

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF PORTLAND
JAY COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
07/08/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michele R. Pensinger	01-01-12 to 12-31-15
Mayor	Randy D. Geesaman	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Randy D. Geesaman	01-01-12 to 12-31-15
President of the Common Council	William E. Gibson	01-01-12 to 12-31-13
Superintendent of Water Utility	Douglas A. Jackson	01-01-12 to 12-31-13
Superintendent of Wastewater Utility	Robert L. Brelsford	01-01-12 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Portland (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 6, 2013, 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* in considering the City's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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 Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

Other Information

The City's response to the Audit Result and Comment 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.



Bruce Hartman
State Examiner

June 6, 2013



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Portland (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated June 6, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be significant deficiencies.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

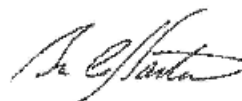
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

City of Portland's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Official Response and Corrective Action Plan. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

June 6, 2013

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FINANCIAL STATEMENT

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

CITY OF PORTLAND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 1,274,327	\$ 2,878,289	\$ 2,718,115	\$ 1,434,501
Motor Vehicle Highway	392,740	861,641	944,996	309,385
Local Road and Street	18,970	22,806	22,802	18,974
Aviation	141,918	123,088	133,883	131,123
Parking Meter	34,206	-	-	34,206
Economic Development Operating	1,100,111	362,395	304,944	1,157,562
Building Demolition	54,278	10,000	4,533	59,745
Clerk's Records Perpetuation	17,089	2,234	3,180	16,143
Court Deferral Program	672	6,924	6,864	732
Riverboat Wagering Tax Revenue	210,054	36,865	10,475	236,444
Drug Free Community	1,071	3,490	785	3,776
Parks and Recreation	198,963	240,973	244,075	195,861
User Fee	434	4,240	4,360	314
Court Pretrial Diversion	110	-	-	110
Rainy Day	274,188	-	-	274,188
Levy Excess	27,924	22,685	27,924	22,685
TIF 2007 Allocation	575,482	314,472	210,185	679,769
Cumulative Capital Improvement	192,630	16,505	67,974	141,161
Cumulative Capital Development	422,249	75,991	195,059	303,181
Cumulative Capital	573,808	122,257	-	696,065
General Improvement	50,000	-	-	50,000
Police Pension	88,622	57,807	58,334	88,095
Fire Pension	203,332	128,171	139,529	191,974
Christmas Party Donation	-	779	779	-
Airport Improvement Project 03-18-0068-08	-	352,595	352,595	-
Airport Improvement Project 03-18-0068-09	-	146,312	17,408	128,904
FEMA Radio Grant	-	845,626	845,626	-
FEMA Radio Grant Local Match	-	44,505	44,505	-
Park Bond	-	91,689	-	91,689
Cash Change and Petty Cash	1,175	-	-	1,175
Bulletproof Vest Program	1,262	-	-	1,262
Smoke Detector Donation	3,959	-	174	3,785
Recycling	30,722	98,356	112,322	16,756
Park Donation	205	-	-	205
Airport Improvement Project 03-18-0068-07	-	8,140	8,140	-
DARE Donation	19,031	3,500	3,552	18,979
TIF 2007 Debt Service Reserve	191,532	423	569	191,386

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

CITY OF PORTLAND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012
(Continued)

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Hudson Family Park Donation	12,552	-	-	12,552
TIF 2007 Bond Principal and Interest	125,653	210,130	125,088	210,695
LOIT Public Safety	252,877	169,505	20,870	401,512
Revolving Loans	31,736	31,315	41,568	21,483
Park Concessions	8,502	4,565	3,435	9,632
Mayor's Annual Golf Outing	-	12,250	12,250	-
Police Continuing Education	24,094	6,345	10,177	20,262
Trading Card	71	-	-	71
Portland Forfeiture	584	1,836	-	2,420
Fire Department Investigative	3,554	2,865	948	5,471
Sidewalk Reconstruction	27,188	-	-	27,188
Hudson Family Park	184	-	-	184
Redkey City Fines	42	335	377	-
Pre-1977 Pension Non-Reverting	185,118	-	65,569	119,549
Court Costs Due County	1,484	16,718	17,146	1,056
Insurance Surplus Non-Reverting	785,311	402,048	290,486	896,873
Portland City Court	13,900	174,138	177,723	10,315
Criminal Investigative	4,234	1,425	338	5,321
Self Insurance	632,360	1,073,253	1,308,469	397,144
Downtown Facade Program	56,999	-	6,343	50,656
Aviation Fuel	44,945	247,517	236,912	55,550
Portland Housing Authority	299	14,306	14,456	149
Local Match Boundary Pike/Wayne Street Park Project	140,688 91,659	19,057 -	58,216 91,659	101,529 -
Payroll	-	2,576,303	2,576,303	-
Wastewater Utility Debt Service Reserve	-	430,938	-	430,938
Wastewater Utility Construction	-	1,005,206	1,005,206	-
Wastewater Utility Bond and Interest	-	26,795	-	26,795
Peterson Construction Escrow	-	34,127	-	34,127
Wastewater Utility Operating	1,977,384	1,956,358	2,026,132	1,907,610
Wastewater Utility Depreciation	301,711	382,337	314,614	369,434
Steen Addition Local Match	14,865	-	14,865	-
Water Utility Operating	2,495,010	1,394,528	1,054,418	2,835,120
Water Utility Improvement	919,835	105,215	201,537	823,513
Water Utility Meter Deposits	194,945	27,975	22,407	200,513
Totals	\$ 14,448,848	\$ 17,210,148	\$ 16,181,199	\$ 15,477,797

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

CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the 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 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 PORTLAND
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, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits 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 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 PORTLAND
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 PORTLAND
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.

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 PORTLAND
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 PORTLAND
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.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 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 statement 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 PORTLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road and Street	Aviation	Parking Meter	Economic Development Operating	Building Demolition	Clerk's Records Perpetuation
Cash and investments - beginning	\$ 1,274,327	\$ 392,740	\$ 18,970	\$ 141,918	\$ 34,206	\$ 1,100,111	\$ 54,278	\$ 17,089
Receipts:								
Taxes	1,514,825	646,308	-	83,815	-	-	-	-
Licenses and permits	67,291	-	-	-	-	-	-	-
Intergovernmental	1,139,302	199,200	22,806	11,107	-	190,835	-	-
Charges for services	72,835	12,405	-	28,134	-	23,141	-	-
Fines and forfeits	30,157	-	-	-	-	-	-	2,234
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	53,879	3,728	-	32	-	148,419	10,000	-
Total receipts	<u>2,878,289</u>	<u>861,641</u>	<u>22,806</u>	<u>123,088</u>	<u>-</u>	<u>362,395</u>	<u>10,000</u>	<u>2,234</u>
Disbursements:								
Personal services	1,781,117	394,352	-	29,691	-	-	-	-
Supplies	92,412	46,182	-	-	-	-	-	-
Other services and charges	614,848	299,250	22,802	103,784	-	304,944	-	2,285
Debt service - principal and interest	97,665	-	-	-	-	-	-	-
Capital outlay	120,783	205,212	-	408	-	-	4,533	895
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	11,290	-	-	-	-	-	-	-
Total disbursements	<u>2,718,115</u>	<u>944,996</u>	<u>22,802</u>	<u>133,883</u>	<u>-</u>	<u>304,944</u>	<u>4,533</u>	<u>3,180</u>
Excess (deficiency) of receipts over (under) disbursements	<u>160,174</u>	<u>(83,355)</u>	<u>4</u>	<u>(10,795)</u>	<u>-</u>	<u>57,451</u>	<u>5,467</u>	<u>(946)</u>
Cash and investments - ending	<u>\$ 1,434,501</u>	<u>\$ 309,385</u>	<u>\$ 18,974</u>	<u>\$ 131,123</u>	<u>\$ 34,206</u>	<u>\$ 1,157,562</u>	<u>\$ 59,745</u>	<u>\$ 16,143</u>

CITY OF PORTLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Court Deferral Program	Riverboat Wagering Tax Revenue	Drug Free Community	Parks and Recreation	User Fee	Court Pretrial Diversion	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 672	\$ 210,054	\$ 1,071	\$ 198,963	\$ 434	\$ 110	\$ 274,188	\$ 27,924
Receipts:								
Taxes	-	-	-	185,969	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	36,865	-	11,441	-	-	-	22,685
Charges for services	-	-	-	33,471	-	-	-	-
Fines and forfeits	6,924	-	-	-	4,240	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	-	3,490	10,092	-	-	-	-
Total receipts	6,924	36,865	3,490	240,973	4,240	-	-	22,685
Disbursements:								
Personal services	-	-	-	59,645	-	-	-	-
Supplies	-	-	-	25,951	-	-	-	-
Other services and charges	-	475	-	48,900	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	10,000	785	108,429	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	6,864	-	-	1,150	4,360	-	-	27,924
Total disbursements	6,864	10,475	785	244,075	4,360	-	-	27,924
Excess (deficiency) of receipts over (under) disbursements	60	26,390	2,705	(3,102)	(120)	-	-	(5,239)
Cash and investments - ending	\$ 732	\$ 236,444	\$ 3,776	\$ 195,861	\$ 314	\$ 110	\$ 274,188	\$ 22,685

CITY OF PORTLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	TIF 2007 Allocation	Cumulative Capital Improvement	Cumulative Capital Development	Cumulative Capital	General Improvement	Police Pension	Fire Pension	Christmas Party Donation
Cash and investments - beginning	\$ 575,482	\$ 192,630	\$ 422,249	\$ 573,808	\$ 50,000	\$ 88,622	\$ 203,332	\$ -
Receipts:								
Taxes	313,332	-	71,587	115,172	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	16,505	4,404	7,085	-	57,623	127,766	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	1,140	-	-	-	-	184	405	779
Total receipts	<u>314,472</u>	<u>16,505</u>	<u>75,991</u>	<u>122,257</u>	<u>-</u>	<u>57,807</u>	<u>128,171</u>	<u>779</u>
Disbursements:								
Personal services	-	-	-	-	-	100	625	-
Supplies	-	-	-	-	-	-	-	79
Other services and charges	1,000	67,974	-	-	-	112	28	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	195,059	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	209,185	-	-	-	-	58,122	138,876	700
Total disbursements	<u>210,185</u>	<u>67,974</u>	<u>195,059</u>	<u>-</u>	<u>-</u>	<u>58,334</u>	<u>139,529</u>	<u>779</u>
Excess (deficiency) of receipts over (under) disbursements	<u>104,287</u>	<u>(51,469)</u>	<u>(119,068)</u>	<u>122,257</u>	<u>-</u>	<u>(527)</u>	<u>(11,358)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 679,769</u>	<u>\$ 141,161</u>	<u>\$ 303,181</u>	<u>\$ 696,065</u>	<u>\$ 50,000</u>	<u>\$ 88,095</u>	<u>\$ 191,974</u>	<u>\$ -</u>

CITY OF PORTLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Airport Improvement Project 03-18-0068-08	Airport Improvement Project 03-18-0068-09	FEMA Radio Grant	FEMA Radio Grant Local Match	Park Bond	Cash Change and Petty Cash	Bulletproof Vest Program
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,175	\$ 1,262
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	352,595	146,312	845,626	44,505	91,689	-	-
Total receipts	<u>352,595</u>	<u>146,312</u>	<u>845,626</u>	<u>44,505</u>	<u>91,689</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	44,676	17,408	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	307,919	-	845,626	44,505	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>352,595</u>	<u>17,408</u>	<u>845,626</u>	<u>44,505</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>-</u>	<u>128,904</u>	<u>-</u>	<u>-</u>	<u>91,689</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 128,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,689</u>	<u>\$ 1,175</u>	<u>\$ 1,262</u>

CITY OF PORTLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Smoke Detector Donation	Recycling	Park Donation	Airport Improvement Project 03-18-0068-07	DARE Donation	TIF 2007 Debt Service Reserve	Hudson Family Park Donation
Cash and investments - beginning	\$ 3,959	\$ 30,722	\$ 205	\$ -	\$ 19,031	\$ 191,532	\$ 12,552
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	88,006	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	10,350	-	8,140	3,500	423	-
Total receipts	<u>-</u>	<u>98,356</u>	<u>-</u>	<u>8,140</u>	<u>3,500</u>	<u>423</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	174	-	-	-	-	-	-
Other services and charges	-	111,552	-	8,140	235	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	3,317	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	770	-	-	-	569	-
Total disbursements	<u>174</u>	<u>112,322</u>	<u>-</u>	<u>8,140</u>	<u>3,552</u>	<u>569</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(174)</u>	<u>(13,966)</u>	<u>-</u>	<u>-</u>	<u>(52)</u>	<u>(146)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 3,785</u>	<u>\$ 16,756</u>	<u>\$ 205</u>	<u>\$ -</u>	<u>\$ 18,979</u>	<u>\$ 191,386</u>	<u>\$ 12,552</u>

CITY OF PORTLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	TIF 2007 Bond Principal and Interest	LOIT Public Safety	Revolving Loans	Park Concessions	Mayor's Annual Golf Outing	Police Continuing Education	Trading Card
Cash and investments - beginning	\$ 125,653	\$ 252,877	\$ 31,736	\$ 8,502	\$ -	\$ 24,094	\$ 71
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	2,721	-
Intergovernmental	-	169,505	-	-	-	-	-
Charges for services	-	-	-	4,262	-	3,624	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	210,130	-	31,315	303	12,250	-	-
Total receipts	<u>210,130</u>	<u>169,505</u>	<u>31,315</u>	<u>4,565</u>	<u>12,250</u>	<u>6,345</u>	<u>-</u>
Disbursements:							
Personal services	-	5,760	-	-	-	-	-
Supplies	-	3,647	500	3,132	-	-	-
Other services and charges	-	-	-	303	-	6,387	-
Debt service - principal and interest	125,088	-	-	-	-	-	-
Capital outlay	-	11,463	-	-	-	3,790	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	41,068	-	12,250	-	-
Total disbursements	<u>125,088</u>	<u>20,870</u>	<u>41,568</u>	<u>3,435</u>	<u>12,250</u>	<u>10,177</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>85,042</u>	<u>148,635</u>	<u>(10,253)</u>	<u>1,130</u>	<u>-</u>	<u>(3,832)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 210,695</u>	<u>\$ 401,512</u>	<u>\$ 21,483</u>	<u>\$ 9,632</u>	<u>\$ -</u>	<u>\$ 20,262</u>	<u>\$ 71</u>

CITY OF PORTLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Portland Forfeiture	Fire Department Investigative	Sidewalk Reconstruction	Hudson Family Park	Redkey City Fines	Pre-1977 Pension Non-Reverting	Court Costs Due County
Cash and investments - beginning	\$ 584	\$ 3,554	\$ 27,188	\$ 184	\$ 42	\$ 185,118	\$ 1,484
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	2,865	-	-	-	-	-
Fines and forfeits	-	-	-	-	335	-	16,718
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	1,836	-	-	-	-	-	-
Total receipts	<u>1,836</u>	<u>2,865</u>	<u>-</u>	<u>-</u>	<u>335</u>	<u>-</u>	<u>16,718</u>
Disbursements:							
Personal services	-	-	-	-	-	65,569	-
Supplies	-	834	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	114	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	377	-	17,146
Total disbursements	<u>-</u>	<u>948</u>	<u>-</u>	<u>-</u>	<u>377</u>	<u>65,569</u>	<u>17,146</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,836</u>	<u>1,917</u>	<u>-</u>	<u>-</u>	<u>(42)</u>	<u>(65,569)</u>	<u>(428)</u>
Cash and investments - ending	<u>\$ 2,420</u>	<u>\$ 5,471</u>	<u>\$ 27,188</u>	<u>\$ 184</u>	<u>\$ -</u>	<u>\$ 119,549</u>	<u>\$ 1,056</u>

CITY OF PORTLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Insurance Surplus Non-Reverting	Portland City Court	Criminal Investigative	Self Insurance	Downtown Facade Program	Aviation Fuel	Portland Housing Authority
Cash and investments - beginning	\$ 785,311	\$ 13,900	\$ 4,234	\$ 632,360	\$ 56,999	\$ 44,945	\$ 299
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	1,425	-	-	243,721	-
Fines and forfeits	-	174,138	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	402,048	-	-	1,073,253	-	3,796	14,306
Total receipts	<u>402,048</u>	<u>174,138</u>	<u>1,425</u>	<u>1,073,253</u>	<u>-</u>	<u>247,517</u>	<u>14,306</u>
Disbursements:							
Personal services	290,486	-	-	-	-	-	14,456
Supplies	-	-	-	-	-	223,847	-
Other services and charges	-	-	-	1,308,469	6,343	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	177,723	338	-	-	13,065	-
Total disbursements	<u>290,486</u>	<u>177,723</u>	<u>338</u>	<u>1,308,469</u>	<u>6,343</u>	<u>236,912</u>	<u>14,456</u>
Excess (deficiency) of receipts over (under) disbursements	<u>111,562</u>	<u>(3,585)</u>	<u>1,087</u>	<u>(235,216)</u>	<u>(6,343)</u>	<u>10,605</u>	<u>(150)</u>
Cash and investments - ending	<u>\$ 896,873</u>	<u>\$ 10,315</u>	<u>\$ 5,321</u>	<u>\$ 397,144</u>	<u>\$ 50,656</u>	<u>\$ 55,550</u>	<u>\$ 149</u>

CITY OF PORTLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Local Match Boundary Pike/Wayne Street	Park Project	Payroll	Wastewater Utility Debt Service Reserve	Wastewater Utility Construction	Wastewater Utility Bond and Interest	Peterson Construction Escrow
Cash and investments - beginning	\$ 140,688	\$ 91,659	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,005,206	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	19,057	-	2,576,303	430,938	-	26,795	34,127
Total receipts	<u>19,057</u>	<u>-</u>	<u>2,576,303</u>	<u>430,938</u>	<u>1,005,206</u>	<u>26,795</u>	<u>34,127</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	58,216	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	1,005,206	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	91,659	2,576,303	-	-	-	-
Total disbursements	<u>58,216</u>	<u>91,659</u>	<u>2,576,303</u>	<u>-</u>	<u>1,005,206</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(39,159)</u>	<u>(91,659)</u>	<u>-</u>	<u>430,938</u>	<u>-</u>	<u>26,795</u>	<u>34,127</u>
Cash and investments - ending	<u>\$ 101,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,938</u>	<u>\$ -</u>	<u>\$ 26,795</u>	<u>\$ 34,127</u>

CITY OF PORTLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Wastewater Utility Operating	Wastewater Utility Depreciation	Steen Addition Local Match	Water Utility Operating	Water Utility Improvement	Water Utility Meter Deposits	Totals
Cash and investments - beginning	\$ 1,977,384	\$ 301,711	\$ 14,865	\$ 2,495,010	\$ 919,835	\$ 194,945	\$ 14,448,848
Receipts:							
Taxes	-	-	-	-	-	-	2,931,008
Licenses and permits	-	-	-	-	-	-	70,012
Intergovernmental	-	-	-	-	-	-	3,022,335
Charges for services	-	-	-	-	-	-	513,889
Fines and forfeits	-	-	-	-	-	-	234,746
Utility fees	1,908,528	-	-	1,366,743	-	-	3,275,271
Penalties	-	-	-	11,285	-	-	11,285
Other receipts	47,830	382,337	-	16,500	105,215	27,975	7,151,602
Total receipts	<u>1,956,358</u>	<u>382,337</u>	<u>-</u>	<u>1,394,528</u>	<u>105,215</u>	<u>27,975</u>	<u>17,210,148</u>
Disbursements:							
Personal services	-	-	-	-	-	-	2,641,801
Supplies	-	-	-	-	-	-	396,758
Other services and charges	-	-	-	-	-	-	3,028,131
Debt service - principal and interest	-	-	-	-	-	-	222,753
Capital outlay	-	314,614	-	-	201,537	-	3,384,195
Utility operating expenses	1,177,512	-	-	834,623	-	-	2,012,135
Other disbursements	848,620	-	14,865	219,795	-	22,407	4,495,426
Total disbursements	<u>2,026,132</u>	<u>314,614</u>	<u>14,865</u>	<u>1,054,418</u>	<u>201,537</u>	<u>22,407</u>	<u>16,181,199</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(69,774)</u>	<u>67,723</u>	<u>(14,865)</u>	<u>340,110</u>	<u>(96,322)</u>	<u>5,568</u>	<u>1,028,949</u>
Cash and investments - ending	<u>\$ 1,907,610</u>	<u>\$ 369,434</u>	<u>\$ -</u>	<u>\$ 2,835,120</u>	<u>\$ 823,513</u>	<u>\$ 200,513</u>	<u>\$ 15,477,797</u>

CITY OF PORTLAND
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 136,747	\$ 29,381
Wastewater	1,054,128	1,039,873
Water	40,982	104,416
Totals	\$ 1,231,857	\$ 1,173,670

CITY OF PORTLAND
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Portland Park & Recreation Bonds - 2010	\$ 1,635,000	\$ 116,765
Revenue bonds	TIF Increment Revenue Bonds Series 2007A	1,290,000	79,913
Revenue bonds	TIF Increment Revenue Bonds Series 2007B	<u>485,000</u>	<u>58,063</u>
	Total governmental activities	<u>3,410,000</u>	<u>254,741</u>
Wastewater:			
Revenue bonds	Sewage Revenue Bonds Series A	944,587	-
Revenue bonds	Sewage Revenue Bonds Series B	<u>60,619</u>	<u>-</u>
	Total Wastewater	<u>1,005,206</u>	<u>-</u>
	Totals	<u>\$ 4,415,206</u>	<u>\$ 254,741</u>

CITY OF PORTLAND
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 1,157,677
Infrastructure	29,610,338
Buildings	3,477,923
Improvements other than buildings	2,698,762
Machinery, equipment, and vehicles	3,787,257
Construction in progress	1,252,718
Total governmental activities	41,984,675
Wastewater:	
Land	76,179
Buildings	6,340,754
Improvements other than buildings	6,866,085
Machinery, equipment, and vehicles	2,332,400
Construction in progress	1,005,173
Total Wastewater	16,620,591
Water:	
Land	12,340
Buildings	3,154,403
Improvements other than buildings	5,048,714
Machinery, equipment, and vehicles	1,011,165
Total Water	9,226,622
Total capital assets	\$ 67,831,888

CITY OF PORTLAND
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING -
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)***

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that the City omitted the Capitalization Grants for Clean Water State Revolving Funds from the SEFA. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

CITY OF PORTLAND
AUDIT RESULT AND COMMENT
(Continued)

OMB Circular A-133, Subpart C, section .310 (b) states:

"(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Portland's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Other Matters

The City's response is described in the accompanying Official Response. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The City's response is described in the accompanying Official Response. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman
State Examiner

June 6, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF PORTLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster Highway Planning and Construction	Indiana Department of Transportation	20.205	A249-8-320075	\$ 19,058
Total for cluster				<u>19,058</u>
Airport Improvement Program	Direct grant	20.106	3-18-0068-07 3-18-0068-08 3-18-0068-09	8,140 352,595 <u>146,312</u>
Total - Airport Improvement Program				<u>507,047</u>
Total - Department of Transportation				<u>526,105</u>
<u>Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458	WW11203801 WW11203802	358,654 <u>23,017</u>
Total - Capitalization Grants for Clean Water State Revolving Funds				<u>381,671</u>
Total - Environmental Protection Agency				<u>381,671</u>
<u>Department of Homeland Security</u>				
Assistance to Firefighters Grant	Direct grant	97.044	EMW-2011-FR-00069	<u>845,626</u>
Total - Department of Homeland Security				<u>845,626</u>
Total federal awards expended				<u>\$ 1,753,402</u>

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

CITY OF PORTLAND
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 Portland 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 PORTLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program
66.458	Capitalization Grants for Clean Water State Revolving Funds
97.044	Assistance to Firefighters Grant

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

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

During the audit of the SEFA, we noted that the City omitted the Capitalization Grants for Clean Water State Revolving Funds from the SEFA. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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

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Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



City of PORTLAND
PORTLAND, INDIANA

Randy D. Geesaman
Mayor

Michele R. Pensinger
Clerk-Treasurer

CORRECTIVE ACTION PLAN

Section II

**FINDING 2012-1 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND REPORTING – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(SEFA)**

June 6, 2013

Our plan of corrective action will be that I will be creating an excel spreadsheet with the figures that are broke out per the BNY Mellon (SRF) Program-Request for Disbursement. I will give to the deputy clerk-treasurer to double check and she will input to the annual report.

As for the lack of proper internal control, the same thing will occur. I will track the federal funds that are broke out per the BNY Mellon (SRF) Program- Request for Disbursement and provide the figures to be checked and then entered into the annual report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Michele Pensinger". The ink is dark and the signature is fluid and legible.

Michele (Mickey) Pensinger
Portland City Clerk-Treasurer

CITY OF PORTLAND
EXIT CONFERENCE

The contents of this report were discussed on June 3, 2013, with Randy D. Geesaman, Mayor, and William E. Gibson, President of the Common Council.

The contents of this report were discussed on June 6, 2013, with Michele R. Pensinger, Clerk-Treasurer. The Official Response has been made a part of this report and may be found on page 47.



City of PORTLAND
PORTLAND, INDIANA

Randy D. Geesaman
Mayor

Michele R. Pensinger
Clerk-Treasurer

Response to State Board of Accounts Audit Result and Comments

June 6, 2013

Mid-summer, 2012, the City of Portland utilized State Revolving Loan Funds (SRF) to fund our Northside Sewer Separation Project and Wastewater Treatment Plant Improvements totaling \$3,495,000. This process had never been used by the City. Umbaugh & Associates, our financial advisors, were providing guidance every step of the way. When our first State Revolving Fund direction letter from the Bank of New York Mellon, it was noted there was an Estimated Federal Share. We asked Umbaugh if this figure should be added to our annual report. We were told that since this was a bond and being repaid that we would not need to include that amount in our report. Since then, Indiana State Board of Accounts has audited our office and we have been instructed that those figures, in fact, have to be included. We contacted the Indiana Dept. of Local Government Finance/SBOA, had our 2012 annual report unlocked, and have added all the necessary codes and figures.

Ironically, our annual convention is next week and one of our classes will be on grants and SEFA. I truly believe if this office had been instructed properly on the ins and outs of SRF, this federal finding would not have occurred.

Respectfully submitted,

A handwritten signature in cursive script that reads "Michele Pensinger".

Michele (Mickey) Pensinger
Portland City Clerk-Treasurer