

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, 2016 to December 31, 2016



FILED
05/17/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Christopher Stidham	01-01-16 to 12-31-19
Mayor	James Snyder	01-01-16 to 12-31-19
President of the Board of Public Works	James Snyder	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Mark Oprisko	01-01-16 to 12-31-18
Secretary/Treasurer of the Water Reclamation Utility	Sherry Smolar	01-01-16 to 02-23-17
President of the Utility Service Board	James Snyder Mark Oprisko Scott Williams	01-01-16 to 03-07-17 03-08-17 to 12-31-17 01-01-18 to 12-31-18
President of the Redevelopment Commission	James Snyder	01-01-16 to 12-31-19



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited 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, 2016, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2016.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

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 and Schedule of Leases and Debt, 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.

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 February 21, 2018, 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 solely 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 effectiveness of the City's 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.


Paul D. Joyce, CPA
State Examiner

February 21, 2018



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON 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 have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Portage (City), which comprises the financial position and results of operations for the year ended December 31, 2016, and the related notes to the financial statement, and have issued our report thereon dated February 21, 2018, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002, that we consider to be material weaknesses.

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

Compliance and Other Matters

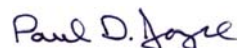
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002.

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

February 21, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
PORT AUTHORITY	\$ 165,523	\$ 21,271	\$ 10,762	\$ 176,032
GIFT FUND	56,215	89,629	99,716	46,128
GRANT FUND	36,931	923,232	904,691	55,472
MARINA OPERATION FUND	73,121	385,195	402,976	55,340
DEBT SERVICE FUND	416,209	901,765	1,146,661	171,313
STORM C42WATER CONST. BOND	1,903	-	-	1,903
RECOVERY BOND 2010	1,744	-	-	1,744
RECOVERY BOND DEBT RESERV	570,500	-	-	570,500
REDEV: GENERAL	648,683	1,719,087	1,345,845	1,021,925
REDEV: ALLOCAT AREA	2,853,622	6,874,050	7,029,315	2,698,357
2002 TIF BOND SERIES A	2,093	-	-	2,093
2002 TIF BOND SERIES B	1,304	-	-	1,304
ECONOMIC IMPROVEMENT	26,577	-	7,170	19,407
2008 TIF BOND	297,719	-	-	297,719
MARINA SHORES BOND	374	613,481	613,481	374
2006 AMERIPLEX DEBT SVC	-	-	-	-
2006 AMERIPLEX BOND	-	-	-	-
2015 Redevelopment District TIF Refunding Revenue Bonds	13,340,482	80,613	13,421,095	-
2014 PARK BOND	391,025	-	337,134	53,891
EDIT BOND	182,117	15,748	29,228	168,637
2013 TIF BOND DEBT RESERVE	505,563	-	-	505,563
GENERAL FUND	255,541	22,571,362	22,830,318	(3,415)
MVH-STREET FUND	199	4,421,074	4,420,224	1,049
LOCAL ROAD & STREET FUND	48,886	439,221	358,175	129,932
PARK NR OPERATING	141,668	451,846	469,762	123,752
EMP MED BEN PLAN	3,915	4,939,022	4,940,155	2,782
ECONOMIC DEVELOPMENT	1,075	-	-	1,075
NEW POLICE CONT. EDUCT.	40,857	60,422	64,637	36,642
UNSAFE BUILDING	54,868	10,992	2,424	63,436
PARK & RECREATION FUND	103	1,402,096	1,401,716	483
CABLE TV FRANCHISE FUND	644,714	1,873,845	1,539,598	978,961
ECONOMIC DEV INCOME TAX	907,504	4,506,445	5,128,487	285,462
LOIT SPECIAL DISTRIBUTION	-	715,937	62,811	653,126
EMERGENCY RESPONSE	466	-	-	466
LEVY EXCESS FUND	49,812	-	-	49,812
MAJOR MOVES CONSTRUCTION	253,241	58,527	36	311,732
CUM. CAPITAL DEVELOPMENT	14,753	932,066	901,640	45,179
PARK NR CAPITAL	81,766	28,971	44,125	66,612
SIDEWALK WAIVER FUND	6,433	144	798	5,779
FIRE DEPT EQUIPMENT	67,089	98,424	91,818	73,695
CUM. CAPITAL IMPROVEMENT	405,393	194,365	140,500	459,258
CUM. BLDG. & CAP. IMP.	-	377,578	-	377,578
1998 STORM WATER BOND	2,178	-	-	2,178
PARK NR IMPACT FEE	16,894	45,305	-	62,199

CITY OF PORTAGE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
CUM LIAB/PHYSICAL DAM RES	196,507	204,202	333,736	66,973
POLICE PENSION FUND	247,063	489,548	434,566	302,045
FIRE PENSION FUND	315,211	532,930	523,625	324,516
RIVERBOAT	84,111	218,158	-	302,269
2015 REFUND BOND DEBT RESERVE	1,368,582	-	-	1,368,582
2012 STORM WATER BOND	7,924	-	-	7,924
2013 EQPT BOND	14,916	-	-	14,916
2013 TIF BOND	466,575	-	130,783	335,792
PAYROLL NET WAGES	1,546	121,351	113,495	9,402
PAYROLL WITHHOLDING FED TAX	5,306	3,255,385	3,247,166	13,525
PAYROLL WITHHOLDING CIVIL PERF	(238)	702,432	705,594	(3,400)
PAYROLL WITHHOLDING POLICE/FIRE PERF	20,231	1,636,260	1,669,449	(12,958)
PAYROLL WITHHOLDING FLEX PLAN	(2,764)	149,391	148,551	(1,924)
PAYROLL WITHHOLDING LIFE INS	476	15,517	15,442	551
PAYROLL WITHHOLDING DEF COMP VALIC	(25)	279,784	279,784	(25)
PAYROLL WITHHOLDING DEF COMP NATIONWIDE	-	133,652	133,652	-
PAYROLL WITHHOLDING FIRE DUES	2,734	33,681	33,681	2,734
PAYROLL WITHHOLDING FIRE PAC	560	6,858	6,858	560
PAYROLL WITHHOLDING POLICE DUES	1,204	14,295	14,315	1,184
PAYROLL WITHHOLDING LOCAL 150 ADMIN	(4,175)	131,316	186,605	(59,464)
PAYROLL WITHHOLDING LOCAL 150 MEM	39,686	36,542	-	76,228
PAYROLL WITHHOLDING AFLAC	118	16,192	17,562	(1,252)
PAYROLL DONATIONS	-	652	652	-
PAYROLL DIRECT DEPOSIT	1,826	9,949,006	9,969,006	(18,174)
PAYROLL WITHHOLDING BANKRUPTCY	-	24,321	24,321	-
PAYROLL WITHHOLDING SUPPORT-IN	165	148,581	148,526	220
PAYROLL WHLDG GARNISHMENT 347	-	2,571	2,571	-
Wastewater Cash Operating	11,091	5,910,035	5,885,173	35,953
Wastewater Capital Improvement	844,172	552,835	822,841	574,166
Wastewater Debt Service Reserve	1,924,329	134,766	-	2,059,095
Payroll	155,156	2,842,052	2,844,188	153,020
Medical Benefit	5,343	3	-	5,346
Wastewater Revenue II	687,952	13,075,181	12,912,134	850,999
Wastewater Centier	78,403	540,312	250,000	368,715
Wastewater Horizon Bond & Interest	478,511	1,966,322	1,914,159	530,674
Stormwater Construction	1,004,676	6,289,186	910,781	6,383,081
Horizon Stormwater Revenue Account	838,125	1,629,795	1,918,317	549,603
Storm Water Project Fund	371,271	923,758	643,228	651,801
Totals	<u>\$ 31,735,628</u>	<u>\$ 106,718,583</u>	<u>\$ 113,986,059</u>	<u>\$ 24,468,152</u>

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

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. Amounts received from businesses, occupations, or non-businesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENT
(Continued)

received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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. Amounts received 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).

Other receipts. Amounts received from various sources, including, but 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. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for 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. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements. Amounts disbursed for various other purposes including, but 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.

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Interfund Transfers

The City may, from time to time, make transfers 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

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.

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize the City to invest in securities including, but not limited to, the following: 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 a cost-sharing 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 statement 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement 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 statement 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.

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.

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement 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
One North Capitol, 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. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of various payroll clearing funds between accounting periods. The 2016 General Fund deficit is the result of temporary loan repayments that were not extended into the new accounting period.

Note 8. Related Party Transactions

The City has entered into a capital lease agreement with the City of Portage Redevelopment Authority (the lessor) for construction of a new fire station and renovation and reconstruction of the police station. The lessor has been determined to be a related-party of the City. The first lease payment of \$271,000 was made in 2016.

Note 9. Subsequent Events

On July 5, 2017, the Common Council adopted Ordinance 17-10 authorizing the issuance of \$9,995,000 in sewage works revenue bonds for various utility projects. This ordinance amends and restates Ordinance 16-6. The \$3,750,000 balance available on the original ordinance were issued as SRF bonds in September 2017.

On July 5, 2017, the Common Council adopted Ordinance 17-13 authorizing the issuance of \$18,000,000 in economic development revenue bonds for the benefit of Northshore Health Centers, Inc.

On October 3, 2017, the Common Council adopted Ordinance 17-21 authorizing the refunding of the Sewage Works Revenue Bonds of 2010 in the amount of \$17,900,000.

On November 7, 2017, the Common Council adopted Resolution 17-8 authorizing the refunding of the Redevelopment District Tax Increment Revenue Bonds of 2010 in the amount of \$6,850,000.

CITY OF PORTAGE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 10. Other Postemployment Benefits

The City provides health insurance at a reduced rate to eligible retirees and their spouses. 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.

OTHER INFORMATION - UNAUDITED

The City's Annual Financial 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 City's Annual Financial Report 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 other 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, 2016

	PORT AUTHORITY	GIFT FUND	GRANT FUND	MARINA OPERATION FUND	DEBT SERVICE FUND	STORM C42WATER CONST. BOND	RECOVERY BOND 2010
Cash and investments - beginning	\$ 165,523	\$ 56,215	\$ 36,931	\$ 73,121	\$ 416,209	\$ 1,903	\$ 1,744
Receipts:							
Taxes	-	-	-	225	587,919	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	919,232	-	53,346	-	-
Charges for services	21,271	-	-	384,567	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	-	89,629	4,000	403	260,500	-	-
Total receipts	<u>21,271</u>	<u>89,629</u>	<u>923,232</u>	<u>385,195</u>	<u>901,765</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	-	-	14,287	131,898	-	-	-
Supplies	10	-	-	37,529	-	-	-
Other services and charges	10,734	98,840	14,482	142,069	1,511	-	-
Debt service - principal and interest	-	-	-	59,487	884,650	-	-
Capital outlay	-	876	875,922	30,602	-	-	-
Other disbursements	18	-	-	1,391	260,500	-	-
Total disbursements	<u>10,762</u>	<u>99,716</u>	<u>904,691</u>	<u>402,976</u>	<u>1,146,661</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>10,509</u>	<u>(10,087)</u>	<u>18,541</u>	<u>(17,781)</u>	<u>(244,896)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 176,032</u>	<u>\$ 46,128</u>	<u>\$ 55,472</u>	<u>\$ 55,340</u>	<u>\$ 171,313</u>	<u>\$ 1,903</u>	<u>\$ 1,744</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	RECOVERY BOND DEBT RESERV	REDEV: GENERAL	REDEV: ALLOCAT AREA	2002 TIF BOND SERIES A	2002 TIF BOND SERIES B	ECONOMIC IMPROVEMENT	2008 TIF BOND
Cash and investments - beginning	\$ 570,500	\$ 648,683	\$ 2,853,622	\$ 2,093	\$ 1,304	\$ 26,577	\$ 297,719
Receipts:							
Taxes	-	-	6,632,115	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	410,365	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	-	1,308,722	241,935	-	-	-	-
Total receipts	-	1,719,087	6,874,050	-	-	-	-
Disbursements:							
Personal services	-	30,188	-	-	-	-	-
Supplies	-	166	-	-	-	-	-
Other services and charges	-	1,310,491	1,350,677	-	-	7,170	-
Debt service - principal and interest	-	-	4,251,335	-	-	-	-
Capital outlay	-	5,000	1,427,303	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	1,345,845	7,029,315	-	-	7,170	-
Excess (deficiency) of receipts over disbursements	-	373,242	(155,265)	-	-	(7,170)	-
Cash and investments - ending	\$ 570,500	\$ 1,021,925	\$ 2,698,357	\$ 2,093	\$ 1,304	\$ 19,407	\$ 297,719

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	MARINA SHORES BOND	2006 AMERIPLEX DEBT SVC	2006 AMERIPLEX BOND	2015 Redevelopment District TIF Refunding Revenue Bonds	2014 PARK BOND	EDIT BOND
Cash and investments - beginning	\$ 374	\$ -	\$ -	\$ 13,340,482	\$ 391,025	\$ 182,117
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	613,481	-	-	80,613	-	15,748
Total receipts	613,481	-	-	80,613	-	15,748
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	613,481	-	-	38,208	-	-
Debt service - principal and interest	-	-	-	13,382,887	-	-
Capital outlay	-	-	-	-	337,134	29,228
Other disbursements	-	-	-	-	-	-
Total disbursements	613,481	-	-	13,421,095	337,134	29,228
Excess (deficiency) of receipts over disbursements	-	-	-	(13,340,482)	(337,134)	(13,480)
Cash and investments - ending	\$ 374	\$ -	\$ -	\$ -	\$ 53,891	\$ 168,637

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	2013 TIF BOND DEBT RESERVE	GENERAL FUND	MVH-STREET FUND	LOCAL ROAD & STREET FUND	PARK NR OPERATING	EMP MED BEN PLAN	ECONOMIC DEVELOPMENT
Cash and investments - beginning	\$ 505,563	\$ 255,541	\$ 199	\$ 48,886	\$ 141,668	\$ 3,915	\$ 1,075
Receipts:							
Taxes	-	8,947,024	1,232,762	-	-	2,450,805	-
Licenses and permits	-	457,863	8,800	-	-	-	-
Intergovernmental receipts	-	1,276,898	1,446,015	361,593	-	247,141	-
Charges for services	-	3,814,915	238,933	-	451,846	-	-
Fines and forfeits	-	25,223	-	-	-	-	-
Other receipts	-	8,049,439	1,494,564	77,628	-	2,241,076	-
Total receipts	-	22,571,362	4,421,074	439,221	451,846	4,939,022	-
Disbursements:							
Personal services	-	12,810,771	2,588,453	-	219,881	-	-
Supplies	-	756,436	395,854	282,175	94,070	-	-
Other services and charges	-	2,467,633	169,483	-	146,547	2,723,017	-
Debt service - principal and interest	-	1,094,819	800,893	-	-	1,973,607	-
Capital outlay	-	9,095	4,987	-	9,021	-	-
Other disbursements	-	5,691,564	460,554	76,000	243	243,531	-
Total disbursements	-	22,830,318	4,420,224	358,175	469,762	4,940,155	-
Excess (deficiency) of receipts over disbursements	-	(258,956)	850	81,046	(17,916)	(1,133)	-
Cash and investments - ending	\$ 505,563	\$ (3,415)	\$ 1,049	\$ 129,932	\$ 123,752	\$ 2,782	\$ 1,075

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	NEW POLICE CONT. EDUCT.	UNSAFE BUILDING	PARK & RECREATION FUND	CABLE TV FRANCHISE FUND	ECONOMIC DEV INCOME TAX	LOIT SPECIAL DISTRIBUTION	EMERGENCY RESPONSE
Cash and investments - beginning	\$ 40,857	\$ 54,868	\$ 103	\$ 644,714	\$ 907,504	\$ -	\$ 466
Receipts:							
Taxes	-	-	827,449	-	-	-	-
Licenses and permits	22,155	-	-	519,761	-	-	-
Intergovernmental receipts	-	-	82,052	-	4,006,445	715,937	-
Charges for services	9,255	-	-	-	-	-	-
Fines and forfeits	25,112	10,992	-	-	-	-	-
Other receipts	3,900	-	492,595	1,354,084	500,000	-	-
Total receipts	60,422	10,992	1,402,096	1,873,845	4,506,445	715,937	-
Disbursements:							
Personal services	-	-	680,113	4,623	-	-	-
Supplies	-	-	59,100	-	-	-	-
Other services and charges	29,431	2,424	204,679	91,444	1,749,709	62,811	-
Debt service - principal and interest	-	-	443,284	-	1,265,469	-	-
Capital outlay	35,206	-	-	-	80,309	-	-
Other disbursements	-	-	14,540	1,443,531	2,033,000	-	-
Total disbursements	64,637	2,424	1,401,716	1,539,598	5,128,487	62,811	-
Excess (deficiency) of receipts over disbursements	(4,215)	8,568	380	334,247	(622,042)	653,126	-
Cash and investments - ending	\$ 36,642	\$ 63,436	\$ 483	\$ 978,961	\$ 285,462	\$ 653,126	\$ 466

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	LEVY EXCESS FUND	MAJOR MOVES CONSTRUCTION	CUM. CAPITAL DEVELOPMENT	PARK NR CAPITAL	SIDEWALK WAIVER FUND	FIRE DEPT EQUIPMENT
Cash and investments - beginning	\$ 49,812	\$ 253,241	\$ 14,753	\$ 81,766	\$ 6,433	\$ 67,089
Receipts:						
Taxes	-	-	392,519	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	39,547	-	-	-
Charges for services	-	-	-	28,971	-	98,424
Fines and forfeits	-	-	-	-	-	-
Other receipts	-	58,527	500,000	-	144	-
Total receipts	-	58,527	932,066	28,971	144	98,424
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	36	8,260	7,330	-	-
Debt service - principal and interest	-	-	308,550	-	-	-
Capital outlay	-	-	184,830	36,766	798	91,818
Other disbursements	-	-	400,000	29	-	-
Total disbursements	-	36	901,640	44,125	798	91,818
Excess (deficiency) of receipts over disbursements	-	58,491	30,426	(15,154)	(654)	6,606
Cash and investments - ending	\$ 49,812	\$ 311,732	\$ 45,179	\$ 66,612	\$ 5,779	\$ 73,695

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	CUM. CAPITAL IMPROVEMENT	CUM. BLDG. & CAP. IMP.	1998 STORM WATER BOND	PARK NR IMPACT FEE	CUM LIAB/PHYSICAL DAM RES	POLICE PENSION FUND	FIRE PENSION FUND
Cash and investments - beginning	\$ 405,393	\$ -	\$ 2,178	\$ 16,894	\$ 196,507	\$ 247,063	\$ 315,211
Receipts:							
Taxes	-	-	-	-	169,279	49,066	3,680
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	93,865	-	-	-	17,125	440,482	529,250
Charges for services	-	-	-	45,305	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	100,500	377,578	-	-	17,798	-	-
Total receipts	194,365	377,578	-	45,305	204,202	489,548	532,930
Disbursements:							
Personal services	-	-	-	-	-	600	600
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	333,736	433,966	523,025
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	140,500	-	-	-	-	-	-
Total disbursements	140,500	-	-	-	333,736	434,566	523,625
Excess (deficiency) of receipts over disbursements	53,865	377,578	-	45,305	(129,534)	54,982	9,305
Cash and investments - ending	\$ 459,258	\$ 377,578	\$ 2,178	\$ 62,199	\$ 66,973	\$ 302,045	\$ 324,516

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	RIVERBOAT	2015 REFUND BOND DEBT RESERVE	2012 STORM WATER BOND	2013 EQPT BOND	2013 TIF BOND	PAYROLL NET WAGES	PAYROLL WITHHOLDING FED TAX
Cash and investments - beginning	\$ 84,111	\$ 1,368,582	\$ 7,924	\$ 14,916	\$ 466,575	\$ 1,546	\$ 5,306
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	218,158	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	121,351	3,255,385
Total receipts	<u>218,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,351</u>	<u>3,255,385</u>
Disbursements:							
Personal services	-	-	-	-	130,783	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	113,495	3,247,166
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,783</u>	<u>113,495</u>	<u>3,247,166</u>
Excess (deficiency) of receipts over disbursements	<u>218,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(130,783)</u>	<u>7,856</u>	<u>8,219</u>
Cash and investments - ending	<u>\$ 302,269</u>	<u>\$ 1,368,582</u>	<u>\$ 7,924</u>	<u>\$ 14,916</u>	<u>\$ 335,792</u>	<u>\$ 9,402</u>	<u>\$ 13,525</u>

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	PAYROLL WITHHOLDING CIVIL PERF	PAYROLL WITHHOLDING POLICE/FIRE PERF	PAYROLL WITHHOLDING FLEX PLAN	PAYROLL WITHHOLDING LIFE INS	PAYROLL WITHHOLDING DEF COMP VALIC	PAYROLL WITHHOLDING DEF COMP NATIONWIDE	PAYROLL WITHHOLDING FIRE DUES
Cash and investments - beginning	\$ (238)	\$ 20,231	\$ (2,764)	\$ 476	\$ (25)	\$ -	\$ 2,734
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	702,432	1,636,260	149,391	15,517	279,784	133,652	33,681
Total receipts	702,432	1,636,260	149,391	15,517	279,784	133,652	33,681
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	705,594	1,669,449	148,551	15,442	279,784	133,652	33,681
Total disbursements	705,594	1,669,449	148,551	15,442	279,784	133,652	33,681
Excess (deficiency) of receipts over disbursements	(3,162)	(33,189)	840	75	-	-	-
Cash and investments - ending	\$ (3,400)	\$ (12,958)	\$ (1,924)	\$ 551	\$ (25)	\$ -	\$ 2,734

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	PAYROLL WITHHOLDING FIRE PAC	PAYROLL WITHHOLDING POLICE DUES	PAYROLL WITHHOLDING LOCAL 150 ADMIN	PAYROLL WITHHOLDING LOCAL 150 MEM	PAYROLL WITHHOLDING AFLAC	PAYROLL DONATIONS	PAYROLL DIRECT DEPOSIT
Cash and investments - beginning	\$ 560	\$ 1,204	\$ (4,175)	\$ 39,686	\$ 118	\$ -	\$ 1,826
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	6,858	14,295	131,316	36,542	16,192	652	9,949,006
Total receipts	6,858	14,295	131,316	36,542	16,192	652	9,949,006
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	6,858	14,315	186,605	-	17,562	652	9,969,006
Total disbursements	6,858	14,315	186,605	-	17,562	652	9,969,006
Excess (deficiency) of receipts over disbursements	-	(20)	(55,289)	36,542	(1,370)	-	(20,000)
Cash and investments - ending	\$ 560	\$ 1,184	\$ (59,464)	\$ 76,228	\$ (1,252)	\$ -	\$ (18,174)

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	PAYROLL WITHHOLDING BANKRUPTCY	PAYROLL WITHHOLDING SUPPORT-IN	PAYROLL WHLDG GARNISHMENT 347	Wastewater Cash Operating	Wastewater Capital Improvement	Wastewater Debt Service Reserve	Payroll
Cash and investments - beginning	\$ -	\$ 165	\$ -	\$ 11,091	\$ 844,172	\$ 1,924,329	\$ 155,156
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	24,321	148,581	2,571	5,910,035	552,835	134,766	2,842,052
Total receipts	24,321	148,581	2,571	5,910,035	552,835	134,766	2,842,052
Disbursements:							
Personal services	-	-	-	3,618,771	-	-	2,844,188
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	2,266,402	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	822,841	-	-
Other disbursements	24,321	148,526	2,571	-	-	-	-
Total disbursements	24,321	148,526	2,571	5,885,173	822,841	-	2,844,188
Excess (deficiency) of receipts over disbursements	-	55	-	24,862	(270,006)	134,766	(2,136)
Cash and investments - ending	\$ -	\$ 220	\$ -	\$ 35,953	\$ 574,166	\$ 2,059,095	\$ 153,020

CITY OF PORTAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Medical Benefit	Wastewater Revenue II	Wastewater Centier	Wastewater Horizon Bond & Interest	Stormwater Construction	Horizon Stormwater Revenue Account	Storm Water Project Fund	Totals
Cash and investments - beginning	\$ 5,343	\$ 687,952	\$ 78,403	\$ 478,511	\$ 1,004,676	\$ 838,125	\$ 371,271	\$ 31,735,628
Receipts:								
Taxes	-	-	-	-	-	-	-	21,292,843
Licenses and permits	-	-	-	-	-	-	-	1,008,579
Intergovernmental receipts	-	-	-	-	-	-	-	10,447,086
Charges for services	-	12,827,080	-	-	-	-	-	18,330,932
Fines and forfeits	-	-	-	-	-	-	-	61,327
Other receipts	3	248,101	540,312	1,966,322	6,289,186	1,629,795	923,758	55,577,816
Total receipts	3	13,075,181	540,312	1,966,322	6,289,186	1,629,795	923,758	106,718,583
Disbursements:								
Personal services	-	-	-	-	-	165,219	-	23,240,375
Supplies	-	-	-	-	-	-	-	1,625,340
Other services and charges	-	67,762	-	-	-	936,023	-	15,811,381
Debt service - principal and interest	-	-	-	1,914,159	-	-	-	26,379,140
Capital outlay	-	-	-	-	716,520	1,500	643,228	5,342,984
Other disbursements	-	12,844,372	250,000	-	194,261	815,575	-	41,586,839
Total disbursements	-	12,912,134	250,000	1,914,159	910,781	1,918,317	643,228	113,986,059
Excess (deficiency) of receipts over disbursements	3	163,047	290,312	52,163	5,378,405	(288,522)	280,530	(7,267,476)
Cash and investments - ending	\$ 5,346	\$ 850,999	\$ 368,715	\$ 530,674	\$ 6,383,081	\$ 549,603	\$ 651,801	\$ 24,468,152

CITY OF PORTAGE
SCHEDULE OF LEASES AND DEBT
December 31, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Huntington National Bank	Equipment Lease	\$ 140,795	07/11/2014	07/15/2021
Huntington National Bank	Equipment Lease	45,787	07/11/2014	07/15/2019
City of Portage Redevelopment Authority	Building Lease	<u>548,000</u>	06/18/2015	02/01/2040
Total governmental activities		<u>734,582</u>		
Stormwater Utility:				
Huntington National Bank	Equipment Lease	184,065	07/11/2014	07/15/2019
Ally Bank	Vehicle Lease	<u>4,514</u>	04/15/2014	03/15/2017
Total Stormwater Utility		<u>188,579</u>		
Wastewater Utility:				
Ally Bank	Vehicle Lease	<u>4,318</u>	04/15/2014	03/15/2017
Total of annual lease payments		<u>\$ 927,479</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Redevelopment District Tax Increment Revenue and Refunding Bonds of 2008	\$ 3,917,375	\$ 947,950
General obligation bonds	Redevelopment District Tax Increment Revenue Bonds of 2010	4,569,113	604,900
General obligation bonds	EDIT Revenue Bonds 2013 (Equipment)	455,000	307,600
General obligation bonds	Redevelopment District Bonds Series 2013	4,820,000	497,750
General obligation bonds	Park District Bonds Series 2014	3,020,000	395,650
General obligation bonds	Economic Development Income Tax Revenue Bonds Series 2014	1,985,000	820,800
Revenue bonds	EDIT Revenue Bonds 2013 (Fronius)	4,830,000	345,375
Revenue bonds	Special Improvement District Bonds of 2005	5,956,519	585,039
Revenue bonds	Economic Development Income Tax Revenue Refunding Bonds Series 2014	2,140,000	558,520
Revenue bonds	Redevelopment District Tax Increment Refunding Revenue Bonds, Series 2015	<u>11,830,000</u>	<u>1,129,206</u>
Total governmental activities		<u>43,523,007</u>	<u>6,192,790</u>
Wastewater Utility:			
Revenue bonds	Sewage Works Revenue Bonds of 1996 Series A	1,125,000	1,158,052
Revenue bonds	Sewage Works Revenue Bonds of 2010	16,365,000	747,975
Revenue bonds	Sewage Works Revenue Bonds of 2016	<u>6,245,000</u>	<u>150,113</u>
Total Wastewater Utility		<u>17,490,000</u>	<u>1,906,027</u>
Stormwater Utility:			
General obligation bonds	Stormwater Management District Refunding Bonds of 2012	<u>930,000</u>	<u>230,850</u>
Totals		<u>\$ 68,188,007</u>	<u>\$ 8,479,780</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

Report on Compliance for the Major Federal Program

We have audited the City of Portage's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2016. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

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

Basis for Qualified Opinion on Assistance to Firefighters Grant

As described in items 2016-004 and 2016-005, in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding the Equipment and Real Property Management and Procurement and Suspension and Debarment compliance requirements that are applicable to its Assistance to Firefighters Grant. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

Qualified Opinion on Assistance to Firefighters Grant

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Assistance to Firefighters Grant* paragraph, 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 the Assistance to Firefighters Grant for the year ended December 31, 2016.

Other Matters

The City's response to the noncompliance 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.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.


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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-004, and 2016-005, that we consider 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 21, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

CITY OF PORTAGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Department of Commerce					
Coastal Zone Management Administration Awards Oak Savanna Restoration at Woodland Park	Indiana Department of Natural Resources	11.419	E16-5MKM00420	\$ -	\$ 5,500
Total - Department of Commerce				-	5,500
Department of Justice					
Bulletproof Vest Partnership Program Police Vests	Direct grant	16.607	FY 2015 BVP	-	3,740
Public Safety Partnership and Community Policing Grants COPS Grant	Direct grant	16.710	2014UMWX0034	-	174,239
Total - Department of Justice				-	177,979
Department of Transportation					
Highway Planning and Construction Cluster Highway Planning and Construction Easement at Central and County Line Road Samuelson Road Underpass Design Management by Short Elliott Hendrickson WC Central to Toll Road Central Avenue and County Line Road Intersection Project	Indiana Department of Transportation	20.205	DES#0810298 DES#1382010 DES#1500418 DES#0900080 DES#0810298	- - - - -	56,428 66,081 42,663 15,748 639
Total - Highway Planning and Construction Cluster				-	181,559
Highway Safety Cluster Alcohol Impaired Driving Countermeasures Incentive Grants I Gov't Task Force	Indiana Criminal Justice Institute	20.601	D3-16-10932	-	19,274
Total - Highway Safety Cluster				-	19,274
Total - Department of Transportation				-	200,833
Department of Homeland Security					
Assistance to Firefighters Grant FEMA SCBA	Direct Grant	97.044	EMW-2014-FR-00328	-	785,882
Total - Department of Homeland Security				-	785,882
Total federal awards expended				\$ -	\$ 1,170,194

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF PORTAGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2016. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF PORTAGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
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 program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
97.044	Assistance to Firefighters Grant	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source for the SEFA. One employee prepared the grant information for the federal awards without a system of oversight, or review, to detect and correct errors before submission.

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

Context

The lack of controls was a systemic issue. Due to the lack of controls, the following errors resulted in the understatement of the SEFA by \$1,099,701:

1. The Coastal Zone Management Administration Awards were omitted, which understated the federal expenditures by \$5,500.
2. The Public Safety Partnership and Community Policing Grants were omitted, which understated the federal expenditures by \$174,239.
3. Four projects of the Highway Planning and Construction Cluster were omitted, which understated the federal expenditures by \$180,920.
4. The Highway Planning and Construction Cluster included traffic enforcement programs, which were funded by local and state sources, which overstated federal expenditures by \$46,840.
5. The Assistance to Firefighters Grant was omitted, which understated federal expenditures by \$785,882.
6. Three federal programs did not have the correct program title or CFDA number.

Audit adjustments were proposed, approved by the City, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management of the City had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Context*.

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

Recommendation

We recommended that the City's management establish controls to ensure accurate reporting of the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-002

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

There were several deficiencies in the internal control system of the City related to Financial Transactions and Reporting.

The City had not separated incompatible activities related to all areas of the financial statement, including Cash and Investments, Receipts, Disbursements, and Financial Close and Reporting. A separation of duties for each of these areas had not been designed or implemented, to prevent or detect and correct errors.

The City also had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the City to monitor and assess the quality of the system of internal control.

Cash

The reconciliation of the bank and ledger activity was prepared by one employee without an oversight or review process. There were no assurances that all City bank accounts were included in the reconciliation.

The City bank reconciliements presented for audit had the following deficiencies:

- a. Bank reconciliements were not prepared monthly. All reconciliements for 2016 were prepared in January 2018. The most current reconciliation prepared as of the date of this report was for January 2017. Because reconciliements were not prepared timely, uncorrected errors, which overstated receipts by \$630,674, were recorded in the financial statement. Adjustments were proposed, approved by the City, and made to the financial statement.
- b. Adjusted bank balances did not agree to the financial statement and ledger balances.
- c. The bank reconciliements and ledgers excluded financial activity accounted for in trust accounts.

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

The financial activity of the 2015 Redevelopment District TIF Refunding Revenue Bonds fund was not recorded in the ledgers or reported in the financial statement. Excluded activity included the beginning Cash and Investment balance of \$13,340,482, Receipts of \$80,613, and Disbursements of \$13,421,095. Audit adjustments were proposed, approved by the City, and made to the financial statement.

Receipts

Daily utility payments were collected and a batch report of those collections was prepared. There was no documentation that utility collections and deposits were verified to the batch reports prior to posting the collections to the ledgers.

Disbursements

- a. Payroll Disbursements - There was no documentation of a review of payroll by a department head or fiscal officer before it was submitted for direct deposit for both the City and the Utility.
- b. Utility Vendor Disbursements - There was no segregation of duties. The Chief Utility Clerk authorized purchases, approved claims, wrote and signed checks, posted disbursements, and approved adjustments without a system of oversight or review.

Financial Close and Reporting

The financial information was prepared and electronically submitted through Gateway without an oversight or review process to prevent, or detect and correct, errors. The City did not have procedures in place to ensure that the financial information recorded and reported as provided by the Utility was accurate and complete.

Wastewater Revenue II fund receipts of \$13,075,181, and six utility fund's disbursements, which totaled \$23,092,474, were not reported. Adjustments were proposed, approved by the City, and made to the financial statement.

Context

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

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

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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."

The record balance at the end of every month shall be reconciled with the bank balance. (IC 5-13-6-1) Thus, any errors may be discovered and adjusted monthly. This procedure will localize any errors within the month and will prevent the necessity of a long and tedious search to trace errors covering transactions over a long period of time and will serve to expedite audits by the State Board of Accounts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

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 Indiana Code 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Cause

Management of the City had not established a proper system of internal control that segregated key functions. Management also had not conducted a risk assessment related to the City's Financial Reporting and Transactions.

Effect

The failure to establish controls enabled material misstatements to remain undetected. The failure to monitor the internal control system placed the City at risk that controls were either not designed properly or not operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Recommendation

We recommended that the City's management design and implement a proper system of internal controls, which would segregate key functions and also perform periodic monitoring of its system of internal control. Internal controls should be developed in a way to prevent, or detect and correct, errors in Financial Transactions and Reporting.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-003

Subject: Assistance to Firefighters Grant - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Matching and Level of Effort - Maintenance of Effort (MOE), Period of Performance, Reporting
Federal Agency: Department of Homeland Security
Federal Program: Assistance to Firefighters Grant
CFDA Number: 97.044
Federal Award Number and Year (or Other Identifying Number): EMW-2014-FR-00328
Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; Reporting
Audit Finding: Material Weakness

Condition

A documented internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; matching and level of effort requirements of Matching, Level of Effort, Earmarking; Period of Performance; and Reporting.

Activities Allowed or Unallowed, Allowable Cost/Cost Principles

The Assistant Fire Chief was responsible for receiving invoices and reviewing them to ensure that they were for allowable activities and were allowable costs. The invoices were subsequently provided to the Clerk-Treasurer for review; however, there was no documentation that the Assistant Fire Chief received or reviewed the invoices.

Cash Management

The City had not designed effective internal controls to ensure that federal funds were expended timely. The Clerk-Treasurer was solely responsible for ensuring that the advances of federal grant funds were disbursed without unreasonable delay.

Matching and Level of Effort - Maintenance of Effort (MOE)

The City had not established effective internal controls over matching and MOE to ensure compliance. The Clerk-Treasurer was solely responsible for ensuring that cash matching requirements were met.

The City was unaware of the MOE requirements; therefore, they did not have a system in place for determining whether or not they met the MOE requirement that grantee operating expenses must be equal to or greater than the operating expenses in the two years preceding the grant period of performance.

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

Period of Performance

The City had not established controls to ensure that grant expenditures were obligated or paid within the period of performance. The Assistant Fire Chief was designated to ensure that the disbursements from the federal grant were within the period of performance. The Clerk-Treasurer, subsequently, reviewed the disbursements for compliance with period of performance; however, there was no documentation of the initial determination by the Assistant Fire Chief.

Reporting

The City had not established an effective internal control system to ensure accurate reporting of the grant receipts and disbursements. The Assistant Fire Chief prepared and submitted all federal reports without a proper system of oversight or review before submission.

Context

The lack of properly documented controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The City had not developed a system of internal controls to ensure compliance with the grant agreement and the compliance requirements noted in the *Condition*.

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the City's management establish controls to ensure compliance with the following compliance requirements noted in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-004

Subject: Assistance to Firefighters Grant - Equipment
Federal Agency: Department of Homeland Security
Federal Program: Assistance to Firefighters Grant
CFDA Number: 97.044
Federal Award Number: EMW-2014-FR-00328
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Modified Opinion

Condition

The City had not established an effective internal control system to ensure compliance with the grant agreement and equipment requirements of the Equipment and Real Property Management compliance requirement.

The City failed to comply with the equipment requirements that equipment purchased with federal funds must be added to the capital assets listing and include the percentage of federal funding, that any disposal of assets acquired with federal funds must be reported, and that a physical inventory of the equipment must be performed at least every two years. The equipment purchased with federal funds was not included on the City's capital assets detail listing. In addition, no documentation of a physical inventory of equipment was provided for audit.

Context

The lack of controls and the noncompliance were systemic issues, which occurred throughout the audit period. Equipment purchased totaled \$890,147, of which \$785,882 was from the federal grant and was the only expenditure of this grant.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
..."

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

2 CFR 200.313(d) states:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, 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 funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (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 must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Cause

Management had not developed a system of internal controls to ensure compliance with the equipment requirements of the Equipment and Real Property Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the City.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City establish controls to ensure compliance and comply with the Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

FINDING 2016-005

Subject: Assistance to Firefighters Grant - Procurement and Suspension and Debarment
Federal Agency: Department of Homeland Security
Federal Program: Assistance to Firefighters Grant
CFDA Number: 97.044
Federal Award Number: EMW-2014-FR-00328
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition

The City had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Procurement

The City had not established effective controls to ensure that proper procurement policies were followed.

The City did not comply with the procurement requirements of the Procurement and Suspension and Debarment compliance requirement. They had not adopted a written public purchase policy for purchases over \$50,000, which would have complied with federal and state rules for procurement.

Suspension and Debarment

The City had not established effective controls to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs.

The City did not comply with the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement. They did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period. There was no policy for purchases over \$50,000 and no verification procedures were performed for the vendor paid from the grant.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
...

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.

(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
..."

2 CFR 200.213 states:

"Non-federal entities and contractors are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed a system of internal controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the City.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.

Purpose: To document the Auditee Prepared Corrective Action Plans for each federal finding in the 2016 report

Source: Corrective Action Plans prepared by Clerk-Treasurer Christopher D. Stidham

Procedure: Obtained Corrective Action Plans from the Clerk-Treasurer on 02/20/2018 for each federal finding in the 2016 report. Added to the project for audit documentation.

Conclusion: The Auditee Prepared Corrective Action Plans for each federal finding in the 2016 report have been documented.



Christopher D. Stidham Clerk-Treasurer

Office of the Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2016-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Clerk-Treasurer Christopher D. Stidham

Contact Phone Number: (219) 762-7784

We concur with the finding.

Description of Corrective Action Plan:

The City of Portage will establish a process to review entries into the Gateway system for the Schedule of Expenditures of Federal Awards. The review process will create an internal control to ensure compliance with state and federal requirements.

Anticipated Completion Date:

On or before March 1, 2018.



Christopher D. Stidham Clerk-Treasurer

Office of the Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2016-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Clerk-Treasurer Christopher D. Stidham

Contact Phone Number: (219) 762-7784

We concur with the finding.

Description of Corrective Action Plan:

The City of Portage will establish and implement a system of internal controls which will segregate key functions. Management will perform periodic review of the system of internal controls to ensure employees' compliance. The internal controls will be developed in a way to prevent or detect errors in financial transactions and reporting.

Anticipated Completion Date:

On or before April 1, 2018.



Christopher D. Stidham Clerk-Treasurer

Office of the Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2016-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Clerk-Treasurer Christopher D. Stidham
Contact Phone Number: (219) 762-7784

We concur with the finding.

Description of Corrective Action Plan:

The City of Portage will establish and implement a system of internal controls to comply with the requirements of each federal grant award including: internal control for allowable cost(s), effective cash management, ensuring grant funds are expended within the period of performance, internal controls for external report and any Matching and Level of Effort requirements.

Anticipated Completion Date:

On or before April 1, 2018.

Purpose: To document the Auditee Prepared Corrective Action Plans for each federal finding in the 2016 report

Source: Corrective Action Plans prepared by Clerk-Treasurer Christopher D. Stidham

Procedure: Obtained Corrective Action Plans from the Clerk-Treasurer on 02/20/2018 for each federal finding in the 2016 report. Added to the project for audit documentation.

Conclusion: The Auditee Prepared Corrective Action Plans for each federal finding in the 2016 report have been documented.



Christopher D. Stidham Clerk-Treasurer

Office of the Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2016-004 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Clerk-Treasurer Christopher D. Stidham

Contact Phone Number: (219) 762-7784

We concur with the finding.

Description of Corrective Action Plan:

The City of Portage will establish and implement a system of internal controls to ensure all assets are included in the City's capital assets records and reported accordingly. The City of Portage will comply with the Equipment and Real Property Management compliance requirement.

Anticipated Completion Date:

On or before April 1, 2018.



Christopher D. Stidham Clerk-Treasurer

Office of the Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2016-005 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Clerk-Treasurer Christopher D. Stidham

Contact Phone Number: (219) 762-7784

We concur with the finding.

Description of Corrective Action Plan:

The City of Portage will establish and implement a system of internal controls to ensure compliance with the federal suspension and debarment requirements. The City of Portage will include a provision in all contracts requiring compliance by the vendor with this system.

Anticipated Completion Date:

On or before April 1, 2018.

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.