

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF PORTAGE
PORTER COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED

06/19/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Pappas Christopher Stidham	01-01-08 to 12-31-11 01-01-12 to 12-31-15
Mayor	Olga Velazquez James Snyder	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Olga Velazquez James Snyder	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Common Council	Edward Gottschling Sue Lynch	01-01-11 to 12-31-11 01-01-12 to 12-31-12
President of the Utility Service Board	Olga Velazquez James Snyder	01-01-11 to 12-31-11 01-01-12 to 12-31-12
Superintendent of the Water Reclamation Field Division	Robert Dixon	01-01-11 to 12-31-12
Superintendent of the Water Treatment Plant	Donald Slawnikowski	01-01-11 to 12-31-12
Secretary/Treasurer of the Water Reclamation Utility	Joan Sobczak Sherry Smolar	01-01-11 to 12-31-11 01-01-12 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the City of Portage (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated May 3, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

The City's response to the Audit Results and Comments 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, Common Council, others within the entity, 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

May 3, 2012



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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 statement of the City of Portage (City), for the year ended December 31, 2011, and have issued our report thereon dated May 3, 2012. 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 opinion on the financial statement, 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2011-01 to be material weaknesses.

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 statement 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-01.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and Corrective Action Plan. 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, Common Council, others within the entity, 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

May 3, 2012

FINANCIAL STATEMENT

The financial statement and accompanying notes were prepared by management of the City. The financial statements and notes are presented as intended by the City.

CITY OF PORTAGE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General Fund	\$ 271,221	\$ 21,196,858	\$ 21,214,898	\$ 253,181
MVH-Street Fund	26,335	2,887,909	2,744,376	169,868
Local Road And Street Fund	129,516	745,830	728,978	146,368
Park Non-Reverting Operating	159,999	606,170	608,866	157,303
Employee Medical Benefit Plan	37,173	6,638,919	6,560,188	115,904
Economic Development	825	250	-	1,075
New Police Continuing Education	55,788	43,614	47,155	52,247
Unsafe Building	51,893	7,650	13,791	45,752
Park And Recreation Fund	58,224	1,796,174	1,760,343	94,055
Cable TV Waiver Fund	103,384	542,597	617,266	28,715
Rainy Day	53,922	-	53,922	-
Economic Development Income Tax	215,200	2,694,870	2,852,525	57,545
Emergency Response	466	-	-	466
Levy Excess Fund	47,064	47,000	47,000	47,064
Major Moves Construction	659,234	384,403	630,141	413,496
Cumulative Capital Development	132,306	466,377	550,288	48,395
Park Non-Reverting Capital	93,422	101,015	66,644	127,793
Sidewalk Waiver Fund	42,510	6,471	32,856	16,125
Drain Maintenance	52,408	-	-	52,408
Cumulative Capital Improvement	415,319	1,471,193	1,490,000	396,512
Cumulative Building and Capital Improvement	11,020	-	11,020	-
1998 Storm Water Bond	5,360	-	3,182	2,178
Park Non-Reverting Impact Fee	67,995	6,300	3,608	70,687
Cumulative Liability/Physical Damage Reserve	52,533	1,427,596	1,446,241	33,888
Police Pension Fund	88,138	763,509	777,773	73,874
Fire Pension Fund	130,384	666,014	570,797	225,601
Riverboat	1,238	418,619	418,000	1,857
Storm Water Maintenance	26,893	-	26,893	-
Port Authority	163,681	28,946	49,024	143,603
Gift Fund	66,657	48,934	68,739	46,852
Grant Fund	120,667	956,944	1,014,569	63,042
Marina Operating Fund	47,482	446,101	313,383	180,200
Bond Redemption Fund	867,138	1,461,481	1,491,244	837,375
Storm Water Construction Bond	1,903	-	-	1,903
Recovery Bond 2010	5,071,745	6,563	4,906,187	172,121
Recovery Bond Debt Reserve	570,500	-	-	570,500
Redevelopment General	910,709	455,068	282,658	1,083,119
Redevelopment Allocation Area	8,496,076	8,117,251	6,356,062	10,257,265
2002 TIF Bond Series A	2,093	-	-	2,093
2002 TIF Bond Series B	1,304	-	-	1,304
Economic Improvement	5,335	3,351	2,782	5,904
2008 TIF Bond	360,267	75,459	97,808	337,918
Marina Shores Bond	-	144,906	144,906	-
2006 AmeriPLEX Debt Service	1,306,886	99	-	1,306,985
2006 AmeriPLEX Bond	581,379	587,077	581,379	587,077
1993 Lease Operating/Reserve	172,746	18	800	171,964
1993 Lease Sinking Account	113,703	207,009	193,409	127,303
1993 Lease Redemption Account	130,668	15	-	130,683
1993 Lease Debt Service	201,688	22	-	201,710
2004 Park Bond	44	-	-	44
EDIT Bond	370,753	511,826	614,492	268,087
Construction Site	282,530	-	272,355	10,175
Withholding Fund	157,754	3,838,393	3,833,852	162,295
Wastewater Operating	176,822	4,900,240	4,997,345	79,717
Wastewater Revenue Fund	950,198	9,825,286	10,443,867	331,617
Wastewater and Stormwater Debt Service Reserve	1,909,683	3,128	-	1,912,811
Payroll	-	1,712,048	1,666,475	45,573
Medical Benefit	22,740	1,250,832	1,248,604	24,968
Capital Improvement	452,507	800,559	1,249,038	4,028
Wastewater and Stormwater Bond and Interest Fund 607	195,251	768,172	949,434	13,989
Lift Station	987,633	1,044	581,510	407,167
Wastewater and Stormwater Bond and Interest Fund 616	-	526,283	-	526,283
Petty Cash	800	-	-	800
Stormwater Operating	271,482	2,007,546	1,777,474	501,554
Stormwater Construction	12,983,696	18,311	5,463,055	7,538,952
Totals	<u>\$ 40,944,290</u>	<u>\$ 81,622,250</u>	<u>\$ 91,877,202</u>	<u>\$ 30,689,338</u>

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

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

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

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

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, recycling fees, dog pound fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENT
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

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

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

C. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Plan Description

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

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

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

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

Funding Policy

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

Note 7. Subsequent Event

On March 30, 2012, the City received a grant from the Department of Homeland Security in the amount of \$720,563. This grant is for the purchase of emergency hand held radios for the Fire Department. This grant will be shared with the fire departments in the Town of Chesterton, Liberty Township, Town of Beverly Shores, Town of Porter, and the Town of Westville. The City's matching share of this grant, which is \$185,000, will be paid by the County Commissioners.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General Fund	MVH-Street Fund	Local Road And Street Fund	Park Non-Reverting Operating	Employee Medical Benefit Plan	Economic Development	New Police Continuing Education
Cash and investments - beginning	\$ 271,221	\$ 26,335	\$ 129,516	\$ 159,999	\$ 37,173	\$ 825	\$ 55,788
Receipts:							
Taxes	8,494,650	1,017,767	-	-	1,883,280	-	-
Licenses and permits	218,878	2,350	-	-	-	-	15,730
Intergovernmental	1,088,392	1,017,879	345,830	-	176,181	-	-
Charges for services	2,845,230	7,354	-	531,170	-	250	9,586
Fines and forfeits	39,389	-	-	-	-	-	18,047
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>8,510,319</u>	<u>842,559</u>	<u>400,000</u>	<u>75,000</u>	<u>4,579,458</u>	<u>-</u>	<u>251</u>
Total receipts	<u>21,196,858</u>	<u>2,887,909</u>	<u>745,830</u>	<u>606,170</u>	<u>6,638,919</u>	<u>250</u>	<u>43,614</u>
Disbursements:							
Personal services	11,076,201	1,734,497	-	-	-	-	-
Supplies	741,801	160,713	269,531	-	-	-	-
Other services and charges	1,391,583	113,370	59,447	533,866	2,989,127	-	23,415
Debt service - principal and interest	4,295,382	385,032	-	-	1,411,061	-	-
Capital outlay	11,295	764	-	-	-	-	23,740
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>3,698,636</u>	<u>350,000</u>	<u>400,000</u>	<u>75,000</u>	<u>2,160,000</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>21,214,898</u>	<u>2,744,376</u>	<u>728,978</u>	<u>608,866</u>	<u>6,560,188</u>	<u>-</u>	<u>47,155</u>
Excess (deficiency) of receipts over disbursements	<u>(18,040)</u>	<u>143,533</u>	<u>16,852</u>	<u>(2,696)</u>	<u>78,731</u>	<u>250</u>	<u>(3,541)</u>
Cash and investments - ending	<u>\$ 253,181</u>	<u>\$ 169,868</u>	<u>\$ 146,368</u>	<u>\$ 157,303</u>	<u>\$ 115,904</u>	<u>\$ 1,075</u>	<u>\$ 52,247</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Unsafe Building	Park And Recreation Fund	Cable TV Franchise Fund	Rainy Day	Economic Development Income Tax	Emergency Response	Levy Excess Fund
Cash and investments - beginning	\$ 51,893	\$ 58,224	\$ 103,384	\$ 53,922	\$ 215,200	\$ 466	\$ 47,064
Receipts:							
Taxes	-	1,078,936	-	-	-	-	-
Licenses and permits	-	-	401,597	-	-	-	-
Intergovernmental	-	99,960	-	-	1,969,219	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	7,650	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	617,278	141,000	-	725,651	-	47,000
Total receipts	<u>7,650</u>	<u>1,796,174</u>	<u>542,597</u>	<u>-</u>	<u>2,694,870</u>	<u>-</u>	<u>47,000</u>
Disbursements:							
Personal services	-	791,935	170,321	-	-	-	-
Supplies	-	72,377	1,022	210	213,746	-	-
Other services and charges	13,791	214,606	284,338	53,712	1,819,328	-	-
Debt service - principal and interest	-	542,255	-	-	4,062	-	-
Capital outlay	-	3,867	20,585	-	165,389	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	135,303	141,000	-	650,000	-	47,000
Total disbursements	<u>13,791</u>	<u>1,760,343</u>	<u>617,266</u>	<u>53,922</u>	<u>2,852,525</u>	<u>-</u>	<u>47,000</u>
Excess (deficiency) of receipts over disbursements	<u>(6,141)</u>	<u>35,831</u>	<u>(74,669)</u>	<u>(53,922)</u>	<u>(157,655)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 45,752</u>	<u>\$ 94,055</u>	<u>\$ 28,715</u>	<u>\$ -</u>	<u>\$ 57,545</u>	<u>\$ 466</u>	<u>\$ 47,064</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Major Moves Construction	Cumulative Capital Development	Park Non-Reverting Capital	Sidewalk Waiver Fund	Drain Maintenance	Cumulative Capital Improvement	Cumulative Building and Capital Improvement
Cash and investments - beginning	\$ 659,234	\$ 132,306	\$ 93,422	\$ 42,510	\$ 52,408	\$ 415,319	\$ 11,020
Receipts:							
Taxes	-	275,702	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	25,792	-	-	-	96,193	-
Charges for services	-	-	97,952	6,471	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	384,403	164,883	3,063	-	-	1,375,000	-
Total receipts	<u>384,403</u>	<u>466,377</u>	<u>101,015</u>	<u>6,471</u>	<u>-</u>	<u>1,471,193</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	222,591	72,546	2,124	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	57,550	352,742	64,520	32,856	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	350,000	125,000	-	-	-	1,490,000	11,020
Total disbursements	<u>630,141</u>	<u>550,288</u>	<u>66,644</u>	<u>32,856</u>	<u>-</u>	<u>1,490,000</u>	<u>11,020</u>
Excess (deficiency) of receipts over disbursements	<u>(245,738)</u>	<u>(83,911)</u>	<u>34,371</u>	<u>(26,385)</u>	<u>-</u>	<u>(18,807)</u>	<u>(11,020)</u>
Cash and investments - ending	<u>\$ 413,496</u>	<u>\$ 48,395</u>	<u>\$ 127,793</u>	<u>\$ 16,125</u>	<u>\$ 52,408</u>	<u>\$ 396,512</u>	<u>\$ -</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	1998 Storm Water Bond	Park Non-Reverting Impact Fee	Cumulative Liability/Physical Damage Reserve	Police Pension Fund	Fire Pension Fund	Riverboat	Storm Water Maintenance
Cash and investments - beginning	\$ 5,360	\$ 67,995	\$ 52,533	\$ 88,138	\$ 130,384	\$ 1,238	\$ 26,893
Receipts:							
Taxes	-	-	710,517	98,759	94,644	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	66,469	518,750	496,370	209,619	-
Charges for services	-	6,300	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	650,610	146,000	75,000	209,000	-
Total receipts	<u>-</u>	<u>6,300</u>	<u>1,427,596</u>	<u>763,509</u>	<u>666,014</u>	<u>418,619</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	600	600	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	3,182	-	699,241	531,173	495,197	209,000	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	3,608	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	747,000	246,000	75,000	209,000	26,893
Total disbursements	<u>3,182</u>	<u>3,608</u>	<u>1,446,241</u>	<u>777,773</u>	<u>570,797</u>	<u>418,000</u>	<u>26,893</u>
Excess (deficiency) of receipts over disbursements	<u>(3,182)</u>	<u>2,692</u>	<u>(18,645)</u>	<u>(14,264)</u>	<u>95,217</u>	<u>619</u>	<u>(26,893)</u>
Cash and investments - ending	<u>\$ 2,178</u>	<u>\$ 70,687</u>	<u>\$ 33,888</u>	<u>\$ 73,874</u>	<u>\$ 225,601</u>	<u>\$ 1,857</u>	<u>\$ -</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Port Authority	Gift Fund	Grant Fund	Marina Operating Fund	Bond Redemption Fund	Storm Water Construction Bond	Recovery Bond 2010
Cash and investments - beginning	\$ 163,681	\$ 66,657	\$ 120,667	\$ 47,482	\$ 867,138	\$ 1,903	\$ 5,071,745
Receipts:							
Taxes	-	-	-	466	947,813	-	-
Licenses and permits	-	-	-	-	76,624	-	-
Intergovernmental	-	-	956,944	-	12,044	-	-
Charges for services	28,946	-	-	408,722	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	48,934	-	36,913	425,000	-	6,563
Total receipts	<u>28,946</u>	<u>48,934</u>	<u>956,944</u>	<u>446,101</u>	<u>1,461,481</u>	<u>-</u>	<u>6,563</u>
Disbursements:							
Personal services	-	-	43,753	133,376	-	-	-
Supplies	-	-	-	21,141	-	-	-
Other services and charges	49,024	65,378	515,084	155,956	148,243	-	54,545
Debt service - principal and interest	-	-	-	-	918,001	-	-
Capital outlay	-	3,361	455,732	2,443	-	-	4,851,642
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	467	425,000	-	-
Total disbursements	<u>49,024</u>	<u>68,739</u>	<u>1,014,569</u>	<u>313,383</u>	<u>1,491,244</u>	<u>-</u>	<u>4,906,187</u>
Excess (deficiency) of receipts over disbursements	<u>(20,078)</u>	<u>(19,805)</u>	<u>(57,625)</u>	<u>132,718</u>	<u>(29,763)</u>	<u>-</u>	<u>(4,899,624)</u>
Cash and investments - ending	<u>\$ 143,603</u>	<u>\$ 46,852</u>	<u>\$ 63,042</u>	<u>\$ 180,200</u>	<u>\$ 837,375</u>	<u>\$ 1,903</u>	<u>\$ 172,121</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Recovery Bond Debt Reserve	Redevelopment General	Redevelopment Allocation Area	2002 TIF Bond Series A	2002 TIF Bond Series B	Economic Improvement	2008 TIF Bond
Cash and investments - beginning	\$ 570,500	\$ 910,709	\$ 8,496,076	\$ 2,093	\$ 1,304	\$ 5,335	\$ 360,267
Receipts:							
Taxes	-	-	6,091,917	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	450,565	-	-	-	3,351	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	4,503	2,025,334	-	-	-	75,459
Total receipts	-	455,068	8,117,251	-	-	3,351	75,459
Disbursements:							
Personal services	-	19,678	37,726	-	-	-	-
Supplies	-	1,325	7	-	-	-	-
Other services and charges	-	236,816	1,586,266	-	-	2,782	22,808
Debt service - principal and interest	-	-	2,607,063	-	-	-	-
Capital outlay	-	24,839	125,000	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	2,000,000	-	-	-	75,000
Total disbursements	-	282,658	6,356,062	-	-	2,782	97,808
Excess (deficiency) of receipts over disbursements	-	172,410	1,761,189	-	-	569	(22,349)
Cash and investments - ending	\$ 570,500	\$ 1,083,119	\$ 10,257,265	\$ 2,093	\$ 1,304	\$ 5,904	\$ 337,918

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Marina Shores Bond	2006 AmeriPLEX Debt Service	2006 AmeriPLEX Bond	1993 Lease Operating/Reserve	1993 Lease Sinking Account	1993 Lease Redemption Account
Cash and investments - beginning	\$ -	\$ 1,306,886	\$ 581,379	\$ 172,746	\$ 113,703	\$ 130,668
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	144,906	99	587,077	18	207,009	15
Total receipts	<u>144,906</u>	<u>99</u>	<u>587,077</u>	<u>18</u>	<u>207,009</u>	<u>15</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	144,906	-	-	800	-	-
Debt service - principal and interest	-	-	581,379	-	193,409	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>144,906</u>	<u>-</u>	<u>581,379</u>	<u>800</u>	<u>193,409</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>99</u>	<u>5,698</u>	<u>(782)</u>	<u>13,600</u>	<u>15</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 1,306,985</u>	<u>\$ 587,077</u>	<u>\$ 171,964</u>	<u>\$ 127,303</u>	<u>\$ 130,683</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	1993 Lease Debt Service	2004 Park Bond	EDIT Bond	Construction Site	Withholding Fund	Wastewater Operating
Cash and investments - beginning	\$ 201,688	\$ 44	\$ 370,753	\$ 282,530	\$ 157,754	\$ 176,822
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>22</u>	<u>-</u>	<u>511,826</u>	<u>-</u>	<u>3,838,393</u>	<u>4,900,240</u>
Total receipts	<u>22</u>	<u>-</u>	<u>511,826</u>	<u>-</u>	<u>3,838,393</u>	<u>4,900,240</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	272,355	537	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	174,492	-	-	-
Utility operating expenses	-	-	-	-	-	4,997,345
Other disbursements	<u>-</u>	<u>-</u>	<u>440,000</u>	<u>-</u>	<u>3,833,315</u>	<u>-</u>
Total disbursements	<u>-</u>	<u>-</u>	<u>614,492</u>	<u>272,355</u>	<u>3,833,852</u>	<u>4,997,345</u>
Excess (deficiency) of receipts over disbursements	<u>22</u>	<u>-</u>	<u>(102,666)</u>	<u>(272,355)</u>	<u>4,541</u>	<u>(97,105)</u>
Cash and investments - ending	<u>\$ 201,710</u>	<u>\$ 44</u>	<u>\$ 268,087</u>	<u>\$ 10,175</u>	<u>\$ 162,295</u>	<u>\$ 79,717</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater Revenue Fund	Wastewater and Stormwater Debt Service Reserve	Payroll	Medical Benefit	Capital Improvement	Wastewater and Stormwater Bond and Interest Fund 607
Cash and investments - beginning	\$ 950,198	\$ 1,909,683	\$ -	\$ 22,740	\$ 452,507	\$ 195,251
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	9,015,631	-	-	-	-	-
Other receipts	809,655	3,128	1,712,048	1,250,832	800,559	768,172
Total receipts	9,825,286	3,128	1,712,048	1,250,832	800,559	768,172
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	947,884	-	-	-	-	949,404
Capital outlay	-	-	-	-	1,249,038	-
Utility operating expenses	510	-	-	-	-	-
Other disbursements	9,495,473	-	1,666,475	1,248,604	-	30
Total disbursements	10,443,867	-	1,666,475	1,248,604	1,249,038	949,434
Excess (deficiency) of receipts over disbursements	(618,581)	3,128	45,573	2,228	(448,479)	(181,262)
Cash and investments - ending	\$ 331,617	\$ 1,912,811	\$ 45,573	\$ 24,968	\$ 4,028	\$ 13,989

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Lift Station	Wastewater and Stormwater Bond and Interest Fund 616	Petty Cash	Stormwater Operating	Stormwater Construction	Totals
Cash and investments - beginning	\$ 987,633	\$ -	\$ 800	\$ 271,482	\$ 12,983,696	\$ 40,944,290
Receipts:						
Taxes	-	-	-	-	-	20,694,451
Licenses and permits	-	-	-	-	-	715,179
Intergovernmental	-	-	-	-	-	7,079,642
Charges for services	-	-	-	-	-	4,395,897
Fines and forfeits	-	-	-	-	-	65,086
Utility fees	-	-	-	-	-	9,015,631
Other receipts	1,044	526,283	-	2,007,546	18,311	39,656,364
Total receipts	<u>1,044</u>	<u>526,283</u>	<u>-</u>	<u>2,007,546</u>	<u>18,311</u>	<u>81,622,250</u>
Disbursements:						
Personal services	-	-	-	-	-	14,008,687
Supplies	-	-	-	-	-	1,481,873
Other services and charges	-	-	-	-	-	12,987,137
Debt service - principal and interest	-	-	-	-	-	12,834,932
Capital outlay	2,975	-	-	-	5,463,055	13,089,493
Utility operating expenses	-	-	-	1,062,039	-	6,059,894
Other disbursements	578,535	-	-	715,435	-	31,415,186
Total disbursements	<u>581,510</u>	<u>-</u>	<u>-</u>	<u>1,777,474</u>	<u>5,463,055</u>	<u>91,877,202</u>
Excess (deficiency) of receipts over disbursements	<u>(580,466)</u>	<u>526,283</u>	<u>-</u>	<u>230,072</u>	<u>(5,444,744)</u>	<u>(10,254,952)</u>
Cash and investments - ending	<u>\$ 407,167</u>	<u>\$ 526,283</u>	<u>\$ 800</u>	<u>\$ 501,554</u>	<u>\$ 7,538,952</u>	<u>\$ 30,689,338</u>

CITY OF PORTAGE
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
DSS Corporation	Police Digital Recorder	\$ 6,730	03-01-10	02-28-15
National Cooperative Leasing	3 Copy Machines	6,186	05-11-09	05-10-14
Old National Trust	Fire Dept. Equipment	<u>65,896</u>	01-10-06	01-15-13
Total of annual lease payments		<u>\$ 78,812</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Park District Bonds of 2004	\$ 1,595,000	\$ 430,363
General obligation bonds	Economic Development Lease Rental Bonds of 1993	525,000	193,210
General obligation bonds	Economic Development Revenue Bonds Series 2006	14,820,000	1,185,403
General obligation bonds	Redevelopment District Tax Increment Revenue and Refunding Bonds of 2008	7,570,000	889,256
General obligation bonds	Redevelopment District Tax Increment Revenue Bonds of 2010	5,650,000	510,669
Revenue bonds	Special Improvement District Bonds of 2005	7,160,000	586,179
Revenue bonds	Economic Development Income Tax Revenue Bonds of 2005	4,585,000	587,250
Revenue bonds	Marina Revenue Refunding Bonds of 2006 Series B	258,000	60,174
Notes and loans payable	Fire Truck and Ambulance Lease	<u>190,057</u>	<u>131,792</u>
Total governmental activities		<u>42,353,057</u>	<u>4,574,296</u>
Wastewater Utility:			
Revenue bonds	Sewage Works Revenue Bonds of 1996 Series A	6,140,000	1,160,490
Revenue bonds	Sewage Works Revenue Bonds of 2010	<u>16,480,000</u>	<u>741,298</u>
Total Wastewater Utility		<u>22,620,000</u>	<u>1,901,788</u>
Stormwater Utility:			
General obligation bonds	Storm Water Management District Bonds of 1996	1,080,000	248,710
General obligation bonds	Storm Water Management District Bonds of 1998	<u>1,840,000</u>	<u>238,535</u>
Total Stormwater Utility		<u>2,920,000</u>	<u>487,245</u>
Totals		<u>\$ 67,893,057</u>	<u>\$ 6,963,329</u>

CITY OF PORTAGE
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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.

	<u>Ending Balance</u>
Wastewater Utility:	
Land	907,261
Infrastructure	470,339
Buildings	17,904,810
Improvements other than buildings	25,162,381
Machinery, equipment and vehicles	9,787,363
Construction in progress	<u>6,962,540</u>
Total Wastewater Utility	<u><u>61,194,694</u></u>

CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The City did not establish controls to ensure bank accounts were being reconciled timely or that the reconciled cash balances agreed to the cash balances reported in the financial statements.

Bank accounts were not reconciled for the months of April 2011 through the date of this report. Upon request, a cursory bank reconciliation was performed on the December 31, 2011 bank statement balance, resulting in a cash long of \$9,048.44. The reconciling items (i.e. deposits in transit, outstanding checks, non-sufficient funds fees, etc.) included in the bank reconciliation were verified by the field examiner, but some of these items were limited to the month of December. When officials reconcile prior and subsequent periods additional reconciling items are likely to be found.

The Clerk Treasurer's personnel are currently attempting to perform bank reconciliations for January, 2012 to current. To satisfactorily identify the cause or causes of the cash long as of the December 31, 2011 reconciliation, the Clerk-Treasurer's personnel will need to perform monthly bank reconciliations starting from April 2011.

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

The City prepares its annual report electronically using a computer software conversion process designed by the company whose financial accounting software the City uses to account for their financial activities.

Due to problems with the conversion process, the City's governmental activities capital assets were omitted from the Schedule of Capital Assets. Also, the Schedule of Payables and Receivables, which is also a component of the City's Annual Report, was not completed for the City and the Water Reclamation Utility.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS - PARK DEPARTMENT

The Parks Department allows for facility rentals which can include setting up and accounting for the sale of alcohol and other beverages. Controls have not been properly established to allow for adequate accountability of the beverage sales.

The Parks Department used cash registers to account for the beverage sales at these events; however, the cash register tapes did not produce a time for each transaction. This made it impossible to determine if all transactions were entered at the time of the transaction or if they were entered after the fact. Without a time for each transaction, it is conceivable that the bartenders could use the cash in the register to "create" the register tape, instead of using the register to record each transaction as it occurred.

In 80 percent of the events tested, every transaction was entered as though the bartender was never required to dispense change on a purchase. While it is possible that all transactions were paid with exact change, it is highly unlikely that cash change would not have been dispensed at least once at an event with at least 80 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)

CAPITAL ASSET RECORDS – WATER RECLAMATION UTILITY

The Portage Water Reclamation Utility did not maintain detailed capital asset records. A schedule of capital assets was provided based upon the prior year summary schedule with additions for items purchased in 2011. A similar comment appeared in the prior audit.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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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 THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 program for the year ended December 31, 2011. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program 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 program for the year ended December 31, 2011.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, 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

May 3, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF PORTAGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011

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 Salt Creek Lenburg Road Acquisition	11.419		\$ 47,000
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Bulletproof Vest Partnership Program	16.607		3,135
Public Safety Partnership and Community Policing Grants	16.710		24,816
Pass-Through Indiana Criminal Justice Institute ARRA - Recovery Act - State Victim Compensation Formula Grant Program	16.802		621
Total for federal grantor agency			28,572
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205		385,678
Recreational Trails Program Iron Horse Trail - Phase II	20.219		28,070
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster			
State and Community Highway Safety	20.600		9,250
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		21,000
Safety Belt Performance Grants	20.609		13,586
Total for cluster			43,836
Total for federal grantor agency			457,584
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through National Fish and Wildlife Foundation National Wetland Program Development Grants and Five Star Restoration Training Grant Portage Lakefront Restoration	66.462		7,900
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Grant ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		34,292
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters) Disaster # 1795	97.036		30,649
Total federal awards expended			\$ 605,997

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 and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

Bank accounts were not reconciled for the months of April 2011 through the date of this report. Upon request, a cursory bank reconciliation was performed on the December 31, 2011 bank statement balance, resulting in a cash long of \$9,048.44. The reconciling items (i.e. deposits in transit, outstanding checks, non-sufficient funds fees, etc.) included in the bank reconciliation were verified by the field examiner, but some of these items were limited to the month of December. When officials reconcile prior and subsequent periods additional reconciling items are likely to be found.

The Clerk Treasurer's personnel are currently attempting to perform bank reconciliations for January, 2012 to current. To satisfactorily identify the cause or causes of the cash long as of the December 31, 2011 reconciliation, the Clerk-Treasurer's personnel will need to perform monthly bank reconciliations starting from April 2011.

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At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Failure to perform accurate and timely reconciliations could permit errors to occur and not be detected, which could cause inaccurate records and financial statements.

We recommended that Officials develop and implement internal controls over bank reconciliations, which would allow for errors to be detected and corrected in a timely manner, which would assist in providing reliable records and accurate financial statements.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2010-1

Original SBA Audit Report Number: B39392
Fiscal Year January 1, 2010 to December 31, 2010
Auditee Contact Person Donna Pappas
Title of Contact Person Clerk-Treasurer
Phone Number 219-762-7784

Status of Finding: The Public Works Department is now collecting wage data from all contractors for federally-funded projects on a weekly basis. The Public Works Department is analyzing that data for compliance with Davis-Bacon wage requirements.

x 
Christopher Stidman, Clerk-Treasurer

4/23/12



Christopher D. Stidham Clerk-Treasurer

Office of the Clerk-Treasurer

State Board of Accounts
302 Washington Street, Room E418
Indianapolis, Indiana 46204-2765

May 3, 2012

To Whom It May Concern:

Please accept this document as this office's corrective action plan for Finding #2011-01 - Bank Account Reconciliations.

The City of Portage Office of the Clerk-Treasurer is required to maintain computerized financial records that should agree with reconciled bank balances. To ensure this occurs in the future, we will be taking the following corrective steps.

On a monthly basis, we will reconcile our bank statements with our computerized financial records. This process will ensure our computerized financial records agree with our bank balances. We will then update our outstanding check list to track those checks not yet reconciled. If the computerized financial records do not reconcile with our bank balances we will review each transaction for the month in question to identify the error. We will then correct the error and make record of the issue.

We look forward to having this issue resolved as soon as possible. Should you have any questions about our corrective action plan, please feel free to contact me.

Respectfully,

Christopher D. Stidham
Clerk-Treasurer

CITY OF PORTAGE
EXIT CONFERENCE

The contents of this report were discussed on May 3, 2012, with Donna Pappas, former Clerk-Treasurer. The Official Response has been made a part of this report and may be found on page 43.

The contents of this report were discussed on May 3, 2012, with Christopher Stidham, Clerk-Treasurer; James Snyder, Mayor; and Sue Lynch, President of the Common Council. The Official Response has been made a part of this report and may be found on pages 44 and 45.

The contents of this report were discussed on May 3, 2012, with Sherry Smoler, Secretary/Treasurer of the Water Reclamation Utility.

The contents of this report were discussed on May 3, 2012, with Jenny Orsburn, Superintendent of the Park Department, and Stacy Baturoni, Accounting Clerk for the Park Department. The officials indicated that they would be responding to the report but no Official Response was received.

May 10, 2012

Mr. Bruce Hartman, CPA

State Examiner

State Board of Accounts

155 Indiana Ave.

Suite 305

Valparaiso, IN 46383

Mr. Hartman,

As past clerk-treasurer for the City of Portage, I must accept responsibility for the non reconciliation of the bank statements in a timely manner. A procedure has been in place for many years in Portage for the reconciliation of bank statements; but for some reason, it was not brought to my attention last year that it was not being followed.

Even though the current clerk-treasurer and his staff will be working to reconcile the bank statements for the year 2011, I have requested copies of all of the bank statements for the year 2011 and I will be reviewing them independently. I am paying the city's current rate (\$.10/page) for all of the copies that I will receive. I will notify the local SBoA office of my findings. I request that they also notify me of any findings from the Portage clerk-treasurer's office.

In my nine (9) plus years as the prior clerk-treasurer for the City of Portage, I have tried to serve with honesty and transparency. I will complete my last action for that responsibility in the same manner.

Sincerely,

Donna M. Pappas



Christopher D. Stidham Clerk-Treasurer

Office of the Clerk-Treasurer

State Examiner
State Board of Accounts
155 Indiana Avenue Suite 305
Valparaiso, Indiana 46383

May 14, 2012

Mr. Hartman,

I am writing in response to the State Board of Accounts (SBoA) audit performed for 2011. Please consider this letter as my official comments on the findings.

Finding: Bank Account Reconciliations

The SBoA audit discovered the 2011 bank statement balance was not balanced with our financial records resulting in a positive balance of \$9,048.44. As this occurred before taking office, I cannot comment on how the error occurred but I will comment on how this error will be prevented in the future.

As stated in the Corrective Action Plan included in this audit, we will reconcile our bank statements with our computerized financial records. This process will ensure our computerized financial records agree with our bank balances. We will then update our outstanding check list to track those checks not yet reconciled. If the computerized financial records do not reconcile with our bank balances we will review each transaction for the month in question to identify the error. We will then correct the error and make record of the issue. This monthly check will comply with SBoA requirements and prevent errors from compounding over several months.

Finding: Annual Report

The SBoA audit discovered the Cities and Towns Annual Report (CTAR) for 2011 omitted the following required portions: Schedule of Capital Assets and Schedule of Payables and Receivables. This was an error of this office as we had not received proper training on the State's new internet-based CTAR submission system as failed to complete all sections of the report. This office discovered the error shortly after the March 1 submission deadline and then completed the required sections, albeit too late for the SBoA audit. In the future, we will ensure each section of the required CTAR is completed prior to the March 1 deadline.

Finding: Internal Controls - Park Department

Upon a request from this office, the SBoA investigated Park Department internal controls. The request came after this office discovered in February of 2012 improper internal controls related to alcohol sales. This office issued a report of our findings and required corrections to the Park Department on February 21, 2012. Park Superintendent Orsburn's response follows:

**Portage Parks and Recreation Department
2011 State Board of Accounts AUDIT
OFFICIAL RESPONSE TO THE RESULTS
INTERNAL CONTROLS-COMMENTS**

1. The register tapes provided a date, but did not provide a time of each transaction
2. The register tapes only showed dollar amounts; it did not disclose the type of purchase. (i.e. beer wine, etc.)
3. Of the events reviewed, 80% of the register tapes did not indicate any change was remitted to the customer.

RESPONSE

1. As of January 2012, the Park Department has programmed the cash registers to properly provide date and time for all transactions.
2. The Park Department is in the process of purchasing new cash registers that will provide this function.
3. Bar staff have been informed of the correct procedures. The Park Department also follows up with a thorough review of register tapes after each bar event, with immediate action taken on any discrepancy.

Finding: Capital Asset Record - Water Reclamation Utility

The financial management of the Water Reclamation Utility is the responsibility of the Mayor's Office and the Utility Service Board and does not fall under the Office of the Clerk-Treasurer.

Respectfully,



Christopher D. Stidham
Clerk-Treasurer