

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF PORTAGE

PORTER COUNTY, INDIANA

January 1, 2014 to December 31, 2015



FILED
01/30/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Christopher Stidham	01-01-12 to 12-31-19
Mayor	James Snyder	01-01-12 to 12-31-19
President of the Board of Public Works	James Snyder	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Susanne Lynch Mark Oprisko	01-01-14 to 12-31-15 01-01-16 to 12-31-17
Secretary/Treasurer of the Water Reclamation Utility	Sherry Smolar	01-01-14 to 02-23-17
President of the Utility Service Board	James Snyder Mark Oprisko	01-01-14 to 03-07-17 03-08-17 to 12-31-17
President of the Redevelopment Commission	James Snyder	01-01-12 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE CITY OF PORTAGE, PORTER COUNTY, INDIANA

This report is supplemental to our examination report of the City of Portage (City), for the period from January 1, 2014 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Examination Report of the City, which provides our opinion on the City's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 28, 2017

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CLERK-TREASURER
CITY OF PORTAGE

CLERK-TREASURER
CITY OF PORTAGE
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS - ACTIVITY NOT IN LEDGER

The 2015 financial activity of the 2006 Ameriplex Debt Svc, 2006 Ameriplex Bond, and the 2015 Redevelopment District TIF Refunding Rev Bonds funds were not recorded in the ledger. These funds were also not reported on the Annual Financial Report (AFR) submitted for 2015 nor the financial statement. The total 2015 activity not recorded or reported included: \$13,961,209 in receipts, \$2,538,166 in disbursements, and an ending cash and investment balance of \$13,340,482.

In addition, monthly reconcilements were not performed on these three funds' related bank trust accounts.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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."

ANNUAL FINANCIAL REPORT

Debt Schedule - Bonds

The 2015 AFR did not include \$48,749,916 of ending bond principal balance and \$5,718,947 of bond principal and interest due within one year for the City as of December 31, 2015. A revised bonds debt schedule was presented by the Clerk-Treasurer during the examination. The revised bonds debt schedule was presented in the Financial Statement Examination Report.

Debt Schedule - Capital Leases

The 2015 capital leases presented in the AFR reported two capital leases for \$1 each. Capital lease payment schedules were presented with annual lease payments of \$140,795 and \$45,788. The Clerk-Treasurer presented a revised capital lease schedule during the examination with the updated information. The revised capital lease information was presented in the Financial Statement Examination Report.

Schedule of Payables and Receivables

The 2015 AFR did not include amounts for Accounts Payables or Accounts Receivables as of December 31, 2015. The reporting errors resulted in the schedule being understated by \$2,750,191 and \$2,297,574, respectively.

CLERK-TREASURER
CITY OF PORTAGE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

TEMPORARY TRANSFER OF FUNDS

The Clerk-Treasurer made temporary transfers of funds totaling \$8,471,169 in 2014 and \$7,389,544 in 2015 for which ordinances or resolutions had not been adopted by the fiscal body.

Indiana Code 36-1-8-4 states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

CLERK-TREASURER
CITY OF PORTAGE
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROVAL OF TIME RECORDS

The City changed from processing its payroll in-house to outsourcing the process to a third-party payroll provider. The time records were maintained electronically on payroll software through the payroll provider. However, we were unable to determine that each time record was approved by the appropriate official or department head based upon the reports that were provided for examination.

This form (Payroll Schedule and Voucher General Form No. 99) should be used for all payrolls.

Each claim should be certified to by the department head and the Clerk-Treasurer in the appropriate sections provided thereon. The Clerk-Treasurer may elect to certify on the Accounts Payable Voucher Register, General Form No. 364, in lieu of certifying each Payroll Schedule and Voucher.

Payroll claims should be numbered along with other claims.

Approval signatures by a majority of the board is required in the appropriate section unless the Accounts Payable Voucher Register, General Form No. 364, is signed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 6)



Christopher D. Stidham Clerk-Treasurer

Office of the Clerk-Treasurer

State Examiner
State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, Indiana 46204-2765

January 5, 2018

To Whom It May Concern,

I write this in response to the 2014-2015 audit report completed by the State Board of Accounts and presented to the City of Portage on December 28, 2017. The City of Portage appreciates the report of the SBoA and the opportunity for this response.

Report Comment: Condition of Records Activity Not in Ledger

The audit report found that three bond reserve accounts were not recorded in the general ledger of the City. The three bond accounts are restricted accounts held in trust by the bond trustee of two different bonds issued by the City. The funds are not directly accessible by the City and the activity in those accounts are dictated by the terms of the bonds. Due to the restricted nature, this office did not include the accounts as part of the general activity of the City.

Going forward, the City will duplicate the restricted trust account activity in the general ledger of the City as required by the SBoA.

Report Comment: Annual Report

The audit report identified information omitted from the City's annual report Gateway submission due by March 1 of each year. The report is comprehensive and seeks hundreds of different pieces of information related to the operation of the City. Oversight caused three pieces of information to be omitted from the City's report.

Going forward, the City will ensure all pieces of information requested by the annual report Gateway system is submitted.

Report Comment: Temporary Transfer of Funds

The audit report indicated that the City does not have the City Council pass an ordinance or resolution for each “temporary transfer of funds” that the City does on a regular basis which indicated the amount to be transferred and the time period for repayment. In a typical year, the City completes 12-15 temporary transfers. The City Council has previously passed a resolution authorizing the Office of the Clerk-Treasurer to complete temporary transfers as needed with the requirement that all transfers are repaid by the end of the year. Any transfer not repaid by the end of the year requires the City Council to pass a resolution at their January meeting.

This office has asked the City Attorney to review the report comment to determine if the resolution previously approved by the City Council meets the requirements of the SBoA.

Report Comment: Approval of Time Records

The audit report indicated that the payroll system utilized by the City does not properly record approvals for employee time records.

The City has contacted the payroll system vendor to have this issue corrected as soon as possible.

Thank you again for the opportunity to response to the Audit Report for 2014-2015. Should you have any questions, please feel free to contact me at (219) 762.7784.

Respectfully,

A handwritten signature in brown ink, appearing to read "C. Stidham", with a stylized flourish at the end.

Christopher D. Stidham
Clerk-Treasurer

CLERK-TREASURER
CITY OF PORTAGE
EXIT CONFERENCE

The contents of this report were discussed on December 28, 2017, with Christopher Stidham, Clerk-Treasurer; James Snyder, Mayor; Susanne Lynch, Common Council member; Collin Czilli, Common Council member; and Steve Nelson, Redevelopment Commission member.

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WATER RECLAMATION UTILITY
CITY OF PORTAGE

WATER RECLAMATION UTILITY
CITY OF PORTAGE
EXAMINATION RESULTS AND COMMENTS

UTILITY CAPITAL ASSETS

A similar comment also appeared in prior Report B44823, entitled *CAPITAL ASSET RECORDS*.

The Wastewater Utility reported \$59,222,048 in the Schedule of Capital Assets. Complete detail listings of these capital assets were not presented for examination to substantiate the reported amounts.

The Storm Water Utility reported \$0 in the Schedule of Capital Assets. A capital assets listing was not maintained although the utility has capital assets such as infrastructure storm water lines.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

APPROVAL OF TIME RECORDS

The Water Reclamation Utility (Utility) changed from processing its payroll in-house to outsourcing the process to a third-party payroll provider. The time records were maintained electronically on payroll software through the payroll provider. However, we were unable to determine that each time record was approved by the appropriate official or department head based upon the reports that were provided for examination.

This form (Payroll Schedule and Voucher General Form No. 99) should be used for all payrolls.

Each claim should be certified to by the department head and the Clerk-Treasurer in the appropriate sections provided thereon. The Clerk-Treasurer may elect to certify on the Accounts Payable Voucher Register, General Form No. 364, in lieu of certifying each Payroll Schedule and Voucher.

Payroll claims should be numbered along with other claims.

Approval signatures by a majority of the board is required in the appropriate section unless the Accounts Payable Voucher Register, General Form No. 364, is signed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 6)

UTILITY PERMANENT TRANSFER APPROVAL

The Utility made permanent transfers from one fund to another in the normal course of operations. An accounts payable voucher was created for each permanent transfer; however, the permanent transfers between funds were not included in the list of accounts payable vouchers approved by the Utility Services Board. The 2014 and 2015 permanent transfers totaled \$9,715,992 and \$11,867,513, respectively.

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

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

- (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. . . ."

WATER RECLAMATION UTILITY
CITY OF PORTAGE
EXIT CONFERENCE

The contents of this report were discussed on December 28, 2017, with Christopher Stidham, Clerk-Treasurer; James Snyder, Mayor; Susanne Lynch, Common Council member; Collin Czilli, Common Council member; and Steve Nelson, Redevelopment Commission member.

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REDEVELOPMENT COMMISSION
CITY OF PORTAGE

REDEVELOPMENT COMMISSION
CITY OF PORTAGE
EXAMINATION RESULT AND COMMENT

REDEVELOPMENT COMMISSION GENERAL FUND

A similar comment also appeared in prior Report B44823, entitled *REDEVELOPMENT COMMISSION GENERAL FUND*.

Background Information

The establishment of a Redevelopment General Fund is authorized by Indiana Code 36-7-14-28(c). An ordinance describing the sources and uses of the Portage Redev: General fund (Redevelopment General fund) was not presented for examination. The Redevelopment General fund revenue sources were tax abatement fees, sale of property proceeds, rental income, and interest earned.

A Redevelopment Commission has the duties set forth in Indiana Code 36-7-14-11, which provides for the investigation, selection, acquisition, development, and disposal of property in "areas needing redevelopment." The powers granted to a redevelopment commission in Indiana Code 36-7-14-12.2 allow the commission to develop property in the areas needing redevelopment and to carry out other activities "for redevelopment purposes." "Redevelopment" includes activities contained in Indiana Code 36-7-1-18.

City Operating Costs Paid Through Redevelopment General Fund

Certain disbursements from the Redevelopment General fund were determined to be operating costs of the City and miscellaneous promotional purchases which were not in compliance with the duties and powers of the Redevelopment Commission as stated in Indiana Code 36-7-14-11 and Indiana Code 36-7-14-12.2.

1. In 2015, the City disbursed \$81,990 and \$20,318 from the Redevelopment General fund for computer services for all the City's departments and phone messaging services. Redevelopment Commission funds may be spent to procure computer and phone messaging equipment and services when such equipment and services are used in the offices of the department of redevelopment pursuant to IC 36-7-14-12.2(a)(19). However, the statute does not provide the payment of City operating costs by the Redevelopment Commission.
2. In 2015, the City disbursed \$5,974 from the Redevelopment General fund for miscellaneous promotional purchases. A Redevelopment Commission does not have the specific authority to procure miscellaneous promotional under Indiana Code 36-7-14-12.2. Promotional purchases are not listed as a redevelopment activity under Indiana Code 36-7-1-18.

The general operating costs of the City, such as computer and phone messaging equipment and services, and miscellaneous promotional items should be paid from the City's General Fund as set forth in the Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 4:

"GAAFR defines the General Fund as the fund used to account for all financial resources except those required to be accounted for in another fund. The General Fund is the general operating fund of the municipality. Tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures of the municipality are paid from the General Fund.

To summarize, the General Fund shall be used for current general operations of the city or town."



EST 1906

January 12, 2018

EARLE F. HITES
R. LAWRENCE STEELE
GREGORY A. SOBKOWSKI
BONNIE C. COLEMAN
LAURA B. FROST
BENJAMIN T. BALLOU
STEVEN J. SCOTT
SHAWN D. COX
DANIEL W. BLANKENBURG

Indiana State Board of Accounts
302 W. Washington St. – Room E418
Indianapolis, IN 46204-2765

OF COUNSEL:
CLYDE D. COMPTON
EDWARD J. HUSSEY

Re: Portage Redevelopment Commission Audit Report
01/01/14 to 12/31/15

JASPER COUNTY OFFICE:
EDWARD P. DUMAS

To Whom It May Concern:

LAKE COUNTY
8700 BROADWAY
MERRILLVILLE, IN 46410
P (219) 641.8700
F (219) 641.8710

I represent the City of Portage Redevelopment Commission (Commission), and am writing in response to the above audit report for the Commission.

PORTER COUNTY
P.O. BOX 476
PORTAGE, IN 46368
P (219) 762.9129

I disagree with the conclusion that the disbursements from the Redevelopment General Fund for computer services for all the City's departments and phone messaging services are not allowable uses of the Fund. There is nothing in state law or city ordinance which specifically restricts what the Redevelopment General Fund may be used for. The purpose of the Redevelopment statute is to promote economic development and redevelopment. In accordance with I.C. § 36-7-14-11, the Commission has a duty to combat the causes of areas needing redevelopment and to cooperate with the City in the manner that best serves the purposes of I.C. § 36-7-14. Promoting the effective and efficient operation of government enhances the City's ability to attract economic development/redevelopment. In this way, the 2015 disbursements for computer and phone messaging services promote economic development/redevelopment.

JASPER COUNTY
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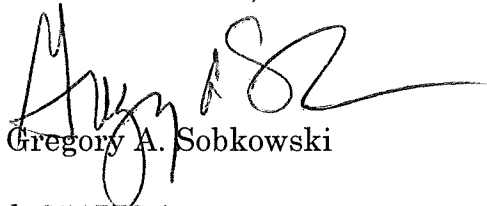
Indiana State Board of Accounts
January 12, 2018
Page Number Two

I also disagree with the conclusion that the \$5,974 disbursed from the Redevelopment General Fund for miscellaneous promotional purchases are not allowable uses of the Fund. One of the Commission's duties under I.C. § 36-7-4-11 is to promote the use of land in the manner that best serves the interest of the unit and its inhabitants. The definition of redevelopment includes "performing all acts incident to the statutory powers and duties of a redevelopment commission." I.C. § 36-7-1-18(12). The purpose of promotional items is to promote development which helps the Commission fulfill its duty to promote the use of land in the manner that best serves the interest of the unit and its inhabitants. Nothing in the statute prohibits use of general fund revenues to purchase promotional items. Consequently, purchase of these items is a redevelopment activity as defined by applicable law conducted in furtherance of the duties of the Commission.

Very truly yours,

HODGES AND DAVIS, P.C.

By:



Gregory A. Sobkowski

GAS:jrh:351772.1

REDEVELOPMENT COMMISSION
CITY OF PORTAGE
EXIT CONFERENCE

The contents of this report were discussed on December 28, 2017, with Christopher Stidham, Clerk-Treasurer; James Snyder, Mayor; Susanne Lynch, Common Council member; Collin Czilli, Common Council member; and Steve Nelson, Redevelopment Commission member.