

**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, 2012 to December 31, 2012



**FILED**  
12/03/2013



## TABLE OF CONTENTS

| <u>Description</u>  | <u>Page</u> |
|---|-------------|
| Schedule of Officials .....   | 2           |
| Independent Auditor's Report .....  | 3-4         |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of the Financial Statement<br>Performed in Accordance With Government Auditing Standards ..... | 5-6         |
| Financial Statement:  |             |
| Statement of Receipts, Disbursements, and Cash and Investment<br>Balances – Regulatory Basis .....  | 8-9         |
| Notes to Financial Statement.....   | 10-15       |
| Supplementary Information - Unaudited:  |             |
| Combining Schedule of Receipts, Disbursements, and Cash and<br>Investment Balances – Regulatory Basis .....   | 18-32       |
| Schedule of Payables and Receivables .....  | 33          |
| Schedule of Leases and Debt .....   | 34          |
| Schedule of Capital Assets.....   | 35          |
| Audit Results and Comments:   |             |
| Bank Account Reconciliations .....  | 36          |
| Financial Transactions Not Recorded .....   | 36-37       |
| Supplemental Audit of Federal Awards:   |             |
| Independent Auditor's Report on Compliance for Each Major Federal Program and on<br>Internal Control Over Compliance.....   | 40-42       |
| Schedule of Expenditures of Federal Awards .....  | 44          |
| Note to Schedule of Expenditures of Federal Awards.....   | 45          |
| Schedule of Findings and Questioned Costs .....   | 46-53       |
| Auditee Prepared Schedule:  |             |
| Corrective Action Plan.....   | 54-57       |
| Exit Conference.....  | 58          |

### SCHEDULE OF OFFICIALS

| <u>Office</u>   | <u>Official</u>     | <u>Term</u>          |
|---|---------------------|----------------------|
| Clerk-Treasurer   | Christopher Stidham | 01-01-12 to 12-31-15 |
| Mayor   | James Snyder        | 01-01-12 to 12-31-15 |
| President of the Board of<br>Public Works and Safety      | James Snyder        | 01-01-12 to 12-31-15 |
| President of the Common Council                           | Sue Lynch           | 01-01-12 to 12-31-13 |
| President of the Utility<br>Service Board                 | James Snyder        | 01-01-12 to 12-31-13 |
| Superintendent of the Water<br>Reclamation Field Division | Robert Dixon        | 01-01-12 to 12-31-13 |
| Superintendent of the Water<br>Treatment Plant            | Donald Slawnikowski | 01-01-12 to 12-31-13 |
| Secretary/Treasurer of the<br>Water Reclamation Utility   | Sherry Smolar       | 01-01-12 to 12-31-13 |



## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statement***

We were engaged to audit the accompanying financial statement of the City of Portage (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 conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### ***Basis for Disclaimer of Opinion***

The City did not provide accurate reconciliations of the depository balance with the cash and investment balance recorded in the accounting records. The City's inability to reconcile the cash and investment balance could result in a material misstatement of the financial statement. The effect and extent of the possible misstatement is not known. The City's records do not permit the application of other auditing procedures to ascertain if the financial statement is fairly stated.

### ***Disclaimer of Opinion***

Because of the significance of the matters discussed in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on this financial statement.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Other Reporting Required by Government Auditing Standards***


In accordance with *Government Auditing Standards*, we have also issued a report dated June 12, 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. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* paragraph and because federal grant monies were not accurately and separately identified in the financial ledgers, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

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.

  
Paul D. Joyce, CPA  
State Examiner

June 12, 2013



**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](http://www.in.gov/sboa)

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 PORTAGE, PORTER COUNTY, INDIANA

We were engaged to 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, the financial statement of the City of Portage (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 12, 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. The opinion to the financial statement relative to the regulatory basis of accounting was disclaimed due to unknown material misstatements. The accounting records have not reconciled to the depository balance since April 30, 2011.

***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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 items 2012-1, 2012-2, and 2012-3 to be material weaknesses.

***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

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)


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 items 2012-1, 2012-2, and 2012-3.

***City of Portage's Response to Findings***

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was 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.

  
Paul D. Joyce, CPA  
State Examiner

June 12, 2013

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

| Fund                       | Cash and<br>Investments<br>01-01-12 | Receipts   | Disbursements | Cash and<br>Investments<br>12-31-12 |
|----------------------------|-------------------------------------|------------|---------------|-------------------------------------|
| PORT AUTHORITY             | \$ 143,603                          | \$ 34,639  | \$ 14,178     | \$ 164,064                          |
| GIFT FUND                  | 46,852                              | 59,378     | 62,612        | 43,618                              |
| GRANT FUND                 | 63,042                              | 918,825    | 923,324       | 58,543                              |
| MARINA OPERATION FUND      | 180,200                             | 386,785    | 314,979       | 252,006                             |
| DEBT SERVICE FUND          | 837,375                             | 877,496    | 918,408       | 796,463                             |
| STORM WATER CONST. BOND    | 1,903                               | -          | -             | 1,903                               |
| RECOVERY BOND 2010         | 172,121                             | 1,539      | 165,558       | 8,102                               |
| RECOVERY BOND DEBT RESERVE | 570,500                             | -          | -             | 570,500                             |
| REDEV: GENERAL             | 1,083,119                           | 1,005,992  | 2,036,765     | 52,346                              |
| REDEV: ALLOCAT AREA        | 10,257,265                          | 6,764,828  | 8,990,000     | 8,032,093                           |
| 2002 TIF BOND SERIES A     | 2,093                               | -          | -             | 2,093                               |
| 2002 TIF BOND SERIES B     | 1,304                               | -          | -             | 1,304                               |
| ECONOMIC IMPROVEMENT       | 5,904                               | 15,974     | 1,921         | 19,957                              |
| 2008 TIF BOND              | 337,918                             | 310        | 29,535        | 308,693                             |
| MARINA SHORES BOND         | -                                   | 26,773     | 26,773        | -                                   |
| 2006 AMERIPLEX DEBT SVC    | 1,306,985                           | 156        | -             | 1,307,141                           |
| 2006 AMERIPLEX BOND        | 587,077                             | 1,783,204  | 1,772,476     | 597,805                             |
| 1993 LEASE OPER/RESERVE    | 171,964                             | 5          | 171,969       | -                                   |
| 1993 LEASE SINKING ACC'T   | 127,303                             | 504,384    | 631,687       | -                                   |
| 1993 LEASE REDEMPT ACC'T   | 130,683                             | 3          | 130,686       | -                                   |
| 1993 LEASE DEBT SVC        | 201,710                             | 6          | 201,716       | -                                   |
| 1993 LEASE RENTAL BOND     | -                                   | 449,959    | 12,275        | 437,684                             |
| 2004 PARK BOND             | 44                                  | -          | -             | 44                                  |
| EDIT BOND                  | 268,087                             | 122,395    | 191,595       | 198,887                             |
| CONSTRUCTION SITE          | 10,175                              | -          | 10,175        | -                                   |
| WITHHOLDING FUND           | 162,295                             | 3,674,531  | 3,735,386     | 101,440                             |
| GENERAL FUND               | 253,181                             | 17,925,929 | 17,364,441    | 814,669                             |
| MVH-STREET FUND            | 169,868                             | 2,947,798  | 3,002,931     | 114,735                             |
| LOCAL ROAD & STREET FUND   | 146,368                             | 353,379    | 480,880       | 18,867                              |
| PARK NR OPERATING          | 157,303                             | 479,277    | 423,503       | 213,077                             |
| EMP MED BEN PLAN           | 115,904                             | 5,635,906  | 5,440,086     | 311,724                             |
| ECONOMIC DEVELOPMENT       | 1,075                               | -          | -             | 1,075                               |
| NEW POLICE CONT. EDUCT.    | 52,247                              | 52,519     | 47,907        | 56,859                              |
| UNSAFE BUILDING            | 45,752                              | 7,200      | -             | 52,952                              |
| PARK & RECREATION FUND     | 94,055                              | 1,524,545  | 1,475,315     | 143,285                             |
| CABLE TV FRANCHISE FUND    | 28,715                              | 536,216    | 440,560       | 124,371                             |
| ECONOMIC DEV INCOME TAX    | 57,545                              | 3,248,100  | 3,044,810     | 260,835                             |
| EMERGENCY RESPONSE         | 466                                 | -          | -             | 466                                 |
| LEVY EXCESS FUND           | 47,064                              | 47,000     | 47,000        | 47,064                              |
| MAJOR MOVES CONSTRUCTION   | 413,496                             | 250,000    | 288,888       | 374,608                             |
| CUM. CAPITAL DEVELOPMENT   | 48,395                              | 429,944    | 470,822       | 7,517                               |
| PARK NR CAPITAL            | 127,793                             | 54,666     | 73,315        | 109,144                             |
| SIDEWALK WAIVER FUND       | 16,125                              | 3,380      | 1,356         | 18,149                              |
| FIRE DEPT EQUIPMENT        | -                                   | 2,701      | -             | 2,701                               |
| DRAIN MAINTENANCE          | 52,408                              | -          | -             | 52,408                              |
| CUM. CAPITAL IMPROVEMENT   | 396,512                             | 694,677    | 597,000       | 494,189                             |
| 1998 STORM WATER BOND      | 2,178                               | -          | -             | 2,178                               |
| PARK NR IMPACT FEE         | 70,687                              | 17,500     | 1,940         | 86,247                              |
| CUM LIAB/PHYSICAL DAM RES  | 33,888                              | 525,956    | 549,951       | 9,893                               |

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

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

| Fund                                    | Cash and<br>Investments<br>01-01-12 | Receipts             | Disbursements        | Cash and<br>Investments<br>12-31-12 |
|---|-------------------------------------|----------------------|----------------------|-------------------------------------|
| POLICE PENSION FUND                     | 73,874                              | 799,264              | 794,862              | 78,276                              |
| FIRE PENSION FUND                       | 225,601                             | 498,591              | 493,214              | 230,978                             |
| RIVERBOAT                               | 1,857                               | 218,166              | 218,166              | 1,857                               |
| 2012 STORM WATER BOND                   | -                                   | 82,345               | 74,421               | 7,924                               |
| PAYROLL NET WAGES                       | -                                   | 8,992                | 8,992                | -                                   |
| PAYROLL WITHHOLDING FWT                 | -                                   | 273,825              | 273,825              | -                                   |
| PAYROLL WITHHOLDING FICA                | -                                   | 94,478               | 94,478               | -                                   |
| PAYROLL WITHHOLDING MEDI                | -                                   | 58,518               | 58,518               | -                                   |
| PAYROLL WITHHOLDING SWT                 | -                                   | 74,825               | 74,825               | -                                   |
| PAYROLL WITHHOLDING CWT                 | -                                   | 11,303               | 11,303               | -                                   |
| PAYROLL WITHHOLDING CIVIL PERF          | -                                   | 27,252               | 26,440               | 812                                 |
| PAYROLL WITHHOLDING POLICE/FIRE PERF    | -                                   | 57,732               | 29,822               | 27,910                              |
| PAYROLL WITHHOLDING HEALTH INS          | -                                   | 17,143               | 17,143               | -                                   |
| PAYROLL WITHHOLDING DENTAL INS          | -                                   | 6,991                | 6,991                | -                                   |
| PAYROLL WITHHOLDING FLEX PLAN           | -                                   | 7,560                | 7,560                | -                                   |
| PAYROLL WITHHOLDING LIFE INS            | -                                   | 2,147                | 1,984                | 163                                 |
| PAYROLL WITHHOLDING RFCU                | -                                   | 9,361                | 9,361                | -                                   |
| PAYROLL WITHHOLDING USCU                | -                                   | 6,435                | 6,435                | -                                   |
| PAYROLL WITHHOLDING DEF COMP VALIC      | -                                   | 50,212               | 50,212               | -                                   |
| PAYROLL WITHHOLDING DEF COMP NATIONWIDE | -                                   | 17,666               | 17,666               | -                                   |
| PAYROLL WITHHOLDING FIRE DUES           | -                                   | 4,798                | 4,798                | -                                   |
| PAYROLL WITHHOLDING FIRE PAC            | -                                   | 968                  | 968                  | -                                   |
| PAYROLL WITHHOLDING POLICE DUES         | -                                   | 1,247                | 1,247                | -                                   |
| PAYROLL WITHHOLDING LOCAL 150 ADMIN     | -                                   | 3,631                | 1,799                | 1,832                               |
| PAYROLL WITHHOLDING LOCAL 150 PAC       | -                                   | 312                  | 152                  | 160                                 |
| PAYROLL WITHHOLDING AFLAC               | -                                   | 2,727                | 2,727                | -                                   |
| PAYROLL DIRECT DEPOSIT                  | -                                   | 1,740,365            | 1,740,365            | -                                   |
| PAYROLL WITHHOLDING BANKRUPTCY          | -                                   | 14,299               | 14,299               | -                                   |
| PAYROLL WHLDG GARNISHMENT 305           | -                                   | 1,609                | 1,609                | -                                   |
| PAYROLL WITHHOLDING SUPPORT-IN          | -                                   | 18,986               | 18,986               | -                                   |
| PAYROLL WITHHOLDING SUPPORT-IL          | -                                   | 62                   | 62                   | -                                   |
| PAYROLL WHLDG GARNISHMENT 1919          | -                                   | 707                  | 707                  | -                                   |
| Wastewater Cash Operating               | 79,717                              | 5,034,181            | 5,010,286            | 103,612                             |
| Wastewater Capital Improvement          | 4,028                               | 869,792              | 727,841              | 145,979                             |
| Petty Cash                              | 800                                 | -                    | -                    | 800                                 |
| Wastewater Debt Service Reserve         | 1,912,811                           | 2,879                | -                    | 1,915,690                           |
| Payroll                                 | 45,573                              | 2,009,209            | 2,046,551            | 8,231                               |
| Medical Benefit                         | 24,968                              | 1,206,107            | 1,205,591            | 25,484                              |
| Wastewater Revenue II                   | 331,617                             | 10,686,306           | 10,768,889           | 249,034                             |
| Wastewater Bond & Interest              | 13,989                              | 4                    | 13,993               | -                                   |
| Wastewater Centier                      | 407,167                             | 270,431              | 560,000              | 117,598                             |
| Wastewater Centier Bond & Interest      | 526,283                             | 70,143               | 596,426              | -                                   |
| Wastewater Horizon Bond & Interest      | -                                   | 2,116,887            | 1,951,787            | 165,100                             |
| Stormwater Operating                    | 501,554                             | 1,327,020            | 875,873              | 952,701                             |
| Stormwater Construction                 | 7,538,952                           | 76,852               | 4,482,124            | 3,133,680                           |
| Totals                                  | <u>\$ 30,689,338</u>                | <u>\$ 79,146,203</u> | <u>\$ 86,396,021</u> | <u>\$ 23,439,520</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, water, wastewater, electric, gas, storm water, 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 Indiana 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 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, 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.

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.

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

CITY OF PORTAGE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

**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 April 15, 2013, the City issued Revenue Bonds in the amount of \$1,475,000 for the purchase of public safety and municipal works equipment.

**Note 8. Other Postemployment Benefits**

The City provides to eligible retirees and their spouses health insurance at a reduced rate. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

(This page intentionally left blank.)

## 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 PORTAGE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

|  | PORT<br>AUTHORITY | GIFT<br>FUND     | GRANT<br>FUND    | MARINA<br>OPERATION<br>FUND | DEBT<br>SERVICE<br>FUND | STORM<br>WATER<br>CONST.<br>BOND | RECOVERY<br>BOND<br>2010 |
|--|-------------------|------------------|------------------|-----------------------------|-------------------------|----------------------------------|--------------------------|
| Cash and investments - beginning                   | \$ 143,603        | \$ 46,852        | \$ 63,042        | \$ 180,200                  | \$ 837,375              | \$ 1,903                         | \$ 172,121               |
| Receipts:  |                   |                  |                  |                             |                         |                                  |                          |
| Taxes  | -                 | -                | -                | 387                         | 797,223                 | -                                | -                        |
| Licenses and permits                               | -                 | -                | -                | -                           | -                       | -                                | -                        |
| Intergovernmental                                  | -                 | -                | 915,831          | -                           | 80,273                  | -                                | -                        |
| Charges for services                               | 34,639            | -                | -                | 383,154                     | -                       | -                                | -                        |
| Fines and forfeits                                 | -                 | -                | -                | -                           | -                       | -                                | -                        |
| Utility fees                                       | -                 | -                | -                | -                           | -                       | -                                | -                        |
| Other receipts                                     | -                 | 59,378           | 2,994            | 3,244                       | -                       | -                                | 1,539                    |
| Total receipts                                     | <u>34,639</u>     | <u>59,378</u>    | <u>918,825</u>   | <u>386,785</u>              | <u>877,496</u>          | <u>-</u>                         | <u>1,539</u>             |
| Disbursements:                                     |                   |                  |                  |                             |                         |                                  |                          |
| Personal services                                  | -                 | -                | 54,276           | 140,883                     | -                       | -                                | -                        |
| Supplies   | -                 | -                | -                | 22,806                      | -                       | -                                | -                        |
| Other services and charges                         | 14,178            | 59,708           | 17,071           | 84,670                      | 800                     | -                                | -                        |
| Debt service - principal and interest              | -                 | -                | -                | 60,385                      | 917,608                 | -                                | -                        |
| Capital outlay                                     | -                 | 2,904            | 851,977          | 5,842                       | -                       | -                                | 165,558                  |
| Utility operating expenses                         | -                 | -                | -                | -                           | -                       | -                                | -                        |
| Other disbursements                                | -                 | -                | -                | 393                         | -                       | -                                | -                        |
| Total disbursements                                | <u>14,178</u>     | <u>62,612</u>    | <u>923,324</u>   | <u>314,979</u>              | <u>918,408</u>          | <u>-</u>                         | <u>165,558</u>           |
| Excess (deficiency) of receipts over disbursements | <u>20,461</u>     | <u>(3,234)</u>   | <u>(4,499)</u>   | <u>71,806</u>               | <u>(40,912)</u>         | <u>-</u>                         | <u>(164,019)</u>         |
| Cash and investments - ending                      | <u>\$ 164,064</u> | <u>\$ 43,618</u> | <u>\$ 58,543</u> | <u>\$ 252,006</u>           | <u>\$ 796,463</u>       | <u>\$ 1,903</u>                  | <u>\$ 8,102</u>          |

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

|  | RECOVERY<br>BOND<br>DEBT<br>RESERVE | REDEV:<br>GENERAL | REDEV:<br>ALLOCAT<br>AREA | 2002<br>TIF<br>BOND<br>SERIES<br>A | 2002<br>TIF<br>BOND<br>SERIES<br>B | ECONOMIC<br>IMPROVEMENT | 2008<br>TIF<br>BOND |
|--|-------------------------------------|-------------------|---------------------------|------------------------------------|------------------------------------|-------------------------|---------------------|
| Cash and investments - beginning                   | \$ 570,500                          | \$ 1,083,119      | \$ 10,257,265             | \$ 2,093                           | \$ 1,304                           | \$ 5,904                | \$ 337,918          |
| Receipts:  |                                     |                   |                           |                                    |                                    |                         |                     |
| Taxes  | -                                   | -                 | 6,176,373                 | -                                  | -                                  | -                       | -                   |
| Licenses and permits                               | -                                   | -                 | -                         | -                                  | -                                  | -                       | -                   |
| Intergovernmental                                  | -                                   | -                 | -                         | -                                  | -                                  | -                       | -                   |
| Charges for services                               | -                                   | 413,950           | -                         | -                                  | -                                  | 15,974                  | -                   |
| Fines and forfeits                                 | -                                   | -                 | -                         | -                                  | -                                  | -                       | -                   |
| Utility fees                                       | -                                   | -                 | -                         | -                                  | -                                  | -                       | -                   |
| Other receipts                                     | -                                   | 592,042           | 588,455                   | -                                  | -                                  | -                       | 310                 |
| Total receipts                                     | -                                   | 1,005,992         | 6,764,828                 | -                                  | -                                  | 15,974                  | 310                 |
| Disbursements:                                     |                                     |                   |                           |                                    |                                    |                         |                     |
| Personal services                                  | -                                   | 856,446           | 40,579                    | -                                  | -                                  | -                       | -                   |
| Supplies   | -                                   | 735               | 1,861                     | -                                  | -                                  | -                       | -                   |
| Other services and charges                         | -                                   | 1,179,584         | 3,430,146                 | -                                  | -                                  | 1,921                   | 29,535              |
| Debt service - principal and interest              | -                                   | -                 | 2,519,700                 | -                                  | -                                  | -                       | -                   |
| Capital outlay                                     | -                                   | -                 | 1,955,346                 | -                                  | -                                  | -                       | -                   |
| Utility operating expenses                         | -                                   | -                 | -                         | -                                  | -                                  | -                       | -                   |
| Other disbursements                                | -                                   | -                 | 1,042,368                 | -                                  | -                                  | -                       | -                   |
| Total disbursements                                | -                                   | 2,036,765         | 8,990,000                 | -                                  | -                                  | 1,921                   | 29,535              |
| Excess (deficiency) of receipts over disbursements | -                                   | (1,030,773)       | (2,225,172)               | -                                  | -                                  | 14,053                  | (29,225)            |
| Cash and investments - ending                      | \$ 570,500                          | \$ 52,346         | \$ 8,032,093              | \$ 2,093                           | \$ 1,304                           | \$ 19,957               | \$ 308,693          |

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

|  | MARINA<br>SHORES<br>BOND | 2006<br>AMERIPLEX<br>DEBT<br>SVC | 2006<br>AMERIPLEX<br>BOND | 1993<br>LEASE<br>OPER/RESERVE | 1993<br>LEASE<br>SINKING<br>ACC'T | 1993<br>LEASE<br>REDEMPT<br>ACC'T | 1993<br>LEASE<br>DEBT<br>SVC |
|--|--------------------------|----------------------------------|---------------------------|-------------------------------|-----------------------------------|-----------------------------------|------------------------------|
| Cash and investments - beginning                   | \$ -                     | \$ 1,306,985                     | \$ 587,077                | \$ 171,964                    | \$ 127,303                        | \$ 130,683                        | \$ 201,710                   |
| Receipts:  |                          |                                  |                           |                               |                                   |                                   |                              |
| Taxes  | -                        | -                                | -                         | -                             | -                                 | -                                 | -                            |
| Licenses and permits                               | -                        | -                                | -                         | -                             | -                                 | -                                 | -                            |
| Intergovernmental                                  | -                        | -                                | -                         | -                             | -                                 | -                                 | -                            |
| Charges for services                               | -                        | -                                | -                         | -                             | -                                 | -                                 | -                            |
| Fines and forfeits                                 | -                        | -                                | -                         | -                             | -                                 | -                                 | -                            |
| Utility fees                                       | -                        | -                                | -                         | -                             | -                                 | -                                 | -                            |
| Other receipts                                     | 26,773                   | 156                              | 1,783,204                 | 5                             | 504,384                           | 3                                 | 6                            |
| Total receipts                                     | 26,773                   | 156                              | 1,783,204                 | 5                             | 504,384                           | 3                                 | 6                            |
| Disbursements:                                     |                          |                                  |                           |                               |                                   |                                   |                              |
| Personal services                                  | -                        | -                                | -                         | -                             | -                                 | -                                 | -                            |
| Supplies   | -                        | -                                | -                         | -                             | -                                 | -                                 | -                            |
| Other services and charges                         | 26,773                   | -                                | -                         | -                             | -                                 | -                                 | -                            |
| Debt service - principal and interest              | -                        | -                                | 1,772,476                 | -                             | 181,729                           | -                                 | -                            |
| Capital outlay                                     | -                        | -                                | -                         | -                             | -                                 | -                                 | -                            |
| Utility operating expenses                         | -                        | -                                | -                         | -                             | -                                 | -                                 | -                            |
| Other disbursements                                | -                        | -                                | -                         | 171,969                       | 449,958                           | 130,686                           | 201,716                      |
| Total disbursements                                | 26,773                   | -                                | 1,772,476                 | 171,969                       | 631,687                           | 130,686                           | 201,716                      |
| Excess (deficiency) of receipts over disbursements | -                        | 156                              | 10,728                    | (171,964)                     | (127,303)                         | (130,683)                         | (201,710)                    |
| Cash and investments - ending                      | \$ -                     | \$ 1,307,141                     | \$ 597,805                | \$ -                          | \$ -                              | \$ -                              | \$ -                         |

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

|  | 1993<br>LEASE<br>RENTAL<br>BOND | 2004<br>PARK<br>BOND | EDIT<br>BOND      | CONSTRUCTION<br>SITE | WITHHOLDING<br>FUND | GENERAL<br>FUND   | MVH-STREET<br>FUND |
|--|---------------------------------|----------------------|-------------------|----------------------|---------------------|-------------------|--------------------|
| Cash and investments - beginning                   | \$ -                            | \$ 44                | \$ 268,087        | \$ 10,175            | \$ 162,295          | \$ 253,181        | \$ 169,868         |
| Receipts:  |                                 |                      |                   |                      |                     |                   |                    |
| Taxes  | -                               | -                    | -                 | -                    | -                   | 8,761,333         | 957,201            |
| Licenses and permits                               | -                               | -                    | -                 | -                    | -                   | 274,062           | 2,935              |
| Intergovernmental                                  | -                               | -                    | -                 | -                    | -                   | 1,542,340         | 1,053,918          |
| Charges for services                               | -                               | -                    | -                 | -                    | -                   | 2,759,162         | 4,185              |
| Fines and forfeits                                 | -                               | -                    | -                 | -                    | -                   | 8,847             | -                  |
| Utility fees                                       | -                               | -                    | -                 | -                    | -                   | -                 | -                  |
| Other receipts                                     | <u>449,959</u>                  | <u>-</u>             | <u>122,395</u>    | <u>-</u>             | <u>3,674,531</u>    | <u>4,580,185</u>  | <u>929,559</u>     |
| Total receipts                                     | <u>449,959</u>                  | <u>-</u>             | <u>122,395</u>    | <u>-</u>             | <u>3,674,531</u>    | <u>17,925,929</u> | <u>2,947,798</u>   |
| Disbursements:                                     |                                 |                      |                   |                      |                     |                   |                    |
| Personal services                                  | -                               | -                    | -                 | -                    | -                   | 10,951,359        | 2,036,001          |
| Supplies   | -                               | -                    | -                 | -                    | -                   | 627,622           | 287,638            |
| Other services and charges                         | 800                             | -                    | -                 | 10,175               | -                   | 1,380,021         | 107,632            |
| Debt service - principal and interest              | 11,475                          | -                    | -                 | -                    | -                   | 3,350,975         | 571,660            |
| Capital outlay                                     | -                               | -                    | 91,595            | -                    | -                   | 28,966            | -                  |
| Utility operating expenses                         | -                               | -                    | -                 | -                    | -                   | -                 | -                  |
| Other disbursements                                | <u>-</u>                        | <u>-</u>             | <u>100,000</u>    | <u>-</u>             | <u>3,735,386</u>    | <u>1,025,498</u>  | <u>-</u>           |
| Total disbursements                                | <u>12,275</u>                   | <u>-</u>             | <u>191,595</u>    | <u>10,175</u>        | <u>3,735,386</u>    | <u>17,364,441</u> | <u>3,002,931</u>   |
| Excess (deficiency) of receipts over disbursements | <u>437,684</u>                  | <u>-</u>             | <u>(69,200)</u>   | <u>(10,175)</u>      | <u>(60,855)</u>     | <u>561,488</u>    | <u>(55,133)</u>    |
| Cash and investments - ending                      | <u>\$ 437,684</u>               | <u>\$ 44</u>         | <u>\$ 198,887</u> | <u>\$ -</u>          | <u>\$ 101,440</u>   | <u>\$ 814,669</u> | <u>\$ 114,735</u>  |

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

|  | LOCAL<br>ROAD<br>&<br>STREET<br>FUND | PARK<br>NR<br>OPERATING | EMP<br>MED<br>BEN<br>PLAN | ECONOMIC<br>DEVELOPMENT | NEW<br>POLICE<br>CONT.<br>EDUCT. | UNSAFE<br>BUILDING | PARK<br>&<br>RECREATION<br>FUND |
|--|--------------------------------------|-------------------------|---------------------------|-------------------------|----------------------------------|--------------------|---------------------------------|
| Cash and investments - beginning                   | \$ 146,368                           | \$ 157,303              | \$ 115,904                | \$ 1,075                | \$ 52,247                        | \$ 45,752          | \$ 94,055                       |
| Receipts:  |                                      |                         |                           |                         |                                  |                    |                                 |
| Taxes  | -                                    | -                       | 2,182,365                 | -                       | -                                | -                  | 974,218                         |
| Licenses and permits                               | -                                    | -                       | -                         | -                       | 21,850                           | -                  | -                               |
| Intergovernmental                                  | 353,379                              | -                       | 219,745                   | -                       | -                                | -                  | 97,187                          |
| Charges for services                               | -                                    | 479,261                 | -                         | -                       | 9,480                            | -                  | -                               |
| Fines and forfeits                                 | -                                    | -                       | -                         | -                       | 13,170                           | 7,200              | -                               |
| Utility fees                                       | -                                    | -                       | -                         | -                       | -                                | -                  | -                               |
| Other receipts                                     | -                                    | 16                      | 3,233,796                 | -                       | 8,019                            | -                  | 453,140                         |
| Total receipts                                     | <u>353,379</u>                       | <u>479,277</u>          | <u>5,635,906</u>          | <u>-</u>                | <u>52,519</u>                    | <u>7,200</u>       | <u>1,524,545</u>                |
| Disbursements:                                     |                                      |                         |                           |                         |                                  |                    |                                 |
| Personal services                                  | -                                    | 193,197                 | -                         | -                       | -                                | -                  | 741,947                         |
| Supplies   | 229,914                              | 91,882                  | -                         | -                       | -                                | -                  | 69,338                          |
| Other services and charges                         | 100,966                              | 120,371                 | 3,235,000                 | -                       | 7,906                            | -                  | 200,472                         |
| Debt service - principal and interest              | -                                    | -                       | 1,356,086                 | -                       | -                                | -                  | 454,446                         |
| Capital outlay                                     | -                                    | 18,053                  | -                         | -                       | 40,001                           | -                  | -                               |
| Utility operating expenses                         | -                                    | -                       | -                         | -                       | -                                | -                  | -                               |
| Other disbursements                                | 150,000                              | -                       | 849,000                   | -                       | -                                | -                  | 9,112                           |
| Total disbursements                                | <u>480,880</u>                       | <u>423,503</u>          | <u>5,440,086</u>          | <u>-</u>                | <u>47,907</u>                    | <u>-</u>           | <u>1,475,315</u>                |
| Excess (deficiency) of receipts over disbursements | <u>(127,501)</u>                     | <u>55,774</u>           | <u>195,820</u>            | <u>-</u>                | <u>4,612</u>                     | <u>7,200</u>       | <u>49,230</u>                   |
| Cash and investments - ending                      | <u>\$ 18,867</u>                     | <u>\$ 213,077</u>       | <u>\$ 311,724</u>         | <u>\$ 1,075</u>         | <u>\$ 56,859</u>                 | <u>\$ 52,952</u>   | <u>\$ 143,285</u>               |

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

|  | CABLE<br>TV<br>FRANCHISE<br>FUND | ECONOMIC<br>DEV<br>INCOME<br>TAX | EMERGENCY<br>RESPONSE | LEVY<br>EXCESS<br>FUND | MAJOR<br>MOVES<br>CONSTRUCTION | CUM.<br>CAPITAL<br>DEVELOPMENT |
|--|----------------------------------|----------------------------------|-----------------------|------------------------|--------------------------------|--------------------------------|
| Cash and investments - beginning                   | \$ 28,715                        | \$ 57,545                        | \$ 466                | \$ 47,064              | \$ 413,496                     | \$ 48,395                      |
| Receipts:  |                                  |                                  |                       |                        |                                |                                |
| Taxes  | -                                | -                                | -                     | -                      | -                              | 267,963                        |
| Licenses and permits                               | 436,216                          | -                                | -                     | -                      | -                              | -                              |
| Intergovernmental                                  | -                                | 2,621,672                        | -                     | -                      | -                              | 26,981                         |
| Charges for services                               | -                                | -                                | -                     | -                      | -                              | -                              |
| Fines and forfeits                                 | -                                | -                                | -                     | -                      | -                              | -                              |
| Utility fees                                       | -                                | -                                | -                     | -                      | -                              | -                              |
| Other receipts                                     | 100,000                          | 626,428                          | -                     | 47,000                 | 250,000                        | 135,000                        |
| Total receipts                                     | <u>536,216</u>                   | <u>3,248,100</u>                 | <u>-</u>              | <u>47,000</u>          | <u>250,000</u>                 | <u>429,944</u>                 |
| Disbursements:                                     |                                  |                                  |                       |                        |                                |                                |
| Personal services                                  | -                                | 150,517                          | -                     | -                      | -                              | -                              |
| Supplies   | -                                | 277,847                          | -                     | -                      | -                              | 9,217                          |
| Other services and charges                         | 340,560                          | 1,956,714                        | -                     | -                      | 13,888                         | 5,819                          |
| Debt service - principal and interest              | -                                | -                                | -                     | -                      | -                              | -                              |
| Capital outlay                                     | -                                | 53,885                           | -                     | -                      | 25,000                         | 320,786                        |
| Utility operating expenses                         | -                                | -                                | -                     | -                      | -                              | -                              |
| Other disbursements                                | 100,000                          | 605,847                          | -                     | 47,000                 | 250,000                        | 135,000                        |
| Total disbursements                                | <u>440,560</u>                   | <u>3,044,810</u>                 | <u>-</u>              | <u>47,000</u>          | <u>288,888</u>                 | <u>470,822</u>                 |
| Excess (deficiency) of receipts over disbursements | <u>95,656</u>                    | <u>203,290</u>                   | <u>-</u>              | <u>-</u>               | <u>(38,888)</u>                | <u>(40,878)</u>                |
| Cash and investments - ending                      | <u>\$ 124,371</u>                | <u>\$ 260,835</u>                | <u>\$ 466</u>         | <u>\$ 47,064</u>       | <u>\$ 374,608</u>              | <u>\$ 7,517</u>                |

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

|  | PARK<br>NR<br>CAPITAL | SIDEWALK<br>WAIVER<br>FUND | FIRE<br>DEPT<br>EQUIPMENT | DRAIN<br>MAINTENANCE | CUM.<br>CAPITAL<br>IMPROVEMENT | 1998<br>STORM<br>WATER<br>BOND |
|--|-----------------------|----------------------------|---------------------------|----------------------|--------------------------------|--------------------------------|
| Cash and investments - beginning                   | \$ 127,793            | \$ 16,125                  | \$ -                      | \$ 52,408            | \$ 396,512                     | \$ 2,178                       |
| Receipts:  |                       |                            |                           |                      |                                |                                |
| Taxes  | -                     | -                          | -                         | -                    | -                              | -                              |
| Licenses and permits                               | -                     | -                          | -                         | -                    | -                              | -                              |
| Intergovernmental                                  | -                     | -                          | -                         | -                    | 97,677                         | -                              |
| Charges for services                               | 54,666                | 3,380                      | 2,701                     | -                    | -                              | -                              |
| Fines and forfeits                                 | -                     | -                          | -                         | -                    | -                              | -                              |
| Utility fees                                       | -                     | -                          | -                         | -                    | -                              | -                              |
| Other receipts                                     | -                     | -                          | -                         | -                    | 597,000                        | -                              |
| Total receipts                                     | <u>54,666</u>         | <u>3,380</u>               | <u>2,701</u>              | <u>-</u>             | <u>694,677</u>                 | <u>-</u>                       |
| Disbursements:                                     |                       |                            |                           |                      |                                |                                |
| Personal services                                  | -                     | -                          | -                         | -                    | -                              | -                              |
| Supplies   | -                     | -                          | -                         | -                    | -                              | -                              |
| Other services and charges                         | 18,737                | -                          | -                         | -                    | -                              | -                              |
| Debt service - principal and interest              | -                     | -                          | -                         | -                    | -                              | -                              |
| Capital outlay                                     | 54,578                | 1,356                      | -                         | -                    | -                              | -                              |
| Utility operating expenses                         | -                     | -                          | -                         | -                    | -                              | -                              |
| Other disbursements                                | -                     | -                          | -                         | -                    | 597,000                        | -                              |
| Total disbursements                                | <u>73,315</u>         | <u>1,356</u>               | <u>-</u>                  | <u>-</u>             | <u>597,000</u>                 | <u>-</u>                       |
| Excess (deficiency) of receipts over disbursements | <u>(18,649)</u>       | <u>2,024</u>               | <u>2,701</u>              | <u>-</u>             | <u>97,677</u>                  | <u>-</u>                       |
| Cash and investments - ending                      | <u>\$ 109,144</u>     | <u>\$ 18,149</u>           | <u>\$ 2,701</u>           | <u>\$ 52,408</u>     | <u>\$ 494,189</u>              | <u>\$ 2,178</u>                |

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

|  | PARK<br>NR<br>IMPACT<br>FEE | CUM<br>LIAB/PHYSICAL<br>DAM<br>RES | POLICE<br>PENSION<br>FUND | FIRE<br>PENSION<br>FUND | RIVERBOAT       | 2012<br>STORM<br>WATER<br>BOND |
|--|-----------------------------|------------------------------------|---------------------------|-------------------------|-----------------|--------------------------------|
| Cash and investments - beginning                   | \$ 70,687                   | \$ 33,888                          | \$ 73,874                 | \$ 225,601              | \$ 1,857        | \$ -                           |
| Receipts:  |                             |                                    |                           |                         |                 |                                |
| Taxes  | -                           | 245,299                            | 17,331                    | -                       | -               | -                              |
| Licenses and permits                               | -                           | -                                  | -                         | -                       | -               | -                              |
| Intergovernmental                                  | -                           | 24,699                             | 508,933                   | 483,591                 | 218,166         | -                              |
| Charges for services                               | 17,500                      | -                                  | -                         | -                       | -               | -                              |
| Fines and forfeits                                 | -                           | -                                  | -                         | -                       | -               | -                              |
| Utility fees                                       | -                           | -                                  | -                         | -                       | -               | -                              |
| Other receipts                                     | -                           | 255,958                            | 273,000                   | 15,000                  | -               | 82,345                         |
| Total receipts                                     | <u>17,500</u>               | <u>525,956</u>                     | <u>799,264</u>            | <u>498,591</u>          | <u>218,166</u>  | <u>82,345</u>                  |
| Disbursements:                                     |                             |                                    |                           |                         |                 |                                |
| Personal services                                  | -                           | 23,331                             | 600                       | 600                     | -               | -                              |
| Supplies   | -                           | -                                  | -                         | -                       | -               | -                              |
| Other services and charges                         | -                           | 276,620                            | 521,262                   | 477,614                 | 218,166         | 74,421                         |
| Debt service - principal and interest              | -                           | -                                  | -                         | -                       | -               | -                              |
| Capital outlay                                     | 1,940                       | -                                  | -                         | -                       | -               | -                              |
| Utility operating expenses                         | -                           | -                                  | -                         | -                       | -               | -                              |
| Other disbursements                                | -                           | 250,000                            | 273,000                   | 15,000                  | -               | -                              |
| Total disbursements                                | <u>1,940</u>                | <u>549,951</u>                     | <u>794,862</u>            | <u>493,214</u>          | <u>218,166</u>  | <u>74,421</u>                  |
| Excess (deficiency) of receipts over disbursements | <u>15,560</u>               | <u>(23,995)</u>                    | <u>4,402</u>              | <u>5,377</u>            | <u>-</u>        | <u>7,924</u>                   |
| Cash and investments - ending                      | <u>\$ 86,247</u>            | <u>\$ 9,893</u>                    | <u>\$ 78,276</u>          | <u>\$ 230,978</u>       | <u>\$ 1,857</u> | <u>\$ 7,924</u>                |

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

|  | PAYROLL<br>NET<br>WAGES | PAYROLL<br>WITHHOLDING<br>FWT | PAYROLL<br>WITHHOLDING<br>FICA | PAYROLL<br>WITHHOLDING<br>MEDI | PAYROLL<br>WITHHOLDING<br>SWT | PAYROLL<br>WITHHOLDING<br>CWT |
|--|-------------------------|-------------------------------|--------------------------------|--------------------------------|-------------------------------|-------------------------------|
| Cash and investments - beginning                   | \$ -                    | \$ -                          | \$ -                           | \$ -                           | \$ -                          | \$ -                          |
| Receipts:  |                         |                               |                                |                                |                               |                               |
| Taxes  | -                       | -                             | -                              | -                              | -                             | -                             |
| Licenses and permits                               | -                       | -                             | -                              | -                              | -                             | -                             |
| Intergovernmental                                  | -                       | -                             | -                              | -                              | -                             | -                             |
| Charges for services                               | -                       | -                             | -                              | -                              | -                             | -                             |
| Fines and forfeits                                 | -                       | -                             | -                              | -                              | -                             | -                             |
| Utility fees                                       | -                       | -                             | -                              | -                              | -                             | -                             |
| Other receipts                                     | <u>8,992</u>            | <u>273,825</u>                | <u>94,478</u>                  | <u>58,518</u>                  | <u>74,825</u>                 | <u>11,303</u>                 |
| Total receipts                                     | <u>8,992</u>            | <u>273,825</u>                | <u>94,478</u>                  | <u>58,518</u>                  | <u>74,825</u>                 | <u>11,303</u>                 |
| Disbursements:                                     |                         |                               |                                |                                |                               |                               |
| Personal services                                  | -                       | -                             | -                              | -                              | -                             | -                             |
| Supplies   | -                       | -                             | -                              | -                              | -                             | -                             |
| Other services and charges                         | -                       | -                             | -                              | -                              | -                             | -                             |
| Debt service - principal and interest              | -                       | -                             | -                              | -                              | -                             | -                             |
| Capital outlay                                     | -                       | -                             | -                              | -                              | -                             | -                             |
| Utility operating expenses                         | -                       | -                             | -                              | -                              | -                             | -                             |
| Other disbursements                                | <u>8,992</u>            | <u>273,825</u>                | <u>94,478</u>                  | <u>58,518</u>                  | <u>74,825</u>                 | <u>11,303</u>                 |
| Total disbursements                                | <u>8,992</u>            | <u>273,825</u>                | <u>94,478</u>                  | <u>58,518</u>                  | <u>74,825</u>                 | <u>11,303</u>                 |
| Excess (deficiency) of receipts over disbursements | <u>-</u>                | <u>-</u>                      | <u>-</u>                       | <u>-</u>                       | <u>-</u>                      | <u>-</u>                      |
| Cash and investments - ending                      | <u>\$ -</u>             | <u>\$ -</u>                   | <u>\$ -</u>                    | <u>\$ -</u>                    | <u>\$ -</u>                   | <u>\$ -</u>                   |

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

|  | PAYROLL<br>WITHHOLDING<br>CIVIL<br>PERF | PAYROLL<br>WITHHOLDING<br>POLICE/FIRE<br>PERF | PAYROLL<br>WITHHOLDING<br>HEALTH<br>INS | PAYROLL<br>WITHHOLDING<br>DENTAL<br>INS | PAYROLL<br>WITHHOLDING<br>FLEX<br>PLAN | PAYROLL<br>WITHHOLDING<br>LIFE<br>INS |
|--|---|---|---|---|--|---------------------------------------|
| Cash and investments - beginning                   | \$ -                                    | \$ -  | \$ -                                    | \$ -                                    | \$ -                                   | \$ -                                  |
| Receipts:  |   |   |   |   |  |                                       |
| Taxes  | -                                       | -   | -                                       | -                                       | -                                      | -                                     |
| Licenses and permits                               | -                                       | -   | -                                       | -                                       | -                                      | -                                     |
| Intergovernmental                                  | -                                       | -   | -                                       | -                                       | -                                      | -                                     |
| Charges for services                               | -                                       | -   | -                                       | -                                       | -                                      | -                                     |
| Fines and forfeits                                 | -                                       | -   | -                                       | -                                       | -                                      | -                                     |
| Utility fees                                       | -                                       | -   | -                                       | -                                       | -                                      | -                                     |
| Other receipts                                     | 27,252                                  | 57,732  | 17,143                                  | 6,991                                   | 7,560                                  | 2,147                                 |
| Total receipts                                     | 27,252                                  | 57,732  | 17,143                                  | 6,991                                   | 7,560                                  | 2,147                                 |
| Disbursements:                                     |   |   |   |   |  |                                       |
| Personal services                                  | -                                       | -   | -                                       | -                                       | -                                      | -                                     |
| Supplies   | -                                       | -   | -                                       | -                                       | -                                      | -                                     |
| Other services and charges                         | -                                       | -   | -                                       | -                                       | -                                      | -                                     |
| Debt service - principal and interest              | -                                       | -   | -                                       | -                                       | -                                      | -                                     |
| Capital outlay                                     | -                                       | -   | -                                       | -                                       | -                                      | -                                     |
| Utility operating expenses                         | -                                       | -   | -                                       | -                                       | -                                      | -                                     |
| Other disbursements                                | 26,440                                  | 29,822  | 17,143                                  | 6,991                                   | 7,560                                  | 1,984                                 |
| Total disbursements                                | 26,440                                  | 29,822  | 17,143                                  | 6,991                                   | 7,560                                  | 1,984                                 |
| Excess (deficiency) of receipts over disbursements | 812                                     | 27,910  | -                                       | -                                       | -                                      | 163                                   |
| Cash and investments - ending                      | \$ 812                                  | \$ 27,910                                     | \$ -                                    | \$ -                                    | \$ -                                   | \$ 163                                |

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

|  | PAYROLL<br>WITHHOLDING<br>RFCU | PAYROLL<br>WITHHOLDING<br>USCU | PAYROLL<br>WITHHOLDING<br>DEF<br>COMP<br>VALIC | PAYROLL<br>WITHHOLDING<br>DEF<br>COMP<br>NATIONWIDE | PAYROLL<br>WITHHOLDING<br>FIRE<br>DUES | PAYROLL<br>WITHHOLDING<br>FIRE<br>PAC |
|--|--------------------------------|--------------------------------|--|---|--|---------------------------------------|
| Cash and investments - beginning                   | \$ -                           | \$ -                           | \$ -   | \$ -  | \$ -                                   | \$ -                                  |
| Receipts:  |                                |                                |  |   |  |                                       |
| Taxes  | -                              | -                              | -  | -   | -                                      | -                                     |
| Licenses and permits                               | -                              | -                              | -  | -   | -                                      | -                                     |
| Intergovernmental                                  | -                              | -                              | -  | -   | -                                      | -                                     |
| Charges for services                               | -                              | -                              | -  | -   | -                                      | -                                     |
| Fines and forfeits                                 | -                              | -                              | -  | -   | -                                      | -                                     |
| Utility fees                                       | -                              | -                              | -  | -   | -                                      | -                                     |
| Other receipts                                     | 9,361                          | 6,435                          | 50,212   | 17,666  | 4,798                                  | 968                                   |
| Total receipts                                     | <u>9,361</u>                   | <u>6,435</u>                   | <u>50,212</u>                                  | <u>17,666</u>                                       | <u>4,798</u>                           | <u>968</u>                            |
| Disbursements:                                     |                                |                                |  |   |  |                                       |
| Personal services                                  | -                              | -                              | -  | -   | -                                      | -                                     |
| Supplies   | -                              | -                              | -  | -   | -                                      | -                                     |
| Other services and charges                         | -                              | -                              | -  | -   | -                                      | -                                     |
| Debt service - principal and interest              | -                              | -                              | -  | -   | -                                      | -                                     |
| Capital outlay                                     | -                              | -                              | -  | -   | -                                      | -                                     |
| Utility operating expenses                         | -                              | -                              | -  | -   | -                                      | -                                     |
| Other disbursements                                | 9,361                          | 6,435                          | 50,212   | 17,666  | 4,798                                  | 968                                   |
| Total disbursements                                | <u>9,361</u>                   | <u>6,435</u>                   | <u>50,212</u>                                  | <u>17,666</u>                                       | <u>4,798</u>                           | <u>968</u>                            |
| Excess (deficiency) of receipts over disbursements | <u>-</u>                       | <u>-</u>                       | <u>-</u>                                       | <u>-</u>  | <u>-</u>                               | <u>-</u>                              |
| Cash and investments - ending                      | <u>\$ -</u>                    | <u>\$ -</u>                    | <u>\$ -</u>                                    | <u>\$ -</u>   | <u>\$ -</u>                            | <u>\$ -</u>                           |

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

|  | PAYROLL<br>WITHHOLDING<br>POLICE<br>DUES | PAYROLL<br>WITHHOLDING<br>LOCAL<br>150<br>ADMIN | PAYROLL<br>WITHHOLDING<br>LOCAL<br>150<br>PAC | PAYROLL<br>WITHHOLDING<br>AFLAC | PAYROLL<br>DIRECT<br>DEPOSIT | PAYROLL<br>WITHHOLDING<br>BANKRUPTCY |
|--|--|---|---|---------------------------------|------------------------------|--------------------------------------|
| Cash and investments - beginning                   | \$ -                                     | \$ -  | \$ -  | \$ -                            | \$ -                         | \$ -                                 |
| Receipts:  |  |   |   |                                 |                              |                                      |
| Taxes  | -  | -   | -   | -                               | -                            | -                                    |
| Licenses and permits                               | -  | -   | -   | -                               | -                            | -                                    |
| Intergovernmental                                  | -  | -   | -   | -                               | -                            | -                                    |
| Charges for services                               | -  | -   | -   | -                               | -                            | -                                    |
| Fines and forfeits                                 | -  | -   | -   | -                               | -                            | -                                    |
| Utility fees                                       | -  | -   | -   | -                               | -                            | -                                    |
| Other receipts                                     | 1,247                                    | 3,631   | 312   | 2,727                           | 1,740,365                    | 14,299                               |
| Total receipts                                     | <u>1,247</u>                             | <u>3,631</u>                                    | <u>312</u>                                    | <u>2,727</u>                    | <u>1,740,365</u>             | <u>14,299</u>                        |
| Disbursements:                                     |  |   |   |                                 |                              |                                      |
| Personal services                                  | -  | -   | -   | -                               | -                            | -                                    |
| Supplies   | -  | -   | -   | -                               | -                            | -                                    |
| Other services and charges                         | -  | -   | -   | -                               | -                            | -                                    |
| Debt service - principal and interest              | -  | -   | -   | -                               | -                            | -                                    |
| Capital outlay                                     | -  | -   | -   | -                               | -                            | -                                    |
| Utility operating expenses                         | -  | -   | -   | -                               | -                            | -                                    |
| Other disbursements                                | 1,247                                    | 1,799   | 152   | 2,727                           | 1,740,365                    | 14,299                               |
| Total disbursements                                | <u>1,247</u>                             | <u>1,799</u>                                    | <u>152</u>                                    | <u>2,727</u>                    | <u>1,740,365</u>             | <u>14,299</u>                        |
| Excess (deficiency) of receipts over disbursements | -  | 1,832   | 160   | -                               | -                            | -                                    |
| Cash and investments - ending                      | <u>\$ -</u>                              | <u>\$ 1,832</u>                                 | <u>\$ 160</u>                                 | <u>\$ -</u>                     | <u>\$ -</u>                  | <u>\$ -</u>                          |

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

|  | PAYROLL<br>WHLDG<br>GARNISHMENT<br>305 | PAYROLL<br>WITHHOLDING<br>SUPPORT-IN | PAYROLL<br>WITHHOLDING<br>SUPPORT-IL | PAYROLL<br>WHLDG<br>GARNISHMENT<br>1919 | Wastewater<br>Cash<br>Operating | Wastewater<br>Capital<br>Improvement |
|--|--|--------------------------------------|--------------------------------------|---|---------------------------------|--------------------------------------|
| Cash and investments - beginning                   | \$ -                                   | \$ -                                 | \$ -                                 | \$ -                                    | \$ 79,717                       | \$ 4,028                             |
| Receipts:  |  |                                      |                                      |   |                                 |                                      |
| Taxes  | -                                      | -                                    | -                                    | -                                       | -                               | -                                    |
| Licenses and permits                               | -                                      | -                                    | -                                    | -                                       | -                               | -                                    |
| Intergovernmental                                  | -                                      | -                                    | -                                    | -                                       | -                               | -                                    |
| Charges for services                               | -                                      | -                                    | -                                    | -                                       | -                               | -                                    |
| Fines and forfeits                                 | -                                      | -                                    | -                                    | -                                       | -                               | -                                    |
| Utility fees                                       | -                                      | -                                    | -                                    | -                                       | -                               | -                                    |
| Other receipts                                     | 1,609                                  | 18,986                               | 62                                   | 707                                     | 5,034,181                       | 869,792                              |
| Total receipts                                     | 1,609                                  | 18,986                               | 62                                   | 707                                     | 5,034,181                       | 869,792                              |
| Disbursements:                                     |  |                                      |                                      |   |                                 |                                      |
| Personal services                                  | -                                      | -                                    | -                                    | -                                       | -                               | -                                    |
| Supplies   | -                                      | -                                    | -                                    | -                                       | -                               | -                                    |
| Other services and charges                         | -                                      | -                                    | -                                    | -                                       | -                               | -                                    |
| Debt service - principal and interest              | -                                      | -                                    | -                                    | -                                       | -                               | -                                    |
| Capital outlay                                     | -                                      | -                                    | -                                    | -                                       | -                               | 645,141                              |
| Utility operating expenses                         | -                                      | -                                    | -                                    | -                                       | 5,010,286                       | 82,700                               |
| Other disbursements                                | 1,609                                  | 18,986                               | 62                                   | 707                                     | -                               | -                                    |
| Total disbursements                                | 1,609                                  | 18,986                               | 62                                   | 707                                     | 5,010,286                       | 727,841                              |
| Excess (deficiency) of receipts over disbursements | -                                      | -                                    | -                                    | -                                       | 23,895                          | 141,951                              |
| Cash and investments - ending                      | \$ -                                   | \$ -                                 | \$ -                                 | \$ -                                    | \$ 103,612                      | \$ 145,979                           |

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

|  | Petty<br>Cash | Wastewater<br>Debt<br>Service<br>Reserve | Payroll         | Medical<br>Benefit | Wastewater<br>Revenue<br>II | Wastewater<br>Bond<br>&<br>Interest |
|--|---------------|--|-----------------|--------------------|-----------------------------|-------------------------------------|
| Cash and investments - beginning                   | \$ 800        | \$ 1,912,811                             | \$ 45,573       | \$ 24,968          | \$ 331,617                  | \$ 13,989                           |
| Receipts:  |               |  |                 |                    |                             |                                     |
| Taxes  | -             | -  | -               | -                  | -                           | -                                   |
| Licenses and permits                               | -             | -  | -               | -                  | -                           | -                                   |
| Intergovernmental                                  | -             | -  | -               | -                  | -                           | -                                   |
| Charges for services                               | -             | -  | -               | -                  | -                           | -                                   |
| Fines and forfeits                                 | -             | -  | -               | -                  | -                           | -                                   |
| Utility fees                                       | -             | -  | -               | -                  | 9,835,583                   | -                                   |
| Other receipts                                     | -             | 2,879                                    | 2,009,209       | 1,206,107          | 850,723                     | 4                                   |
| Total receipts                                     | -             | 2,879                                    | 2,009,209       | 1,206,107          | 10,686,306                  | 4                                   |
| Disbursements:                                     |               |  |                 |                    |                             |                                     |
| Personal services                                  | -             | -  | -               | -                  | -                           | -                                   |
| Supplies   | -             | -  | -               | -                  | -                           | -                                   |
| Other services and charges                         | -             | -  | -               | -                  | -                           | -                                   |
| Debt service - principal and interest              | -             | -  | -               | -                  | -                           | -                                   |
| Capital outlay                                     | -             | -  | -               | -                  | -                           | -                                   |
| Utility operating expenses                         | -             | -  | -               | -                  | 1,146                       | -                                   |
| Other disbursements                                | -             | -  | 2,046,551       | 1,205,591          | 10,767,743                  | 13,993                              |
| Total disbursements                                | -             | -  | 2,046,551       | 1,205,591          | 10,768,889                  | 13,993                              |
| Excess (deficiency) of receipts over disbursements | -             | 2,879                                    | (37,342)        | 516                | (82,583)                    | (13,989)                            |
| Cash and investments - ending                      | <u>\$ 800</u> | <u>\$ 1,915,690</u>                      | <u>\$ 8,231</u> | <u>\$ 25,484</u>   | <u>\$ 249,034</u>           | <u>\$ -</u>                         |

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

|  | Wastewater<br>Centier | Wastewater<br>Centier<br>Bond<br>&<br>Interest | Wastewater<br>Horizon<br>Bond<br>&<br>Interest | Stormwater<br>Operating | Stormwater<br>Construction | Totals        |
|--|-----------------------|--|--|-------------------------|----------------------------|---------------|
| Cash and investments - beginning                   | \$ 407,167            | \$ 526,283                                     | \$ -   | \$ 501,554              | \$ 7,538,952               | \$ 30,689,338 |
| Receipts:  |                       |  |  |                         |                            |               |
| Taxes  | -                     | -  | -  | -                       | -                          | 20,379,693    |
| Licenses and permits                               | -                     | -  | -  | -                       | -                          | 735,063       |
| Intergovernmental                                  | -                     | -  | -  | -                       | -                          | 8,244,392     |
| Charges for services                               | -                     | -  | -  | -                       | -                          | 4,178,052     |
| Fines and forfeits                                 | -                     | -  | -  | -                       | -                          | 29,217        |
| Utility fees                                       | -                     | -  | -  | -                       | -                          | 9,835,583     |
| Other receipts                                     | 270,431               | 70,143   | 2,116,887                                      | 1,327,020               | 76,852                     | 35,744,203    |
| Total receipts                                     | 270,431               | 70,143   | 2,116,887                                      | 1,327,020               | 76,852                     | 79,146,203    |
| Disbursements:                                     |                       |  |  |                         |                            |               |
| Personal services                                  | -                     | -  | -  | -                       | -                          | 15,189,736    |
| Supplies   | -                     | -  | -  | -                       | -                          | 1,618,860     |
| Other services and charges                         | -                     | -  | -  | -                       | -                          | 13,911,530    |
| Debt service - principal and interest              | -                     | -  | -  | -                       | -                          | 11,196,540    |
| Capital outlay                                     | -                     | -  | -  | -                       | 4,412,124                  | 8,675,052     |
| Utility operating expenses                         | -                     | -  | -  | 747,249                 | -                          | 5,841,381     |
| Other disbursements                                | 560,000               | 596,426  | 1,951,787                                      | 128,624                 | 70,000                     | 29,962,922    |
| Total disbursements                                | 560,000               | 596,426  | 1,951,787                                      | 875,873                 | 4,482,124                  | 86,396,021    |
| Excess (deficiency) of receipts over disbursements | (289,569)             | (526,283)                                      | 165,100  | 451,147                 | (4,405,272)                | (7,249,818)   |
| Cash and investments - ending                      | \$ 117,598            | \$ -   | \$ 165,100                                     | \$ 952,701              | \$ 3,133,680               | \$ 23,439,520 |

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

| Government or Enterprise | Accounts<br>Payable | Accounts<br>Receivable |
|--------------------------|---------------------|------------------------|
| Governmental activities  | \$ 2,125,883        | \$ 2,077,701           |
| Wastewater Utility       | -                   | -                      |
| Stormwater Utility       | -                   | -                      |
| Totals                   | \$ 2,125,883        | \$ 2,077,701           |

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

| Lessor                         | Purpose                 | Annual<br>Lease<br>Payment | Lease<br>Beginning<br>Date | Lease<br>Ending<br>Date |
|--------------------------------|-------------------------|----------------------------|----------------------------|-------------------------|
| Governmental activities:       |                         |                            |                            |                         |
| DSS Corporation                | Police Digital Recorder | \$ 6,726                   | 03-01-10                   | 02-28-15                |
| National Cooperative Leasing   | 3 Copy Machines         | <u>5,075</u>               | 05-11-09                   | 05-10-14                |
| Total governmental activities  |                         | <u>11,801</u>              |                            |                         |
| Total of annual lease payments |                         | <u>\$ 11,801</u>           |                            |                         |

| Type                          | Description of Debt<br>Purpose   | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|-------------------------------|--|--------------------------------|---|
| Governmental activities:      |  |                                |   |
| General obligation bonds      | Park District Bonds of 2004  | \$ 1,220,000                   | \$ 431,000  |
| General obligation bonds      | Economic Development Lease Rental Bonds of 1993                          | 360,000                        | 192,372   |
| General obligation bonds      | Economic Development Revenue Bonds Series 2006                           | 14,110,000                     | 1,209,580   |
| General obligation bonds      | Redevelopment District Tax Increment Revenue and Refunding Bonds of 2008 | 6,730,000                      | 897,381   |
| General obligation bonds      | Redevelopment District Tax Increment Revenue Bonds of 2010               | 5,460,000                      | 521,287   |
| Revenue bonds                 | Special Improvement District Bonds of 2005                               | 9,575,000                      | 620,331   |
| Revenue bonds                 | Economic Development Income Tax Revenue Bonds of 2005                    | 4,210,000                      | 583,469   |
| Revenue bonds                 | Marina Revenue Refunding Bonds of 2006 Series B                          | 212,000                        | 60,500  |
| Notes and loans payable       | Fire Truck and Ambulance Lease   | <u>64,608</u>                  | <u>65,896</u>                                       |
| Total governmental activities |  | <u>41,941,608</u>              | <u>4,581,816</u>                                    |
| Wastewater Utility:           |  |                                |   |
| Revenue bonds                 | Sewage Works Revenue Bonds of 1996 Series A                              | 5,210,000                      | 1,158,830   |
| Revenue bonds                 | Sewage Works Revenue Bonds of 2010                                       | <u>16,460,000</u>              | <u>740,883</u>                                      |
| Total Wastewater Utility      |  | <u>21,670,000</u>              | <u>1,899,713</u>                                    |
| Stormwater Utility:           |  |                                |   |
| General obligation bonds      | Stormwater Management District Refunding Bonds of 2012                   | <u>2,695,000</u>               | <u>453,702</u>                                      |
| Totals                        |  | <u>\$ 66,306,608</u>           | <u>\$ 6,935,231</u>                                 |

CITY OF PORTAGE  
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<br>Balance |
|------------------------------------|-------------------|
| Governmental activities:           |                   |
| Land                               | \$ 67,688,499     |
| Infrastructure                     | 55,225,664        |
| Buildings                          | 9,683,451         |
| Improvements other than buildings  | 7,646,196         |
| Machinery, equipment, and vehicles | 14,052,452        |
| Total governmental activities      | 154,296,262       |
| Wastewater Utility:                |                   |
| Land                               | 1,051,756         |
| Infrastructure                     | 770,767           |
| Buildings                          | 2,601,093         |
| Infrastructure                     | 15,303,718        |
| Improvements other than buildings  | 25,162,381        |
| Machinery, equipment, and vehicles | 9,929,973         |
| Furniture and fixtures             | 202,103           |
| Construction in progress           | 11,230,169        |
| Total Wastewater Utility           | 66,251,960        |
| Total capital assets               | \$ 220,548,222    |

CITY OF PORTAGE  
AUDIT RESULTS AND COMMENTS

***BANK ACCOUNT RECONCILIATIONS***

The City's bank accounts have not reconciled with the City's financial records since April 30, 2011. The Clerk-Treasurer retained the services of an independent consultant to assist in the reconciliations. The bank reconciliations for 2012 included various adjustments of \$63,477 that could not be adequately explained with supporting documentation. In addition, adjustments to the outstanding check list of \$3,544 were necessary. As of December 31, 2012, a cursory bank reconciliation identified a cash shortage of \$59,933; however, the reconciling differences fluctuated significantly each month.

Indiana Code 5-13-6-1(e) states: "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)

***FINANCIAL TRANSACTIONS NOT RECORDED***

The City issued Lease Rental Bonds in 1993 for the construction of the Northwest Indiana Regional Planning Commission Building and Revenue Bonds in 2006 for the purchase of land and development of the AmeriPLEX Industrial Park. The proceeds were placed in trust accounts maintained by various financial institutions. Funds were established by the City to record the activity of the trust accounts; however, no activity was recorded in the City's ledger in 2012. The records and the financial statement included only the January 1, 2012 balance of these accounts. Actual 2012 trust receipts of \$2,737,717, which included lease rental payments and transfers between trust accounts, and disbursements of \$2,920,809, which included bond principal and interest payments and transfers between trust accounts, were not recorded or reported in the City's records.

Due to activity not being recorded in the official records of the City, accounts payable vouchers or claims were not prepared or approved by the Common Council. The City's lack of oversight of the financial activities of the trust funds allows for errors or irregularities to go undetected by the City's management.

Indiana Code 5-11-10-1.6(c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;

CITY OF PORTAGE  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 5-11-1-2 states:

"The state board of accounts shall formulate, prescribe, and install a system of accounting and reporting in conformity with this chapter, which must comply with the following:

- (1) Be uniform for every public office and every public account of the same class and contain written standards that an entity that is subject to audit must observe.
- (2) Exhibit true accounts and detailed statements of funds collected, received, obligated, and expended for or on account of the public for any and every purpose whatever, and by all public officers, employees, or other individuals.
- (3) Show the receipt, use, and disposition of all public property and the income, if any, derived from the property.
- (4) Show all sources of public income and the amounts due and received from each source.
- (5) Show all receipts, vouchers, contracts, obligations, and other documents kept, or that may be required to be kept, to prove the validity of every transaction."

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

***Report on Compliance for Each Major Federal Program***

We have audited the City of Portage'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.

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A - 133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-5 and 2012-6. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. 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.

***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.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-4 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. 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)

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.

  
Paul D. Joyce, CPA  
State Examiner

June 12, 2013

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were prepared 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, 2012

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant  | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal<br>Awards<br>Expended |
|---|--------------------------------------|---------------------------|--|--|
| <u>DEPARTMENT OF JUSTICE</u>  |                                      |                           |  |  |
| JAG Program Cluster   | Direct grant                         |                           |  |  |
| Edward Byrne Memorial Justice Assistance Grant Program              |                                      | 16.738                    | 2012-DJ-BX-0987  | \$ 1,745                               |
| Total - JAG Program Cluster   |                                      |                           |  | <u>1,745</u>                           |
| Bulletproof Vest Partnership Program                                | Direct grant                         | 16.607                    |  | <u>3,413</u>                           |
| Total - Department of Justice                                       |                                      |                           |  | <u>5,158</u>                           |
| <u>DEPARTMENT OF TRANSPORTATION</u>                                 |                                      |                           |  |  |
| Highway Planning and Construction Cluster                           | Indiana Department of Transportation |                           |  |  |
| Highway Planning and Construction                                   |                                      | 20.205                    |  | 14,429                                 |
| Recreational Trails Program   |                                      | 20.219                    |  | <u>112,074</u>                         |
| Total - Highway Planning and Construction Cluster                   |                                      |                           |  | <u>126,503</u>                         |
| Highway Safety Cluster  |                                      |                           |  |  |
| State and Community Highway Safety                                  | Indiana Criminal Justice Institute   | 20.600                    | PT-11-04-04-28   | 16,101                                 |
| Alcohol Impaired Driving Countermeasures Incentive Grants I         |                                      | 20.601                    | CA-2011-08-01-15   | <u>760</u>                             |
| Total - Highway Safety Cluster                                      |                                      |                           |  | <u>16,861</u>                          |
| Safety Incentive Grants for Use of Seatbelts                        |                                      | 20.604                    | PT-12-11-04-26   | <u>20,500</u>                          |
| Total - Department of Transportation                                |                                      |                           |  | <u>163,864</u>                         |
| <u>ENVIRONMENTAL PROTECTION AGENCY</u>                              |                                      |                           |  |  |
| Congressionally Mandated Projects                                   | Direct grant                         | 66.202                    | XP-00E00754  | <u>391,098</u>                         |
| <u>DEPARTMENT OF HOMELAND SECURITY</u>                              |                                      |                           |  |  |
| Assistance to Firefighters Grant                                    | Direct grant                         | 97.044                    | EMW-2011-FR-00484  | <u>718,435</u>                         |
| Total federal awards expended                                       |                                      |                           |  | <u>\$ 1,278,555</u>                    |

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

CITY OF PORTAGE  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Portage 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

**Section I – Summary of Auditor's Results**

Financial Statement:

|  |               |
|--|---------------|
| Type of auditor's report issued:                     | Disclaimer    |
| Internal control over financial reporting:           |               |
| Material weaknesses identified?                      | yes           |
| Significant deficiencies identified?                 | none reported |
| Noncompliance material to financial statement noted? | yes           |

Federal Awards:

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| Material weaknesses identified?  | yes           |
| Significant deficiencies identified?   | none reported |
| Type of auditor's report issued on compliance for major programs:  | Unmodified    |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | yes           |

Identification of Major Programs:

| CFDA<br>Number | Name of Federal Program or Cluster |
|----------------|------------------------------------|
| 66.202         | Congressionally Mandated Projects  |
| 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 - BANK ACCOUNT RECONCILIATIONS**

The City has not established controls to ensure that bank accounts are being reconciled timely or that the reconciled cash balance agrees to the cash balance reported in the financial statement. The City's bank accounts have not reconciled with the City's financial records since April 30, 2011. The Clerk-Treasurer retained the services of an independent consultant to assist in the reconcilements. The bank reconcilements for 2012 included various adjustments of \$63,477 that could not be adequately explained with supporting documentation. In addition, adjustments to the outstanding check list of \$3,544 were necessary. As of December 31, 2012, a cursory bank reconciliation identified a cash shortage of \$59,933. However, the reconciling difference fluctuated significantly each month and in some instances by a material amount. The City's accounting records did not permit the identification of the misstatements nor adjustment to the financial statements to make them materially correct.

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

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."

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

***FINDING 2012-2 - INTERNAL CONTROLS OVER THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the on the Schedule of Expenditures and 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 the City omitted two federal programs totaling \$1,109,533 in federal awards. Furthermore, the City had \$208,406 in awards it reported as "Unknown Federal Agency" with no Catalog of Domestic Agency Numbers. Of the \$208,406, \$81,903 of the "Unknown Federal Agency" grants included on the schedule were not from federal sources and should not have been included. Audit adjustments were proposed, accepted by the City, and were 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.

The City's management does not have a centralized location for maintaining all information relating to federal awards. By not having a centralized location for grant file maintenance, the City's personnel responsible for the preparation of the SEFA were unaware of some of the federal grants awarded. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

In addition, the Water Reclamation Department was unaware of the requirements to maintain a separate accounting of grant receipt and disbursement activity. Thus, separate grant activity was not identifiable in the funds or accounts within the funds of the Water Reclamation Department (i.e. The Environmental Protection Agency grant was commingled in Capital Improvement Fund). This also affected the City's ability to accurately report the federal expenditures.

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 PORTAGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

"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."

***FINDING 2012-3 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

The City issued Lease Rental Bonds in 1993 for the construction of the Northwest Indiana Regional Planning Commission Building and Revenue Bonds in 2006 for the purchase of land and development of the Ameriplex Industrial Park. The proceeds were placed in trust accounts maintained by various financial institutions. Funds were established by the City to record the activity of the trust accounts; however, no activity was recorded in the City's ledger in 2012. The records and the financial statement included only the January 1, 2012 balance of these accounts. Actual 2012 trust receipts of \$2,737,717, which included lease rental payments and transfers between trust accounts and disbursements of \$2,920,809, which included bond principal and interest payments and transfers between trust accounts were not recorded or reported in the City's records or the financial statement. The financial statement of the City presented herein was adjusted to include the financial activity of the trust funds. Such adjustments were approved by the Clerk-Treasurer.

Due to activity not being recorded in the official records of the City, accounts payable vouchers or claims were not prepared or approved by the Common Council. The dollar amounts, which bypassed the official recordkeeping process, are considered material to the financial statement. The City's lack of oversight of the financial activities of the trust funds allows for errors or irregularities to go undetected by the City's management.

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

Indiana Code 5-11-10-1.6(c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 5-11-1-2 states:

"The state board of accounts shall formulate, prescribe, and install a system of accounting and reporting in conformity with this chapter, which must comply with the following:

- (1) Be uniform for every public office and every public account of the same class and contain written standards that an entity that is subject to audit must observe.
- (2) Exhibit true accounts and detailed statements of funds collected, received, obligated, and expended for or on account of the public for any and every purpose whatever, and by all public officers, employees, or other individuals.
- (3) Show the receipt, use, and disposition of all public property and the income, if any, derived from the property.
- (4) Show all sources of public income and the amounts due and received from each source.
- (5) Show all receipts, vouchers, contracts, obligations, and other documents kept, or that may be required to be kept, to prove the validity of every transaction."

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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.

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

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)

***Section III – Federal Award Findings and Questioned Costs***

***FINDING 2012-4 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CONGRESSIONALLY MANDATED PROJECTS AND ASSISTANCE TO FIREFIGHTERS GRANT***

Federal Agencies: Environmental Protection Agency, Department of Homeland Security  
Federal Programs: Congressionally Mandated Projects, Assistance to Firefighters Grant  
CFDA Numbers: 66.202, 97.044  
Federal Award Number and Year: XP-00E00754, EMW-2011-FR-00484

Management of the City, including the Water Reclamation Department, have not established effective internal control systems related to the grant agreements and some of the compliance requirements that have direct and material effects to the programs. This includes the compliance requirements for Equipment and Real Property Management, Suspension and Debarment, and Reporting. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreements and the compliance requirements. This lack of an effective internal control system could allow the misuse and mismanagement of federal funds and assets by not having proper controls and reviews over the activities of the grant.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

*Equipment and Real Property Management*

The City does not maintain records that identify equipment and other property acquired with federal monies. No system exists to provide separated identification for items acquired with federal and nonfederal funds

Because effective controls over equipment and real property management have not been established, the City may not recognize what assets were acquired with federal funds, and they may not comply with federal guidelines covering the disposal of assets acquired with federal funds.

*Suspension and Debarment*

The City was unaware of federal grant suspension and debarment requirements and do not have a system in place for determining whether or not a vendor has been excluded from doing business with the Federal Government.

*Reporting*

Management of the City has not established an effective internal control system for reporting requirements related to grant receipts and disbursements. Additionally, officials at the City have not established any controls or procedures for preparing, reviewing or filing the required federal reports.

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

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system it is important to be properly informed of the grant compliance requirements and ensure consultants are monitored. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program.

OMB Circular A-133, Subpart C, section .300 (b) states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that management of the City, including the Water Reclamation Department, establish controls to ensure compliance related to the grant agreement and compliance requirements that have a direct and material effect to the programs.

***FINDING 2012-5 - NONCOMPLIANCE WITH EQUIPMENT MANAGEMENT REQUIREMENT***

Federal Agencies: Environmental Protection Agency, Department of Homeland Security  
Federal Programs: Congressionally Mandated Projects, Assistance to Firefighters Grant  
CFDA Numbers: 66.202, 97.044  
Federal Award Number and Year: XP-00E00754, EMW-2011-FR-00484

A physical annual inventory of federally purchased equipment was not presented for audit. Equipment purchased, during the 2012 audit period for the Congressionally Mandated Projects, totaled \$242,235 and equipment purchased for the Assistance to Firefighters Grant totaled \$718,435.

In addition, equipment was provided to five local Fire Departments (subrecipients), under the Assistance to Firefighter's Grant, totaling approximately \$521,079; however, the local Fire Departments were not provided a breakdown of the federal and local match (paid by Porter County) costs of the equipment they received. Without the cost of the property, and the percentage of Federal participation in the cost of the property, the local units cannot properly comply with the Federal Equipment Management Requirements.

44 CFR section 13.32 and 40 CFR section 31.32 state in part:

*"(d) Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

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

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

(e) *Disposition.* When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:

- (1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.
- (2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.
- (3) In cases where a grantee or subgrantee fails to take appropriate disposition actions, the awarding agency may direct the grantee or subgrantee to take excess and disposition actions.

(f) *Federal equipment.* In the event a grantee or subgrantee is provided federally-owned equipment:

- (1) Title will remain vested in the Federal Government.
- (2) Grantees or subgrantees will manage the equipment in accordance with Federal agency rules and procedures, and submit an annual inventory listing.
- (3) When the equipment is no longer needed, the grantee or subgrantee will request disposition instructions from the Federal agency."

Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the City maintain accurate detailed capital asset records and that inventory of property and equipment and construction-in-progress are conducted at least once every two years and reconciled to the detailed capital asset ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also, any assets acquired with federal funds must be designated as such so that they are not disposed of improperly.

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

***FINDING 2012-6 - NONCOMPLIANCE WITH REPORTING REQUIREMENT***

Federal Agency: Environmental Protection Agency  
Federal Program: Congressionally Mandated Projects  
CFDA Number: 66.202  
Federal Award Number and Year: XP-00E00754

Officials were required to submit an Annual Federal Financial Report to the Environmental Protection Agency (EPA); however, no such report was filed in 2012. In addition, only one of the two required semi-annual Minority Business Enterprise/Women Business Enterprise Reports were completed in 2012.

40 CFR 31.41(4) states:

*"Due date.* When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 920 days after the expiration or termination of grant support."

Per the grant agreement:

"The recipient agrees to complete and submit EPA Form 5700-52A, MBE/WBE Utilization Under Federal Grants, Cooperative Agreements and Interagency Agreements beginning with the Federal fiscal year reporting period the recipient receives the award, and continuing until the project is completed. . . . The reports must be submitted semiannually for the period ending March 31st and September 30th."

The City was not in compliance with reporting requirements for this program. Failure to comply with these requirements could cause the City to be ineligible to receive future federal awards.

We recommended that officials prepare, review and file the required federal reports on a timely basis, and that they contact the EPA regarding whether to file previously required reports.

# CITY OF PORTAGE UTILITY SERVICE BOARD

Sanitary Sewer Department  
6071 Central Avenue - Portage, Indiana 46368-3587  
Telephone (219) 762-2016 Fax (219) 762-1307



Home of the Port of Indiana

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

July 16, 2013

To Whom It May Concern:

Please accept this document as the Portage Utility Service Boards corrective action plan for the State Board of Accounts Audit of the Utility's 2012 financial records.

***Finding #2012-02 – Internal Controls over the Schedule of Expenditures of Federal Awards***

The Portage Utility Board should have internal controls in place for a separate accounting of Federal grant receipt and disbursement activity.

The Portage Utility Board office will maintain separate funds for all grant receipt and disbursements with regard to a Federal Grant.

***Finding #2012-4 Internal Controls over Compliance Requirements that have a Direct and Material effect to Congressionally Mandated Projects***

The Portage Utility Services Board is required to comply with all Federal Assistance Requirements including the compliance requirements for Equipment, Real Property Management, Suspension and Debarment and Reporting.

The Portage Utility Board office will establish and maintain controls to ensure such compliance requirements that have a direct and or material effect to any and all Grant Agreements.

***Finding #2012-5 Noncompliance with Equipment Management Requirements***

The Portage Utility is required to maintain both a description (serial number, etc) and inventory as well as purchase price for all equipment regarding a Federal Grant. Inventory should be done once every two years.

The Portage Utility will maintain an accurate Capital Asset Record including current inventory and value as well as any and all new purchases with regard to property and equipment. All assets connected to a Federal Grant will be identified separately for accurate reporting, inventory and value as well as to prevent improper disposal of such assets.

***Finding #2012-6 Noncompliance with Reporting Requirement***

The Portage Utility Board is required to file required Federal Reports for the Federal Grant program.

The Portage Utility Board will file required Federal Reports as well as to contact the EPA with regard to reports required but not previously filed.

We have begun the process of resolving the above named issues. Should there be any questions please feel free to contact me at any time.

Sincerely,

A handwritten signature in black ink, appearing to read "Sherryl L. Smolar". The signature is written in a cursive style with a large initial "S".

Sherryl L. Smolar

Secretary-Treasurer

Portage Utility Service Board



---

**Christopher D. Stidham** Clerk-Treasurer

**Office of the Clerk-Treasurer**

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

July 15, 2012

To Whom It May Concern:

Please accept this document as this office's corrective action plan for the State Board of Accounts Audit of the City of Portage's 2012 financial records.

**Finding #2012-01 - 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.

**Finding #2012-02 - Internal Controls Over the Schedule of Expenditures of Federal Awards**

The City of Portage Office of the Clerk-Treasurer is required to properly report Federal grant awards annually via the Schedule of Expenditures and Federal Awards (SEFA). To ensure this occurs in the future, we will be taking the following corrective steps.

The Office of the Clerk-Treasurer will centralize record-keeping for all Federal grants and maintain custody over those records. This will aid office staff in properly preparing the SEFA each year as accurate records will be maintained in the office.

**Finding #2012-03 - Internal Controls Over Financial Transactions and Reporting**

The City of Portage Office of the Clerk-Treasurer is required to properly record all receipts and disbursements on the City's general ledger related to trust accounts established for bond repayment. To ensure this occurs in the future, we will be taking the following corrective steps.

The Office of the Clerk-Treasurer will record all necessary transactions related to trust accounts on the City's general ledger.

**Finding #2012-04 - Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to Assistance to Firefighters Grants and Congressionally Mandated Projects**

The City of Portage is required to comply with all federal assistance requirements including ensuring compliance with Equipment and Real Property Management, Suspension and Debarment, and Reporting. To ensure this occurs in the future, we will be taking the following corrective steps.

The Office of the Clerk-Treasurer will coordinate with the Office of the Mayor to encourage the Board of Works to comply with all purchasing requirements related to Federal awards.

**Finding #2012-05 - Noncompliance With Equipment Management Requirement**

The City of Portage Office of the Clerk-Treasurer is required to properly maintain asset records of equipment purchased with federal funds to ensure compliance with disposal requirements. To ensure this occurs in the future, we will be taking the following corrective steps.

The Office of the Clerk-Treasurer will centralize record-keeping for all Federal grants and maintain custody over those records. Additionally, this office will maintain a list of equipment purchased with federal funds to ensure compliance with disposal requirements.

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.



**Christopher D. Stidham**  
Clerk-Treasurer

CITY OF PORTAGE  
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2013, with Christopher Stidham, Clerk-Treasurer; James Snyder, Mayor and President of the Utility Service Board; Sue Lynch, President of the Common Council; and Sherry Smolar, Secretary/Treasurer of the Water Reclamation Utility.