hudson Family Park Donation	20,525	-	-	20,525
Christmas Party Donation	-	500	500	-
Rainy Day	80,119	129,463	4,802	204,780
Aviation	382,139	46,929	108,358	320,710
Local Match Boundary Pike	474,948	-	79,340	395,608
Boundary Pike Federal Share	-	240,602	240,602	-
Cumulative Capital Development	382,378	90,270	-	472,648
Cumulative Capital	380,001	115,731	-	495,732
Cumulative Capital Improvement	220,022	20,933	-	240,955
Airport Taxiway Grant	5,691	-	-	5,691
Airport Runway Grant	-	122,045	122,045	-
General Improvement	50,000	-	-	50,000
Court Record Perpetuation	12,105	3,942	1,600	14,447
Recycling	59,258	95,651	98,735	56,174
Proprietary Funds:				
Water Utility - Operating	1,049,176	1,401,986	990,570	1,460,592
Water Utility - Improvement	948,634	105,215	71,752	982,097
Water Utility - Meter Deposit	173,802	28,950	23,771	178,981
Wastewater Utility - Operating	1,254,557	2,163,211	1,912,222	1,505,546
Wastewater Utility - Depreciation	783,521	332,020	173,432	942,109
Self-Insurance	761,177	730,939	1,326,902	165,214
Fiduciary Funds:				
City Court	24,562	306,760	305,746	25,576
Housing Authority Payroll	1,885	14,869	14,869	1,885
Unemployment Compensation	34,420	-	-	34,420
Redkey City Fines	-	110	100	10
LICA Construction Escrow	120,033	-	120,033	-
Fire Pension	102,439	128,768	135,681	95,526
Police Pension	123,121	48,218	74,828	96,511
Pre-1977 Pension Nonreverting	311,245	19,600	-	330,845
Payroll	-	2,409,578	2,409,578	-
Court Costs Due County	-	30,344	28,222	2,122
Court User Fees	2,004	6,604	7,977	631
Court Deferral Program	-	12,237	11,577	660
Court Pretrial Diversion	-	330	220	110
Totals	\$ 11,621,123	\$ 14,902,600	\$ 13,231,735	\$ 13,291,988

The accompanying notes are an integral part of the financial information.

CITY OF PORTLAND
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009
(Continued)

	Cash and Investments		Cash and Investments	
	01-01-09	Receipts	Disbursements	12-31-09
Governmental Funds:				
General	\$ 1,649,456	\$ 2,768,568	\$ 2,815,285	\$ 1,602,739
Cash Change and Petty Cash	-	1,175	-	1,175
Criminal Investigations	5,684	-	1,600	4,084
Motor Vehicle Highway	459,932	848,152	929,661	378,423
Local Road and Street	14,137	23,240	29,346	8,031
Concessions	6,082	3,798	2,737	7,143
Parks and Recreation	150,287	209,329	226,447	133,169
Economic Development Income Tax	1,017,825	259,542	460,399	816,968
Insurance Surplus	846,997	13,229	-	860,226
Parking Meter	34,206	-	-	34,206
Mayor's Golf Outing	-	12,039	12,039	-
Law Enforcement Continuing Education	23,139	7,735	4,067	26,807
Trading Card	71	-	-	71
Riverboat	162,067	40,283	54,235	148,115
Riverpath Federal Share	-	47,200	47,200	-
Portland Forfeiture	792	456	92	1,156
TIF Allocation	269,193	263,117	269,460	262,850
TIF Construction	112,963	1,621	9,908	104,676
TIF Debt Service Reserve	191,000	2,982	2,982	191,000
TIF Bond and Interest	39,830	275,809	114,700	200,939
Fire Department Investigations	3,299	5,074	7,512	861
Revolving Loan	65,813	16,877	15,000	67,690
Bulletproof Vest	1,262	-	-	1,262
DARE Donation	17,079	3,500	3,299	17,280
Police Dog Donation	15	-	15	-
Smoke Detector Donation	4,317	2,275	1,912	4,680
LOIT Public Safety	41,281	42,759	-	84,040
Drug Free Community	2,973	3,000	3,600	2,373
Sidewalk Reconstruction	35,258	-	8,070	27,188
Building Demolition	36,658	10,000	225	46,433
Infant Carseat Grant	83	-	83	-
Hudson Family Park Rent	184	-	-	184
Hudson Family Park Donation	20,525	-	-	20,525
Rainy Day	204,780	73,671	134,321	144,130
Aviation	320,710	66,669	134,425	252,954
Local Match Boundary Pike	395,608	715	66,676	329,647
Boundary Pike Federal Share	-	221,216	221,216	-
Cumulative Capital Development	472,648	83,639	-	556,287
Cumulative Capital	495,732	107,231	125,775	477,188
Cumulative Capital Improvement	240,955	19,738	91,960	168,733
Airport Taxiway Grant	5,691	-	5,691	-
Airport Runway Grant	-	3,325	3,325	-
General Improvement	50,000	-	-	50,000
Court Record Perpetuation	14,447	3,316	2,310	15,453
Recycling	56,174	109,609	110,964	54,819
Proprietary Funds:				
Water Utility - Operating	1,460,592	1,360,051	1,010,659	1,809,984
Water Utility - Improvement	982,097	105,215	177,840	909,472
Water Utility - Meter Deposit	178,981	28,200	22,291	184,890
Wastewater Utility - Operating	1,505,546	1,590,716	1,432,640	1,663,622
Wastewater Utility - Depreciation	942,109	335,715	134,804	1,143,020
Self-Insurance	165,214	837,819	588,332	414,701
Fiduciary Funds:				
City Court	25,576	248,529	257,112	16,993
Housing Authority Payroll	1,885	14,869	16,058	696
Unemployment Compensation	34,420	-	34,420	-
Redkey City Fines	10	263	273	-
Fleming Excavating Escrow	-	23,171	-	23,171
Fire Pension	95,526	214,021	145,434	164,113
Police Pension	96,511	73,367	79,840	90,038
Pre-1977 Pension Nonreverting	330,845	19,600	34,877	315,568
Payroll	-	2,566,395	2,566,395	-
Court Costs Due County	2,122	24,672	25,142	1,652
Court User Fees	631	6,249	6,422	458
Court Deferral Program	660	10,120	10,010	770
Court Pretrial Diversion	110	500	610	-
Totals	\$ 13,291,988	\$ 13,010,361	\$ 12,459,696	\$ 13,842,653

The accompanying notes are an integral part of the financial information.

CITY OF PORTLAND
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF PORTLAND
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Subsequent Event

The City issued \$1,670,000 of general obligation bonds on June 21, 2010. The bonds will be used for financing Phase IV of the Hudson Family Park project. On June 19, 2010, the related construction contract was awarded for \$1,346,145.

CITY OF PORTLAND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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	\$ 1,139,677
Infrastructure	26,281,154
Buildings	4,077,806
Improvements other than buildings	1,636,822
Machinery and equipment	3,703,656
Construction in progress	<u>2,550,149</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 39,389,264</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 12,340
Construction in progress	229,103
Buildings	3,154,403
Improvements other than buildings	4,714,642
Machinery and equipment	<u>714,529</u>
 Total Water Utility capital assets	 <u>8,825,019</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	76,179
Construction in progress	817,838
Buildings	6,340,754
Improvements other than buildings	4,963,990
Machinery and equipment	<u>1,981,271</u>
 Total Wastewater Utility capital assets	 <u>14,180,032</u>
 Total business-type activities capital assets	 <u>\$ 23,005,051</u>

CITY OF PORTLAND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
General obligation bonds payable:		
2006 TIF District bonds	<u>\$ 1,885,000</u>	<u>\$ 114,700</u>

CITY OF PORTLAND
EXAMINATION RESULTS AND COMMENTS

CREDIT CARD PURCHASES

The Mayor uses a credit card in the City's name for most of his travel expenses. The City has a travel policy with daily meal limits of \$50 while on overnight travel and \$20 while on non-overnight travel. The meals charged by the Mayor occasionally exceeded those daily limits. We asked the Mayor to reimburse the City \$85.58 for such charges, which he did on July 7, 2010.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC WORKS PROJECT

The City's Board of Aviation Commissioners hired Aaron Huey, doing business as Done Right Maintenance and Contracting, LLC, to perform repairs on the airport's hangars. The total amount paid was \$72,746.73, all from July 7, 2009 through February 2, 2010. No written plans or specifications were prepared, no sealed proposals were formally requested, and no written contract was entered into.

IC 36-1-12-4(a) states in part:

"This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; or (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

IC 36-1-12-4(b) states in part:

"The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

Payments made or received for contractual services should be supported by a written contract. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF PORTLAND
EXIT CONFERENCE

The contents of this report were discussed on July 1, 2010, with Randy D. Geesaman, Clerk-Treasurer; Linda L. Kennedy, former Clerk-Treasurer; Bruce W. Hosier, Mayor; William E. Gibson, President of the Common Council; and Glynn Barber, President of the Board of Aviation Commissioners. The official response has been made a part of this report and may be found on pages 12 through 14.



MAYOR'S OFFICE
CITY OF PORTLAND, INDIANA
Bruce W. Hoster, Mayor

July 6, 2010

State Board of Accounts
302 W. Washington Street
Room E418
Indianapolis, IN 46204

Re: Official response to City of Portland Audit

Dear Examiner,

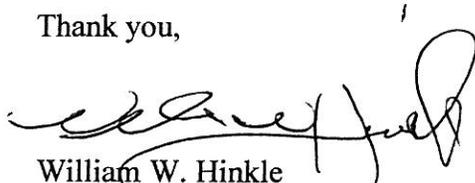
This letter shall serve as the official response to the audit of the City of Portland with regard to credit card purchases. The audit requested that the Mayor reimburse the city \$85.58 for credit card charges which he made in the capacity as Mayor and which the audit states exceeds the travel reimbursement provision in the 2009-9 payroll ordinance which provides that on overnight trips a subsistence pay may not exceed \$50.00 per day for meals and on non-overnight trips a subsistence pay shall not exceed \$20.00 per day. On July 7th, 2010 the Mayor reimbursed the city \$85.58 for charges which exceeded this policy and as specified in the audit. However, the Mayor and Clerk-Treasurer both object to the position taken by the State Board of Accounts and the requirement to make the reimbursement for the following reasons:

1. IC 36-4-5-1 provides that a mayor is the elected chief executive of a city.
2. The salary of the mayor and other elected officials are established by separate ordinance.
3. The City of Portland adopted Ordinance 2009-10 establishing the salary of elected officials.
4. Payroll Ordinance 2009-9 established the salaries, wages, other compensation and other terms of employment of appointed officers and employees of the city. Section 15 of this ordinance to which the State Board of Accounts refers establishes subsistence pay for appointed officers and employees, but it does not either refer or apply to elected officials.

5. The 2010 budget of the city establishes the Mayor's Promotional Fund as provided in the Portland Code of Ordinances Section 34.36. Section 34.36(B)(2) provides for payment of direct expenses for travel, meals and lodging in conjunction with municipal business or meetings or organizations to which the municipality belongs and (3) provides for the payment of expenses incurred in the promotion of economic or industrial development for the municipality, including meeting room rental, decorations, meals and travel.
6. The City of Portland has long followed the practice of reimbursing the Mayor for itemized expenses including meals by claim submitted to and approved by the council.
7. The State Board of Accounts has never objected in previous audits to this practice or procedure.
8. This practice of reimbursement from the Mayor's Promotional Fund rather than the payroll ordinance was submitted to and reviewed by the Portland City Attorney at the request of the mayor and it was approved as compliant with the budget and payroll ordinances.

For these reasons the city respectfully objects to the audit findings on credit card purchases.

Thank you,



William W. Hinkle
City of Portland Attorney
Hinkle, Racster & Lopez



Bruce W. Hosier
Mayor City of Portland



City of PORTLAND
PORTLAND, INDIANA

Bruce W. Hosier
Mayor

Randy D. Geesaman
Clerk-Treasurer

08/17/2010

Bill Vinson
Barry Moore
State Board of Accounts

As the Clerk/Treasurer of the City of Portland I have the responsibility to not only answer to the State Board of Accounts, but work with the Mayor and his department heads. From the day that I took office in March 1, 2009 until the exit interview after the 2008 and 2009, I have maintained that all employees including the Mayor and myself are subject to all state and local statues and ordinances and resolutions. In fact, January 2010 I sent a letter to the Mayor and each department head explaining that after taking over nine months ago, I wanted them to know that I answer to the taxpayers and the State Board of Accounts. I am willing to work with each and every one of them, but my staff and I have a job to do. Bill Vinson and Barry Moore both have told me you have to work with the Mayor everyday and they understand that.

The only contention that we need to address is the Mayor's Promotional Account versus the City's Travel Reimbursement. The Mayor's Promotional Account does not have a dollar amount and does say the Mayor can use this at his discretion as long as it is in conjunction with business of the City of Portland. When Mayor Hosier went to City Attorney Bill Hinkle and he agreed that htis is a gray area, then I backed off on trying to assert that Mayor Hosier needs to comply with the City's Travel Reimbursement conditions. He has always maintained that all these itemized expenses are related to conduct in conjunction of city business, and he could charge back to to the city much more than meals such as hotel expenses and cell phone expenses. I do believe that he is sincere and he does work seven days a week on behalf of the city. I have always had a good working relationship with Mayor Hosier, and he understands that I have a job to do.

In conclusion, I believe that we have rectified the gray area and we can go forward from here.

Randy D. Geesaman
Clerk/Treasurer
City of Portland