

**CHARTER TOWNSHIP OF PORTAGE  
HOUGHTON COUNTY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS  
(with required supplementary and additional information)**

**December 31, 2011**

**CHARTER TOWNSHIP OF PORTAGE**

**DECEMBER 31, 2011**

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**ELECTED OFFICIALS**

Supervisor .....	Bruce Petersen
Clerk .....	Sandra Luoma
Treasurer .....	Carol Little
Trustee .....	Peggy Anderson
Trustee .....	James Zerbst
Trustee .....	Mark Jalkanen
Trustee .....	John Ollila

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# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, P.C.*  
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## INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Charter Township of Portage  
Houghton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage as of and for the year then ended December 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage as of December 31, 2011, and the respective changes in financial position and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2012 on our consideration of the Charter Township of Portage's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 13 and 40 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Portage's financial statements as a whole. The additional information on pages 43 to 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The additional information on pages 43 to 59 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Rukkila, Negro & Associates,  
Certified Public Accountants, PC**

June 27, 2012

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

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This section of the Charter Township of Portage's annual Financial Report presents Management's Discussion and Analysis of the Township's financial activities during the fiscal year ended December 31, 2011. The analysis focuses on the Township's financial performance as a whole. It is intended to be read as part of the Township's financial statements, which immediately follows this section.

**Financial Highlights**

The Portage Township – Dodgeville/Hurontown USDA funded Sewer lining project that was completed in the latter part 2011 has dramatically reduced the ground water infiltration rates in to the Township's sanitary sewer system. Comparing the years 2004 thru 2010 average flows, (prior to the pipe lining/joint grouting project), to a five month period in 2011 after the project, the treatable sewage flows where down on an average of 51.0%. The impact of these reductions on the Township has been dramatic. It has decreased the sewage treatment bills from the City of Houghton thus greatly benefitting our Sewer fund.

**Overview of the Financial Statements**

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Township's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Township as a whole and represent an overall view of the Township's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the Township is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The Township's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the Township's net assets is one way to determine if the financial position of the Township is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the Township.

There are two kinds of activities in the Statement of Net Assets and the Statement of Activities:

Governmental Activities - Most of the Township's basic services are reported here, including general administration, fire, public works, and parks and recreation. These activities are financed primarily by property taxes, intergovernmental revenues, and charges for services.

Major Funds: Under GASB Statement 34, the audit focus has shifted from governmental type funds to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the Charter Township of Portage, the General Fund, Fire Protection and Cemetery Perpetual Care meet this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller, less active funds. Detailed information about non-major funds can be found after the notes to the financial statements.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

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**Overview of the Financial Statements - Continued**

Business-Type Activities - The Township's sewer and water activities are reported here. A fee is charged to customers to help defray the cost of these services.

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the Township's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information.
- Other supplementary information provides detailed information about the Non-major governmental funds and Water Funds.

Governmental Funds - The Township's basic services are mainly reported in this type of fund, which concentrates on how money goes into and out of those funds and the balances left at year end that are available for spending. Modified accrual accounting is the reporting method used for these funds. These statements provide a short-term view of the Township's general governmental operations and the basic services it provides in detail. Information in these statements help determine whether there are more or fewer financial resources that can be spent in the future to finance the Township's programs.

Governmental funds are essentially the same as the governmental activities with the exception that internal services are included in governmental activities but not as governmental funds. Governmental funds use a modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources.

In governmental funds, capital outlay and debt principal are reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and depreciation is not recorded. The rule for reporting accrued vacation is more restrictive. The Balance Sheet for governmental funds does not include any capital assets or long-term debt.

Proprietary Funds - Proprietary funds use a full accrual method of accounting for both government-wide statements and fund level statements.

Enterprise funds are used to report business like activities. In general, these funds charge a fee for their services. The Township uses enterprise funds for water and sewer. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Township's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds. All enterprise funds qualify as major funds.



**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**Overview of the Financial Statements - Continued**

**Summary of Net Assets**

	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
<b>Assets</b>				
Current and other assets	\$ 712,529	\$ 728,128	\$ 275,265	\$ 383,674
Restricted cash and investments	1,043,638	1,024,403	168,159	91,539
Capital assets - Net of accumulated depreciation	1,029,200	1,044,998	4,390,477	3,590,888
Total Assets	<u>\$ 2,785,367</u>	<u>\$ 2,797,529</u>	<u>\$ 4,833,901</u>	<u>\$ 4,066,101</u>
<b>Liabilities</b>				
Current liabilities	\$ 15,640	\$ 20,478	\$ 81,174	\$ 140,553
Long-term liabilities	154,201	157,345	1,671,795	1,371,520
Total Liabilities	<u>169,841</u>	<u>177,823</u>	<u>1,752,969</u>	<u>1,512,073</u>
<b>Net Assets</b>				
Invested in property and equipment - net of related debt	934,255	960,998	2,818,467	2,209,738
Restricted	1,043,105	1,024,403	168,159	91,539
Unrestricted	638,166	634,305	94,306	252,751
Total Net Assets	<u>2,615,526</u>	<u>2,619,706</u>	<u>3,080,932</u>	<u>2,554,028</u>
Total Liabilities and Net Assets	<u>\$ 2,785,367</u>	<u>\$ 2,797,529</u>	<u>\$ 4,833,901</u>	<u>\$ 4,066,101</u>

**Results of Operations**

	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
<u>Revenues</u>				
Program Revenue:				
Charges for services	\$ 79,025	\$ 75,952	\$ 414,229	\$ 390,189
Grants and contributions	-	-	-	-
Capital grants and contributions	-	17,006	562,900	925,100
General Revenue:				
Property taxes	200,787	197,139	-	-
State shared revenue	230,442	203,060	-	-
Other	132,307	66,137	11,250	7,565
Total Revenue	<u>642,561</u>	<u>559,294</u>	<u>988,379</u>	<u>1,322,854</u>
<u>Functions/Program Expenses</u>				
General government	401,953	381,204	-	-
Public safety	81,080	111,886	-	-
Public works	142,513	161,925	461,475	418,271
Recreation	21,195	17,045	-	-
Total Expenses	<u>646,741</u>	<u>672,060</u>	<u>461,475</u>	<u>418,271</u>
Change in Net Assets	(4,180)	(112,766)	526,904	904,583
Net Assets - Beginning	2,619,706	2,732,472	2,554,028	1,649,445
Net Assets - Ending	<u>\$ 2,615,526</u>	<u>\$ 2,619,706</u>	<u>\$ 3,080,932</u>	<u>\$ 2,554,028</u>

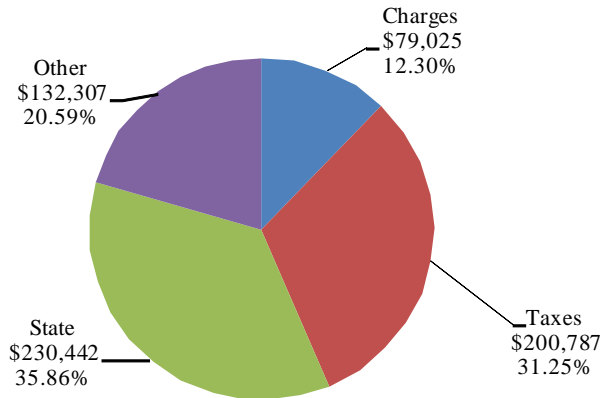
**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

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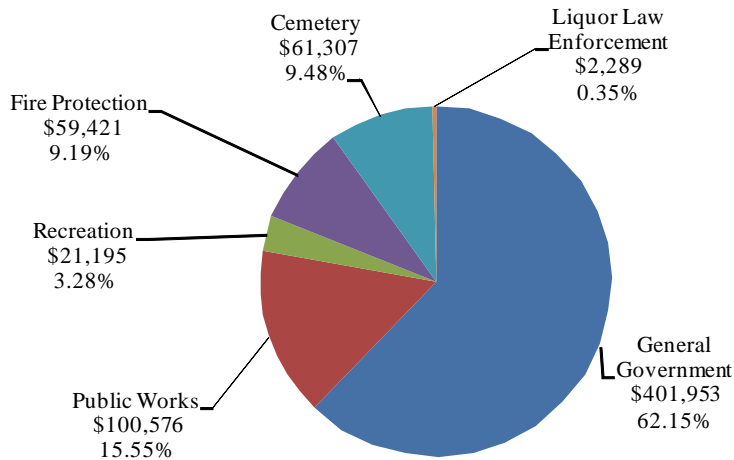
**Overview of the Financial Statements - Continued**

The following two charts highlight the Township's governmental activities by revenues and expenses.

**Revenues - Governmental Activities**



**Expenditures - Governmental Activities**



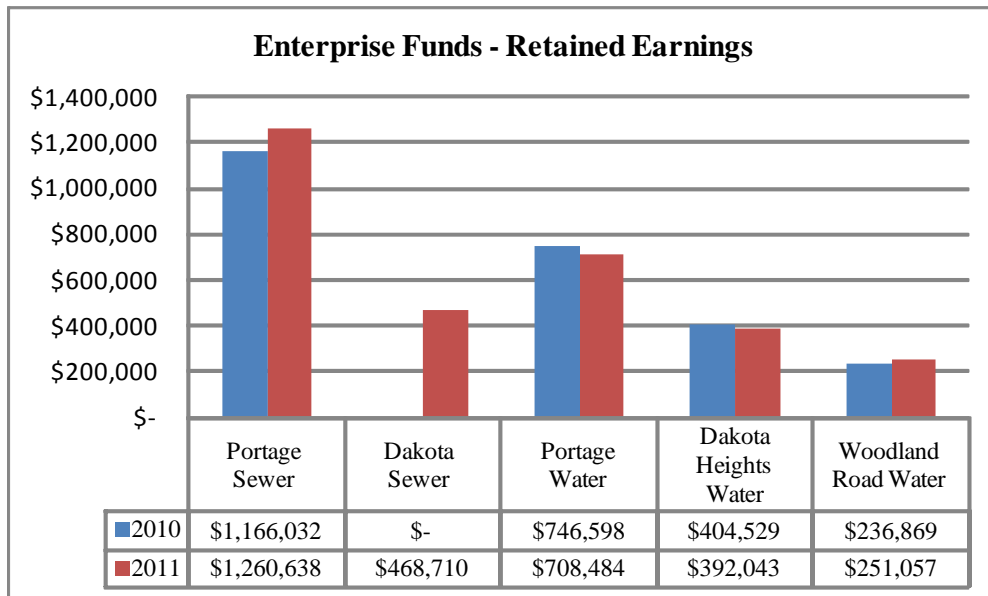
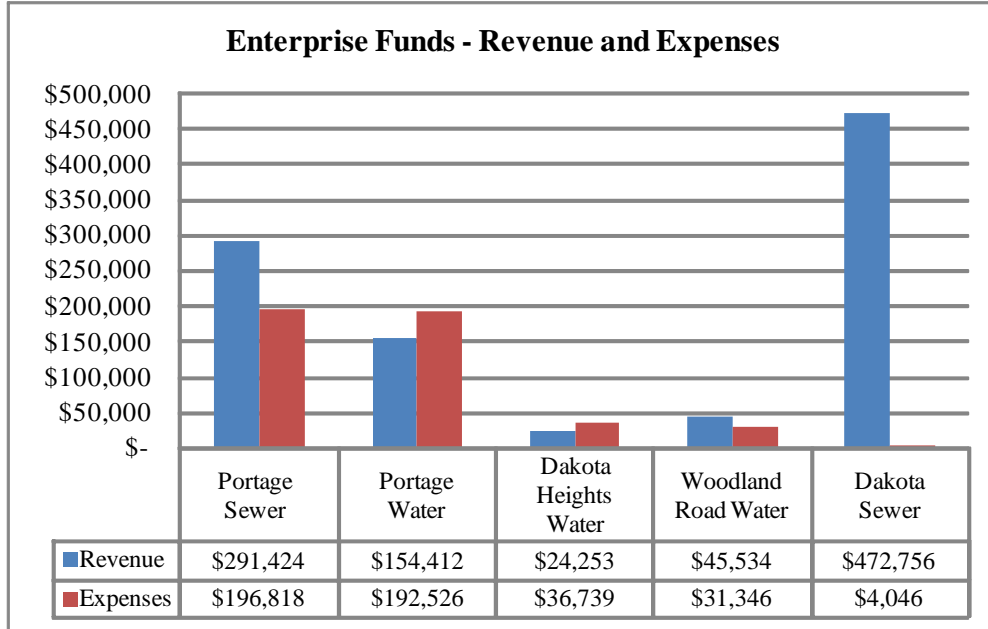
The most significant portions of the revenues for all governmental activities of the Township comes from state shared revenue and property taxes. The Township's operating millage was 1.2964 mills.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

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**Overview of the Financial Statements - Continued**

The following two charts highlight the Township's business-type activities by revenues and expenses.



**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

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**Financial Analysis**

Governmental Funds: The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined unassigned fund balances of \$646,950.

The General Fund is the main operating fund of the Township. At the end of the current fiscal year, unassigned balance of the General Fund was \$482,831. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures. Unassigned fund balance represents 92% of total General Fund expenditures.

The fund balance of the Township's General Fund decreased by \$60,807 during the fiscal year. Revenues increased in state shared revenue, administration fees, loan proceeds, and sale of equipment. Expenditures increased by \$81,631 with a majority of the increases in the following activities: Assessor - salaries and benefits; Roads - oiling of roads; Motor Vehicle - fuel and maintenance expenses; Town Hall - maintenance; Other Activities - Employee benefits and capital outlay; Maintenance Building - capital outlay.

Proprietary Funds: The Township's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail. Net assets at the end of the year amounted to \$3,080,932.

**Budgetary Highlights**

During the year ended December 31, 2011, the Township amended the budget at various times throughout the year. The amendments were done to cover unbudgeted expenditures. The amendments were mainly required to reconcile actual versus budgeted levels of effort required for various maintenance activities in the different funds.

**Capital Assets and Debt Administration**

The Township's investment in capital assets for the governmental and business-type activities as of December 31, 2011, amounts to \$8,432,749. This investment in capital assets includes land, buildings, system improvements, machinery and equipment.

Governmental Activities:

A loader and backhoe were purchased for both Governmental and Business-Type activities, for the amounts of \$129,784 and \$79,627 respectively.

Business-Type Activities:

The Portage sewer fund received from the United States Department of Agriculture - Rural Development (USDA) \$96,600 in grant revenues for major improvements to the Dakota Heights sewage disposal system. Sewage improvement costs for this fiscal year totaled \$99,241.

The Dakota Heights sewer fund received from the United States Department of Agriculture - Rural Development (USDA) \$466,300 in grant revenues and \$249,000 in bond funds for major improvements to the Dakota Heights sewage disposal system. Sewage improvement costs for this fiscal year totaled \$649,410.

Additional information on the Township's capital assets can be found starting on page 29 of this report.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

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**Long-term debt**

At the end of the current fiscal year, the Township had total debt of \$1,653,150. This total amount is backed by the full faith and credit of the Township. The Township's overall debt increased by \$188,000 during the fiscal year.

Dakota Heights Sewer fund received USDA bond proceeds in the amount of \$249,000 for major system improvements.

Additional information on the Township's long-term debt can be found starting page 34 of this report.

**Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances. If you have questions about this report or need additional information, contact the Township Supervisor at the Portage Township, 474240 Green Acres Road, Houghton, Michigan 49931, phone (906) 482-4310 and e-mail address [supervisor@charterportagetwp.org](mailto:supervisor@charterportagetwp.org).

**CHARTER TOWNSHIP OF PORTAGE**  
**STATEMENT OF NET ASSETS**

**December 31, 2011**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 589,657	\$ 231,919	\$ 821,576
Receivables	644	24,195	24,839
Inventories	-	28,659	28,659
Prepaid expenses	18,752	4,894	23,646
Internal balances	16,473	(16,473)	-
Due from fiduciary funds	47,658	2,071	49,729
Due from other governmental units	39,345	-	39,345
<b>TOTAL CURRENT ASSETS</b>	<b>712,529</b>	<b>275,265</b>	<b>987,794</b>
<b>NONCURRENT ASSETS:</b>			
Restricted cash	489,230	168,159	657,389
Restricted investments	554,408	-	554,408
Capital assets	1,868,292	6,564,457	8,432,749
Less: accumulated depreciation	(839,092)	(2,173,980)	(3,013,072)
	1,029,200	4,390,477	5,419,677
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,072,838</b>	<b>4,558,636</b>	<b>6,077,066</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,785,367</b>	<b>\$ 4,833,901</b>	<b>\$ 7,619,268</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accrued expenses	2,440	1,314	3,754
Current maturities on lease payable	6,200	46,000	52,200
Current maturities on bond/note payable	7,000	33,860	40,860
<b>TOTAL CURRENT LIABILITIES</b>	<b>15,640</b>	<b>81,174</b>	<b>96,814</b>
<b>NONCURRENT LIABILITIES:</b>			
Bonds Payable, less current maturities	62,000	1,538,150	1,600,150
Lease Payable, less current maturities	19,745	107,457	127,202
Accrued vacation payable	8,784	-	8,784
User deposits	-	16,622	16,622
Deferred revenue	63,672	9,566	73,238
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>154,201</b>	<b>1,671,795</b>	<b>1,825,996</b>
<b>TOTAL LIABILITIES</b>	<b>169,841</b>	<b>1,752,969</b>	<b>1,922,810</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	934,255	2,818,467	3,752,722
<b>Restricted:</b>			
General Fund	12,656	-	12,656
Fire Protection Fund	2,885	-	2,885
Cemetery	3,161	-	3,161
Cemetery Perpetual Care	1,024,403	-	1,024,403
Debt service	-	168,159	168,159
Unrestricted	638,166	94,306	732,472
<b>TOTAL NET ASSETS</b>	<b>2,615,526</b>	<b>3,080,932</b>	<b>5,696,458</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,785,367</b>	<b>\$ 4,833,901</b>	<b>\$ 7,619,268</b>

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

**CHARTER TOWNSHIP OF PORTAGE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Capital		Primary Government		
		Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b><u>FUNCTIONS/PROGRAMS</u></b>						
Primary government:						
Government activities:						
General government	\$ 401,953	\$ 79,025	\$ -	\$(322,928)	\$ -	\$(322,928)
Public safety	81,080	-	-	(81,080)	-	(81,080)
Public works	142,513	-	-	(142,513)	-	(142,513)
Recreation	21,195	-	-	(21,195)	-	(21,195)
Total governmental activities	<u>646,741</u>	<u>79,025</u>	<u>-</u>	<u>\$(567,716)</u>	<u>-</u>	<u>\$(567,716)</u>
Business-type activities:						
Water	260,611	217,955	-	-	(42,656)	(42,656)
Sewer	200,864	196,274	562,900	-	558,310	558,310
Total business-type activities	<u>461,475</u>	<u>414,229</u>	<u>562,900</u>	<u>-</u>	<u>515,654</u>	<u>515,654</u>
Total primary government	<u>\$ 1,108,216</u>	<u>\$ 493,254</u>	<u>\$ 562,900</u>	<u>\$(567,716)</u>	<u>515,654</u>	<u>\$(52,062)</u>
General Revenues:						
Taxes				200,787	-	200,787
State shared revenue				230,442	-	230,442
Interest and investment earnings				39,052	3,039	42,091
Realized gain (loss)				(513)	-	(513)
Unrealized gain (loss)				41,535	-	41,535
Other				52,233	8,211	60,444
Total general revenues, transfers and special items				<u>563,536</u>	<u>11,250</u>	<u>574,786</u>
Change in Net Assets				(4,180)	526,904	522,724
Net Assets- Beginning				2,619,706	2,554,028	5,173,734
Net Assets- Ending				<u>\$ 2,615,526</u>	<u>\$ 3,080,932</u>	<u>\$ 5,696,458</u>

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

**CHARTER TOWNSHIP OF PORTAGE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**December 31, 2011**

	Major Funds				Total Governmental Funds
	General Fund	Fire Protection Fund	Permanent Fund Cemetery Perpetual Care	Non-major Funds	
<b>ASSETS:</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 414,626	\$ 133,327	-	\$ 41,704	\$ 589,657
Accounts receivable	644	-	-	-	644
Prepaid expenses	12,656	2,885	-	3,211	18,752
Due from other funds	46,283	-	3,311	-	49,594
Due from fiduciary funds	28,483	19,175	-	-	47,658
Due from governmental units	39,345	-	-	-	39,345
<b>TOTAL CURRENT ASSETS</b>	<b>542,037</b>	<b>155,387</b>	<b>3,311</b>	<b>44,915</b>	<b>745,650</b>
<b>RESTRICTED ASSETS:</b>					
Restricted cash	-	-	489,230	-	489,230
Restricted investments	-	-	554,408	-	554,408
<b>TOTAL RESTRICTED ASSETS</b>	<b>-</b>	<b>-</b>	<b>1,043,638</b>	<b>-</b>	<b>1,043,638</b>
<b>TOTAL ASSETS</b>	<b>\$ 542,037</b>	<b>\$ 155,387</b>	<b>\$ 1,046,949</b>	<b>\$ 44,915</b>	<b>\$ 1,789,288</b>
<b>LIABILITIES:</b>					
<b>CURRENT LIABILITIES:</b>					
Accrued expenses	1,256	1,184	-	-	2,440
Due to other funds	7,222	21,432	-	4,467	33,121
Deferred revenue	38,072	25,600	-	-	63,672
<b>TOTAL CURRENT LIABILITIES</b>	<b>46,550</b>	<b>48,216</b>	<b>-</b>	<b>4,467</b>	<b>99,233</b>
<b>FUND BALANCES:</b>					
Nonspendable:					
Prepaid	12,656	2,885	-	3,161	18,702
Restricted	-	-	1,024,403	-	1,024,403
Unassigned	482,831	104,286	22,546	37,287	646,950
<b>TOTAL FUND BALANCES</b>	<b>495,487</b>	<b>107,171</b>	<b>1,046,949</b>	<b>40,448</b>	<b>1,690,055</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 542,037</b>	<b>\$ 155,387</b>	<b>\$ 1,046,949</b>	<b>\$ 44,915</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,029,200
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(103,729)</u>
Net assets of governmental activities	<u>\$ 2,615,526</u>

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



**CHARTER TOWNSHIP OF PORTAGE**  
**GOVERNMENTAL FUNDS**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2011**

	<u>Major Funds</u>				Total Governmental Funds
	General Fund	Fire Protection Fund	Permanent Fund Cemetery Perpetual Care	Non-major Funds	
Revenues:					
Taxes	\$ 108,436	\$ 77,854	\$ -	\$ -	\$ 186,290
Commercial Forest	14,497	-	-	-	14,497
State revenue	228,179	-	-	2,263	230,442
Charges for services	56,662	-	-	22,363	79,025
Interest	3,592	1,280	34,147	33	39,052
Other revenue	26,663	1,215	15,000	9,355	52,233
Total revenues	<u>438,029</u>	<u>80,349</u>	<u>49,147</u>	<u>34,014</u>	<u>601,539</u>
Expenditures:					
General government	382,204	-	-	-	382,204
Public safety	3,011	59,421	-	2,289	64,721
Public works	118,371	-	115	61,307	179,793
Recreation and culture	21,195	-	-	-	21,195
Total expenditures	<u>524,781</u>	<u>59,421</u>	<u>115</u>	<u>63,596</u>	<u>647,913</u>
Excess (deficiency) of revenue over expenditures	(86,752)	20,928	49,032	(29,582)	(46,374)
Other Financing Sources:					
Realize gain (loss)	-	-	(513)	-	(513)
Unrealized gain (loss)	-	-	41,535	-	41,535
Loan proceeds	25,945	-	-	-	25,945
Operating transfers in (out)	-	-	(67,508)	67,508	-
Total other financing sources	<u>25,945</u>	<u>-</u>	<u>(26,486)</u>	<u>67,508</u>	<u>66,967</u>
Net change in fund balance	<u>(60,807)</u>	<u>20,928</u>	<u>22,546</u>	<u>37,926</u>	<u>20,593</u>
Fund Balances - Beginning of Year	556,294	86,243	1,024,403	2,522	
Fund Balances - End of Year	<u>\$ 495,487</u>	<u>\$ 107,171</u>	<u>\$ 1,046,949</u>	<u>\$ 40,448</u>	

Amounts reported for governmental activities in the statement are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures.

This amount represents capital outlay and depreciation. (15,798)

In the statement of activities, only proceeds above associated debt are reported, whereas in the governmental funds, the proceeds from the loan increase financial resources. Thus, the change in net assets differs from the change in fund balance by the amount of loan proceeds. (25,945)

Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred. 1,970

Loan payments on long term debt 15,000

Change in net assets of governmental activities \$ (4,180)

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

**CHARTER TOWNSHIP OF PORTAGE**  
**PROPRIETARY FUNDS**  
**BALANCE SHEET**  
**December 31, 2011**

	Business-Type Activities Enterprise Funds		
	Sewer System	Water System	Total
<b>ASSET AND OTHER DEBITS:</b>			
Current Assets:			
Cash	\$ 7,874	\$ 224,045	\$ 231,919
Receivables	8,199	15,996	24,195
Inventory	-	28,659	28,659
Due from other funds	148	7,386	7,534
Due from fiduciary funds	-	2,071	2,071
Prepaid expenses	1,542	3,352	4,894
Total current assets	<u>17,763</u>	<u>281,509</u>	<u>299,272</u>
Restricted cash	<u>22,722</u>	<u>145,437</u>	<u>168,159</u>
General fixed assets:			
Fixed Assets	3,381,339	3,183,118	6,564,457
Accumulated depreciation	<u>(1,055,595)</u>	<u>(1,118,385)</u>	<u>(2,173,980)</u>
Total general fixed assets	<u>2,325,744</u>	<u>2,064,733</u>	<u>4,390,477</u>
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b><u>\$ 2,366,229</u></b>	<b><u>\$ 2,491,679</u></b>	<b><u>\$ 4,857,908</u></b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Due to other funds	12,395	11,612	24,007
Current maturities on leases payable	9,347	24,513	33,860
Current maturities on bond payable	5,000	41,000	46,000
User deposits	-	16,622	16,622
Accrued expenses	466	848	1,314
Deferred revenue	-	9,566	9,566
Total current liabilities	<u>27,208</u>	<u>104,161</u>	<u>131,369</u>
Long-term liabilities:			
Leases payable net of current maturities	29,673	77,784	107,457
Bonds payable net of current maturities	<u>580,000</u>	<u>958,150</u>	<u>1,538,150</u>
Total long term liabilities	<u>609,673</u>	<u>1,035,934</u>	<u>1,645,607</u>
<b>TOTAL LIABILITIES</b>	<b><u>636,881</u></b>	<b><u>1,140,095</u></b>	<b><u>1,776,976</u></b>
<b>FUND EQUITY AND OTHER CREDITS:</b>			
Retained earnings	<u>1,729,348</u>	<u>1,351,584</u>	<u>3,080,932</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 2,366,229</u></b>	<b><u>\$ 2,491,679</u></b>	<b><u>\$ 4,857,908</u></b>

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

**CHARTER TOWNSHIP OF PORTAGE**  
**PROPRIETARY FUNDS**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN RETAINED EARNINGS**  
**For the Year Ended December 31, 2011**

	Business-Type Activities		
	Enterprise Funds		
	Sewer System	Water System	Total
OPERATING REVENUE			
Charges for services	\$ 193,599	\$ 212,389	\$ 405,988
Parts, meters, hook-up fees	2,675	5,566	8,241
Other	5,006	3,205	8,211
TOTAL OPERATING REVENUE	<u>201,280</u>	<u>221,160</u>	<u>422,440</u>
EXPENSES:			
Salaries	20,188	43,158	63,346
Payroll taxes	1,589	5,421	7,010
Employee benefits	6,718	13,381	20,099
Supplies	3,801	7,020	10,821
Utilities	5,154	4,645	9,799
Insurance	7,636	3,217	10,853
Repairs and maintenance	1,896	4,038	5,934
Depreciation	43,700	82,330	126,030
Purchase services	108,209	51,959	160,168
Miscellaneous	1,243	4,052	5,295
TOTAL EXPENSES	<u>200,134</u>	<u>219,221</u>	<u>419,355</u>
OPERATING INCOME(LOSS)	1,146	1,939	3,085
NON-OPERATING REVENUES (EXPENSES)			
Grant proceeds	562,900	-	562,900
Interest income	-	3,039	3,039
Interest expense	(730)	(41,390)	(42,120)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>562,170</u>	<u>(38,351)</u>	<u>523,819</u>
NET INCOME (LOSS)	563,316	(36,412)	526,904
RETAINED EARNINGS, BEGINNING OF YEAR	<u>1,166,032</u>	<u>1,387,996</u>	<u>2,554,028</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 1,729,348</u>	<u>\$ 1,351,584</u>	<u>\$ 3,080,932</u>

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

**CHARTER TOWNSHIP OF PORTAGE**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2011**

	<u>Enterprise Funds</u>		
	<u>Sewer System</u>	<u>Water System</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 290,052	\$ 220,544	\$ 510,596
Payments to suppliers	(230,944)	(96,497)	(327,441)
Payments to employees	(19,772)	(43,657)	(63,429)
Other receipts (payments)	-	-	-
Net cash provided by operating activities	<u>39,336</u>	<u>80,390</u>	<u>119,726</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating subsidies and transfers to other funds	<u>(67,364)</u>	<u>(3,203)</u>	<u>(70,567)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(797,508)	(128,108)	(925,616)
Capital lease proceeds	48,857	128,108	
Capital lease payments	(9,840)	(25,811)	
Grant proceeds	562,900	-	562,900
Bond Proceeds	249,000	-	
Principal paid on capital debt	(5,000)	(41,000)	(46,000)
Interest paid on capital debt	(730)	(41,390)	(42,120)
Net cash (used) by capital and related financing activities	<u>47,679</u>	<u>(108,201)</u>	<u>(60,522)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	-	3,039	3,039
Net cash provided by investing activities	<u>-</u>	<u>3,039</u>	<u>3,039</u>
Net (decrease) in cash and cash equivalents	19,651	(27,975)	(8,324)
Cash and cash equivalents - beginning of year	<u>10,945</u>	<u>397,457</u>	<u>408,402</u>
Cash and cash equivalents - ending of year	<u>\$ 30,596</u>	<u>\$ 369,482</u>	<u>\$ 400,078</u>
<b>Reconciliation of operating income (loss) to net cash provided</b>			
<b>(used) by operating activities:</b>			
Operating income (loss)	\$ 1,146	\$ 1,939	\$ 3,085
<b>Adjustments to reconcile operating income to net cash provided</b>			
<b>(used) by operating activities:</b>			
Depreciation expense	43,700	82,330	126,030
<b>Change in assets and liabilities</b>			
Receivables, net	88,772	9,566	98,338
Other assets	(1,542)	(2,764)	(4,306)
Accounts and other payables	(93,156)	-	(93,156)
Other liabilities	-	(10,182)	(10,182)
Accrued expenses	416	(499)	(83)
Net cash provided by operating activities	<u>\$ 39,336</u>	<u>\$ 80,390</u>	<u>\$ 119,726</u>

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

**CHARTER TOWNSHIP OF PORTAGE**  
**STATEMENT OF FIDUCIARY NET ASSETS**

**December 31, 2011**

	<u>Tax Collection Fund</u>
ASSETS:	
RESTRICTED ASSETS:	
Cash and cash equivalents	\$ 341,454
TOTAL RESTRICTED ASSETS	<u>\$ 341,454</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Due to governmental funds	\$ 49,729
Due to other governmental units	<u>291,725</u>
TOTAL CURRENT LIABILITIES	<u>\$ 341,454</u>

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

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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The Charter Township of Portage is a Charter Township located in Houghton County, Michigan, and encompasses an area of 113.35 square miles. The Township operates under an elected Board of Trustees (seven members, including the Township Supervisor, Township Clerk, Township Treasurer, and four trustees) and provides services to a population of approximately 3,150 Township residents.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Charter Township of Portage conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

**REPORTING ENTITY**

The Charter Township of Portage is incorporated under the laws of the State of Michigan and operates under an elected council form of government.

There are no other governmental units within the Township that are controlled by, or dependent upon the Township's Board of Trustees. Control by, or dependence on the Township, was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

**Government-Wide Financial Statements** - The statement of net assets and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as trust and agency funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to inter-fund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue and capital projects and the restrictions on their net asset use.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The major governmental funds are each presented in a single column on the financial statements.

The following fund types are used by the Township:

Governmental Funds - The focus of the governmental funds' measurement (in the fund statements) is upon determination of the financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the major governmental funds of the Township:

General Fund - The General Fund is the government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Protection Fund - The Fire Fund accounts for fire protection by special assessment under Act 33, 1951, as amended.

Permanent Fund Type - The Cemetery Perpetual Care Fund is the Township's only permanent fund. The principal portion of the fund must stay intact, but the interest earnings are used to provide care for the cemetery.

The following is a description of the non-major governmental fund of the Township:

Cemetery Fund - The Cemetery Fund accounts for all operations of cemetery activities.

Liquor Law Fund - This fund accounts for all activity in connection with liquor law enforcement as required by the State of Michigan and is funded by the same.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Sewer and Water funds are major enterprise funds of the Township.

Fiduciary Funds - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Fiduciary funds are not included in the government-wide statements.

The following is a description of the fiduciary fund:

Current Tax Collection Fund - The Current Tax Collection Fund accounts for collection and disbursement of property tax collections to all taxing agencies.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accrual Method

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is incurred.

Property taxes, state revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

*Other Accounting Policies*

Cash and Cash Equivalents - The Township's cash and cash equivalents include checking, money market, certificates of deposits, and savings accounts.

The Township reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Township to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, bankers acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township does have an investment policy that meets state statutory regulations.

Property Taxes - Property taxes are levied on December 1. The Township collects its own property taxes until February 28, at which time unpaid real taxes are turned over to Houghton County for collection.



**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

For the year ended December 31, 2011, the Township levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
Township Operating	1.2964
Fire Operating	.9830

Restricted assets - Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited.

Receivables and Payables - In general, outstanding balances between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory - Inventory is valued at cost as determined on the first-in, first-out method for the Water Fund. For all other funds the Township utilizes the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Encumbrances - Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, water/sewer improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-40 years
Vehicles	5-10 years
Furniture and other equipment	5-10 years

Interfund Activity

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance - The Township adopted the provisions of GASB Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, in the current year. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is presented on the face of the balance sheet.

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either a.) Not in spendable form, or b.) Legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, laws or regulations of other governments. *Committed fund balance*, if any, is reported from amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government's highest level of decision making authority, the Board of Commissioners. A formal resolution of the Board of Commissioners is required to establish, modify or rescind a fund balance commitment. The Township reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned balance.

Accrued Benefits - The liabilities for accrued benefits reported in the government-wide statements in the amount of \$8,784, consisted of sick leave and vacation balances. Accrued vacation time is payable upon termination of employment or retirement. Accrued sick leave is not paid to employees upon termination of employment or retirement, thus there is no vested liability for unused sick leave.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassification - Certain items in the 2010 financial statements have been reclassified to conform with the current year presentation.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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**NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each October, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following January 1, and submits this proposed budget to the Township Board of Trustees at the annual meeting in January.
- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to the statute, the proposed budget as approved by the Board of Trustees, is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at the next board meeting.
- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

In accordance with the State of Michigan Budgeting and Accounting Act, the Township must adopt an annual operating budget for the General, Special Revenue and Enterprise Funds.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

**NOTE C - CASH AND INVESTMENTS**

As of December 31, 2011 the Township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Municipal Bonds	\$ 153,861	AA-/Aa2 and AA+
Government and agency securities	<u>400,547</u>	AA+/Aaa, Aaa and AA+/Aaa/AAA
Total Bonds	<u>\$ 554,408</u>	

Interest Rate Risk - In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk - State law limits investments in commercial paper corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk - The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE C - CASH AND INVESTMENTS (Continued)**

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2011, \$923,569 of the Township's bank balance of \$2,161,866 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business.

At year-end, the Township's cash deposits (checking, savings and certificates of deposit) were reported in the basic financial statements in the following categories:

	Governmental Activities	Enterprise Funds	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 589,657	\$ 231,919	\$ -	\$ 821,576
Restricted cash	489,230	168,159	341,454	998,843
Total cash and cash equivalents	<u>\$ 1,078,887</u>	<u>\$ 400,078</u>	<u>\$ 341,454</u>	<u>\$ 1,820,419</u>

**NOTE D - INTER-FUND RECEIVABLES AND PAYABLES**

The amounts of inter-fund receivables and payables at December 31, 2011 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General Fund	\$ 46,283	General Fund	\$ 7,222
Sewer Fund	148	Sewer Fund	12,395
Water Fund	7,386	Water Fund	11,612
Perpetual Care Fund	3,311	Fire Protection	21,432
		Cemetery Fund	4,467
TOTALS	<u>\$ 57,128</u>	TOTALS	<u>\$ 57,128</u>

The tax collection fund owed the general fund \$28,483, the fire protection fund \$19,175, the Water Fund \$1,325 and the Sewer Fund \$746 at December 31, 2011.

**NOTE E - RECEIVABLES**

The detail of receivables at December 31, 2011 are as follows:

Receivables	General	Proprietary	Total Primary Government
Accounts	\$ 644	\$ 15,954	\$ 16,598
Special assessment	-	8,241	-
Total receivables	<u>\$ 644</u>	<u>\$ 24,195</u>	<u>\$ 16,598</u>

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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**NOTE F - CAPITAL ASSETS**

Capital asset activity of the Township’s governmental activities was as follows:

	Balance 12/31/10	Additions	Reductions	Balance 12/31/11
Land	\$ 580,954	\$ -	\$ -	\$ 580,954
Capital assets being depreciated:				
Buildings	505,409	-	-	505,409
Equipment	94,948	37,534	-	132,482
Machinery	91,615	-	-	91,615
Office equipment	29,250	-	3,423	25,827
Street signs	6,569	-	-	6,569
Vehicles	525,436	-	-	525,436
	<u>1,253,227</u>	<u>37,534</u>	<u>3,423</u>	<u>1,287,338</u>
Subtotal	<u>1,834,181</u>	<u>\$ 37,534</u>	<u>\$ 3,423</u>	<u>1,868,292</u>
Accumulated depreciation:				
Buildings	276,161	12,497	-	288,658
Equipment	67,046	8,796	-	75,842
Machinery	83,404	1,564	-	84,968
Office equipment	25,203	1,281	3,423	23,061
Street signs	6,569	-	-	6,569
Vehicles	330,798	29,196	-	359,994
	<u>789,181</u>	<u>\$ 53,334</u>	<u>\$ 3,423</u>	<u>839,092</u>
Net capital assets being depreciated	<u>464,046</u>			<u>448,246</u>
Net capital assets	<u>\$ 1,045,000</u>			<u>\$ 1,029,200</u>

Depreciation expense was charged to activities of the Township as follows:

Governmental activities	
General government	\$ 19,749
Public safety	31,359
Public works	<u>2,226</u>
Total governmental activities	<u>\$ 53,334</u>

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE F - CAPITAL ASSETS (Continued)**

The property, plant, and equipment in Township business-type funds at December 31, 2011 are summarized as follows:

SEWER FUNDS				
<u>Portage Sewer Fund</u>	Balance 12/31/10	Additions	Deletions	Balance 12/31/11
Utility system	\$ 2,512,377	\$ 99,241	\$ -	\$ 2,611,618
Equipment	765	44,478	765	44,478
Machinery	5,625	-	-	5,625
Subtotal	<u>2,518,767</u>	<u>\$ 143,719</u>	<u>\$ 765</u>	<u>2,661,721</u>
Accumulated depreciation:				
Utility system	1,003,368	\$ 37,603	\$ -	1,040,971
Equipment	765	3,707	765	3,707
Vehicles and Machinery	8,527	535	-	9,062
Subtotal	<u>1,012,660</u>	<u>\$ 41,845</u>	<u>\$ 765</u>	<u>1,053,740</u>
Net capital assets	<u>\$ 1,506,107</u>			<u>\$ 1,607,981</u>
Dakota Heights Sewer Fund				
<u>Dakota Heights Sewer Fund</u>	Balance 12/31/10	Additions	Deletions	Balance 12/31/11
Utility system	\$ 65,829	\$ 649,410	\$ -	\$ 715,239
Machinery	-	4,379	-	4,379
Subtotal	<u>65,829</u>	<u>\$ 658,168</u>	<u>\$ -</u>	<u>719,618</u>
Accumulated depreciation:				
Utility system	-	\$ 1,490	\$ -	1,490
Office equipment	-	-	-	0
Vehicles and Machinery	-	365	-	365
Subtotal	<u>-</u>	<u>\$ 1,855</u>	<u>\$ -</u>	<u>1,855</u>
Net capital assets	<u>\$ 65,829</u>			<u>\$ 717,763</u>
WATER FUNDS				
<u>Portage Water Fund</u>	Balance 12/31/10	Additions	Deletions	Balance 12/31/11
Utility system	\$ 2,224,491	\$ -	\$ -	\$ 2,224,491
Equipment & Vehicles	66,692	84,530	56,000	95,222
Office equipment	765	-	-	765
Machinery	3,772	-	-	3,772
Subtotal	<u>2,295,720</u>	<u>\$ 84,530</u>	<u>\$ 56,000</u>	<u>2,324,250</u>
Accumulated depreciation:				
Utility system	835,155	\$ 47,797	\$ -	882,952
Equipment & Vehicles	62,416	9,183	56,000	15,599
Office equipment	765	-	-	765
Machinery	3,772	-	-	3,772
Subtotal	<u>902,108</u>	<u>\$ 9,183</u>	<u>\$ 56,000</u>	<u>903,088</u>
Net capital assets	<u>\$ 1,393,612</u>			<u>\$ 1,421,162</u>

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE F - CAPITAL ASSETS (Continued)**

<u>Dakota Heights Water Fund</u>	Balance 12/31/10	Additions	Deletions	Balance 12/31/11
Utility system	\$ 668,919	\$ -	\$ -	\$ 668,919
Equipment & Vehicles	9,049	12,167	-	21,216
Subtotal	<u>677,968</u>	<u>\$ 12,167</u>	<u>\$ -</u>	<u>690,135</u>
Accumulated depreciation:				
Utility system	158,868	\$ 16,723	\$ -	175,591
Equipment & Vehicles	5,766	2,152	-	7,918
Subtotal	<u>164,634</u>	<u>\$ 18,875</u>	<u>\$ -</u>	<u>183,509</u>
Net capital assets	<u>\$ 513,334</u>			<u>\$ 506,626</u>
<u>Woodland Road Water Fund</u>	Balance 12/31/09	Additions	Deletions	Balance 12/31/10
Utility system	\$ 133,312	\$ -	\$ -	\$ 133,312
Equipment & Vehicles	4,010	31,411	-	35,421
Subtotal	<u>137,322</u>	<u>\$ 31,411</u>	<u>\$ -</u>	<u>168,733</u>
Accumulated depreciation:				
Utility system	22,907	\$ 3,055	\$ -	25,962
Equipment & Vehicles	2,406	3,420	-	5,826
Subtotal	<u>25,313</u>	<u>\$ 6,475</u>	<u>\$ -</u>	<u>31,788</u>
Net capital assets	<u>\$ 112,009</u>			<u>\$ 136,945</u>

**NOTE G - ACCUMULATED UNPAID VACATION AND SICK LEAVE**

Township full time employees accumulate vacation days based on 160 hours of work. The maximum vacation accrual is thirty (30) days. Vacation days are earned on an annual basis at the following rate, per every 160 hours worked:

<u>Years of Employment</u>	<u>Vacation Days</u>
One year	½
Two through seven	1
Eight through ten	1 ¼
Eleven or more	1 ½

Township full time employees accumulate sick leave days monthly at a rate of one-half (½) day for each two weeks of employment. The maximum sick leave accrual is twenty-four (24) days.

Accumulated unpaid vacation and sick leave at December 31, 2011 and 2010 were \$8,784 and \$10,754, respectively.

**CHARTER TOWNSHIP OF PORTAGE  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2011**

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**NOTE H - LEASES PAYABLE**

**2011 JOHN DEERE LOADER & BACKHOE**

On December 30, 2010, the Township entered into capital lease agreements with Deere Credit, Inc. to buy a John Deere Loader and Backhoe for \$129,784 and \$79,627 respectively. Both leases bears an interest rate of 3.55%. In 2011, total lease payments were \$28,075 and \$17,225 respectively. Both equipment items are recorded on the capital assets and depreciated. Future payments are as follows:

Year	Loader	Backhoe
2012	\$ 28,075	\$ 17,225
2013	28,075	17,225
2014	28,075	17,225
2015	28,076	17,226
Total	<u>\$ 112,301</u>	<u>\$ 68,901</u>

**NOTE I - BOND PAYMENT AND RESERVE REQUIREMENTS - PROPRIETARY FUNDS**

**PORTAGE WATER - 2008 WATER SUPPLY AND DISTRIBUTION SYSTEM JUNIOR LIEN REVENUE BOND**

Bond and Interest Redemption Account - The Township is required to set aside each quarter on or after April 1, an amount not less than ½ of the amount of interest due on the next interest payment and ¼ the amount of principal due on the next principal payment date. The Township's Bond and Interest Redemption Account at December 31, 2011 should be \$17,819 and it is in compliance with bond requirements.

Bond Reserve Account - The Township is required to establish a bond reserve account to be used for payment on the bonds in the event of default. At December 31, 2011, \$15,513 is required for the Bond Reserve account to be in compliance with bond requirements.

Repair, Replacement, and Improvement Account - The Township is required to deposit into a repair, replacement, and improvement account (RRI) at least \$1,725 per quarter, less the amount, if any, deposited in the Bond Reserve Account. The Township's RRI Account balance at December 31, 2011 should be \$13,813 to be in compliance with bond requirements.

Reserve balances for bond requirements total \$47,145. The Township has set aside a total of \$91,621 for debt service and bond requirements at December 31, 2011 for the Portage Water Fund, which represents additional reserve funds in the amount of \$24,397. All accounts are in compliance.

**DAKOTA HEIGHTS WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 2000**

Bond and Interest Redemption Account - The Township is required to set aside each quarter on or after April 1, an amount not less than ½ of the amount of interest due on the next interest payment and ¼ of the amount of principal due on the next principal payment date. The Township's Bond and Interest Redemption Account balance at December 31, 2011 should be \$2,606 to be in compliance with bond requirements.

Bond Reserve Account - The Township is required to deposit \$275 per quarter into a bond reserve account to be used for payment on the bonds in the event of default. The Township's Bond Reserve Account balance at December 31, 2011 should be \$11,000 to be in compliance with bond requirements.



**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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**NOTE H - BOND PAYMENT AND RESERVE REQUIREMENTS - PROPRIETARY FUNDS (Continued)**

Repair, Replacement, and Improvement Account - The Township is required to deposit into a repair, replacement, and improvement account (RRI) at least \$2,100 per quarter, less the amount, if any, deposited in the Bond Reserve Account. The Township's RRI Account balance at December 31, 2011 should be \$12,625, to be in compliance with bond requirements.

Reserve balances for bond requirements total \$26,231. The Township has set aside a total of \$53,816 for debt service and bond requirements at December 31, 2011 for the Dakota Heights Water Fund, which represents additional reserve funds in the amount of \$32,048. All accounts are in compliance.

**PORTAGE SEWER DISPOSAL SYSTEM REVENUE BONDS, SERIES 2010**

Bond and Interest Redemption Account - The Township is required to set aside each quarter on or after July 1, an amount not less than ½ of the amount of interest due on the next two interest payments and next principal payment date. The Township's Bond and Interest Redemption Account balance at December 31, 2011 should be \$7,120 to be in compliance with bond requirements.

Bond Reserve Account - The Township is required to deposit \$362.50 per quarter into a bond reserve account until an amount of \$14,500 is accumulated, to be used for payment on the bonds in the event of default. The Township's Bond Reserve Account balance at December 31, 2011 should be \$725 to be in compliance with bond requirements.

Repair, Replacement, and Improvement Account - The Township is required to deposit into a repair, replacement, and improvement account (RRI) at least \$1,362.50 per quarter, less the amount, if any, deposited in the Bond Reserve Account. The Township's RRI Account at December 31, 2011 should be \$2,000 to be in compliance with bond requirements.

Reserve balances for bond requirements total \$9,845. The Township has set aside a total of \$20,115 for debt service and bond requirements at December 31, 2011 for the Portage Sewer Fund, which represents additional reserve funds in the amount of \$10,270. All accounts are in compliance.

**DAKOTA HEIGHTS SEWAGE DISPOSAL SYSTEM REVENUE BOND, SERIES 2011**

Bond and Interest Redemption Account - The Township is required to set aside each quarter on or after July 1, 2011 an amount not less than ½ of the amount of interest due on the next interest payment and ¼ of the amount of principal due on the next principal payment date. The Township's Bond and Interest Redemption Account balance at December 31, 2011 should be \$1,712, to be in compliance with bond requirements.

Bond Reserve Account - The Township is required to deposit \$275 per quarter, commencing October 1, 2011, into a bond reserve account to be used for payment on the bonds in the event of default. The Township's Bond Reserve Account balance at December 31, 2011 should be \$275, to be in compliance with bond requirements.

Repair, Replacement, and Improvement Account - The Township is required to deposit into a repair, replacement, and improvement account (RRI) at least \$775 per quarter, less the amount, if any, deposited in the Bond Interest Redemption and Reserve Accounts. The Township's RRI Account balance at December 31, 2011 should be \$500, to be in compliance with bond requirements.

Reserve balances for bond requirements total \$2,487. The Township has set aside a total of \$2,607 for debt service and bond requirements at December 31, 2011 for the Dakota Heights Sewer Fund, which represents additional reserve funds in the amount of \$120 from the Bond and Interest Redemption Account.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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**NOTE J - LONG-TERM DEBT**

**PORTAGE WATER FUND**

On November 1, 2005 the Township refinanced the 1986 Water System revenue bonds with River Valley State Bank totaling \$325,000. The original bonds were for the purpose of acquiring and constructing additions and improvements to the Township Water distribution system. The bonds bear a varying interest rate of 3.25-4.30% per annum. The payment schedule for the bonds is as follows:

Year	July 1	November 1		Total
	Interest	Interest	Principal	
2012	\$ 3,214	\$ 3,214	\$ 30,000	\$ 36,428
2013	2,776	2,776	30,000	35,552
2014	2,328	2,328	35,000	39,656
2015	1,786	1,786	35,000	38,572
2016	1,231	1,231	34,150	36,612
<b>TOTALS</b>	<b>\$ 11,335</b>	<b>\$ 11,335</b>	<b>\$ 164,150</b>	<b>\$ 186,820</b>

2007 Water Supply and Distribution System Junior Lien Revenue Bond was issued on August 16, 2007 in the amount of \$700,000 for the purpose of acquiring and constructing additions and improvements to the Township Water distribution system.

The bonds are self-liquidating and are not general obligations of the Township, but are payable both as to principal and interest solely from the revenues of the Water Supply and Distribution System. The bonds bear an interest rate not to exceed 4.125% per annum. The payment schedule for the bonds is as follows:

Year	January 1	July 1		Total
	Interest	Interest	Principal	
2012	\$ 13,819	\$ 13,819	\$ 8,000	\$ 35,638
2013	13,654	13,654	9,000	36,308
2014	13,468	13,468	9,000	35,936
2015	13,283	13,283	9,000	35,566
2016	13,097	13,097	10,000	36,194
2017	12,891	12,891	10,000	35,782
2018-2022	61,092	61,092	59,000	181,184
2023-2027	54,512	54,512	71,000	180,024
2028-2032	46,571	46,571	87,000	180,142
2033-2037	36,836	36,836	106,000	179,672
2038-2042	24,956	24,956	130,000	179,912
2043-2047	10,395	10,395	162,000	182,790
<b>TOTALS</b>	<b>\$ 314,574</b>	<b>\$ 314,574</b>	<b>\$ 670,000</b>	<b>\$ 1,299,148</b>

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE J - LONG-TERM DEBT (Continued)**

**DAKOTA HEIGHTS WATER FUND**

Water Supply System Revenue Bonds, Series 2000 were issued on September 12, 2000 in the amount of \$196,000 for the purpose of acquiring and constructing additions and improvements to the Township water distribution system. The bonds are self-liquidating and are not general obligations of the Township, but are payable both as to principal and interest solely from the revenues of the water supply and distribution system. The bonds bear an interest rate not to exceed 4.50% per annum. The payment schedule for the bonds is as follows:

Year	February 1	August 1		Total
	Interest	Interest	Principal	
2012	\$ 3,712	\$ 3,713	\$ 3,000	\$ 10,425
2013	3,645	3,645	3,000	10,290
2014	3,578	3,578	3,000	10,156
2015	3,510	3,510	3,000	10,020
2016	3,443	3,443	3,000	9,886
2017	3,375	3,375	4,000	10,750
2018-2022	15,525	15,525	20,000	51,050
2023-2027	13,050	13,050	26,000	52,100
2028-2032	9,878	9,878	32,000	51,756
2033-2037	5,940	5,940	40,000	51,880
2038-2040	1,283	1,283	28,000	30,566
<b>TOTALS</b>	<b>\$ 66,939</b>	<b>\$ 66,940</b>	<b>\$ 165,000</b>	<b>\$ 298,879</b>

**PORTAGE SEWER FUND**

Sewage Disposal System (Dodgeville/Hurontown) Revenue Bonds were issued on June 14, 2010 in the amount of \$341,000 for the purpose of acquiring, constructing, and installing major improvements to the Township sewer disposal system. The bonds are self-liquidating and are not general obligations of the Township, but are payable both as to principal and interest solely from the revenues of the sewer disposal system. The bonds bear an interest rate not to exceed 2.75 percent per annum. The payment schedule for the bonds is as follows:

Year	January	July		Total
	Interest	Interest	Principal	
2012	\$ 4,551	\$ 4,551	\$ 5,000	\$ 14,102
2013	4,483	4,483	5,000	13,966
2014	4,414	4,414	5,000	13,828
2015	4,345	4,345	5,000	13,690
2016	4,276	4,276	6,000	14,552
2017	4,194	4,194	6,000	14,388
2018-2022	19,731	19,731	36,000	75,462
2023-2027	17,463	17,463	36,000	70,926
2028-2032	14,850	14,850	41,000	70,700
2033-2037	11,881	11,881	47,000	70,762
2038-2042	8,485	8,485	53,000	69,970
2043-2047	4,592	4,592	62,000	71,184
2047-2050	619	619	29,000	30,238
<b>TOTALS</b>	<b>\$ 103,884</b>	<b>\$ 103,884</b>	<b>\$ 336,000</b>	<b>\$ 543,768</b>

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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**NOTE J - LONG-TERM DEBT (Continued)**

**DAKOTA HEIGHTS SEWER FUND**

The Dakota Heights Sewage Disposal System Revenue Bonds were issued on July 19, 2011 in the amount of \$249,000 for the purpose of acquiring, constructing, and installing major improvements to the Township sewage disposal system. The bonds are self-liquidating and are not general obligations of the Township, but are payable both as to principal and interest solely from the revenues of the sewer disposal system. The bonds bear an interest rate of 2.75 percent per annum. The payment schedule for the bonds is as follows:

Year	January	July		Total
	Interest	Interest	Principal	
2012	\$ 3,424	\$ 3,424	\$ -	\$ 6,848
2013	3,424	3,424	4,000	10,848
2014	3,369	3,369	4,000	10,738
2015	3,314	3,314	4,000	10,628
2016	3,259	3,259	4,000	10,518
2017	3,204	3,204	4,000	10,408
2018-2022	15,181	15,181	22,000	52,362
2023-2027	13,544	13,544	25,000	52,088
2028-2032	11,743	11,743	29,000	52,486
2033-2037	9,653	9,653	33,000	52,306
2038-2042	7,248	7,248	38,000	52,496
2043-2047	4,498	4,498	43,000	51,996
2047-2050	1,362	1,362	39,000	41,724
<b>TOTALS</b>	<b>\$ 83,223</b>	<b>\$ 83,223</b>	<b>\$ 249,000</b>	<b>\$ 415,446</b>

**HURONTOWN FIRE TRUCK**

On March 15, 2006 the Township entered into a note with U.S. Rural Development to purchase a fire truck for the Hurontown Fire Department. The fire truck was being purchased with grant proceeds of \$35,000, township obligation of \$30,000 and a note in the amount of \$120,000. The note has an interest rate of 4.25% and maturing on March 15, 2020.

Year	March		September		Total
	Interest	Principal	Interest		
2012	\$ 1,636	\$ 7,000	\$ 1,488	\$	10,124
2013	1,487	7,500	1,328		10,315
2014	1,328	8,000	1,158		10,486
2015	1,158	8,500	977		10,635
2016	978	9,000	786		10,764
2017	786	9,000	595		10,381
2018	595	9,000	404		9,999
2019	404	9,500	202		10,106
2020	202	1,500	-		1,702
<b>TOTALS</b>	<b>\$ 8,574</b>	<b>\$ 69,000</b>	<b>\$ 6,938</b>	<b>\$</b>	<b>84,512</b>

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE J - LONG-TERM DEBT (Continued)**

The following is a summary of the changes in long-term debt principal for the year ended December 31, 2011:

	Balance 12/31/10	Additions	Reductions	Balance 12/31/11	Current Maturities
<i>Enterprise</i>					
Portage Water Fund:					
Water Supply Bond 2007	\$ 678,000	\$ -	\$ 8,000	\$ 670,000	\$ 8,000
Water Supply Bond 2000	194,150	-	30,000	164,150	30,000
Portage Sewer Fund:					
Bond - 2010	341,000	-	5,000	336,000	5,000
Dakota Heights Sewer Fund:					
Bond - 2011	-	249,000	-	249,000	-
Dakota Heights Water Fund:					
Bond	168,000	-	3,000	165,000	3,000
Sub-Total	<u>1,381,150</u>	<u>249,000</u>	<u>46,000</u>	<u>1,584,150</u>	<u>46,000</u>
<i>Governmental Funds</i>					
Fire Protection Fund	84,000	-	15,000	69,000	7,000
TOTALS	<u>\$ 1,465,150</u>	<u>\$ 249,000</u>	<u>\$ 61,000</u>	<u>\$ 1,653,150</u>	<u>\$ 53,000</u>

**SUMMARY SCHEDULE OF LONG-TERM DEBT**

Year	Interest	Principal	Total
2012	\$ 51,463	\$ 53,000	\$ 104,463
2013	49,813	58,500	108,313
2014	47,972	64,000	111,972
2015	45,921	64,500	110,421
2016	43,824	66,575	110,399
2017	40,321	33,000	73,321
2018-2022	185,403	160,000	345,403
2023-2027	162,212	158,000	320,212
2028-2032	136,384	189,000	325,384
2033-2037	104,858	226,000	330,858
2038-2042	66,974	249,000	315,974
2043-2047	29,786	267,000	296,786
2047-2050	3,962	64,575	68,537
TOTALS	<u>\$ 968,893</u>	<u>\$ 1,653,150</u>	<u>\$ 2,622,043</u>

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE K - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Township maintains five Enterprise Funds which provided water and sewer services. Segment information for the year ended December 31, 2011 is as follows:

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota. Heights Water	Woodland Road Water
Operating Revenues	\$ 194,824	\$ 6,456	\$ 152,137	\$ 24,192	\$ 44,831
Depreciation	\$ 41,845	\$ 1,855	\$ 56,980	\$ 18,875	\$ 6,475
Operating Income (Loss)	\$ (1,323)	\$ 2,469	\$ (7,216)	\$ (4,802)	\$ 13,957
Non-operating Revenue (Expense)	\$ 95,929	\$ 466,241	\$ (30,898)	\$ (7,684)	\$ 231
Net Income (Loss)	\$ 94,606	\$ 468,710	\$ (38,114)	\$ (12,486)	\$ 14,188
Property, Plant, and Equipment:					
Additions	\$ 143,719	\$ 653,789	\$ 84,530	\$ 12,167	\$ 31,411
Net Working Capital (Deficit)	\$ (9,438)	\$ (7)	\$ 43,163	\$ 993	\$ 133,192
Total Assets	\$ 1,644,008	\$ 722,221	\$ 1,640,386	\$ 571,256	\$ 280,037
Total Equity	\$ 1,260,638	\$ 468,710	\$ 708,484	\$ 392,043	\$ 251,057

**NOTE L - DEFERRED REVENUE**

Deferred revenues are those where asset recognition criteria has been met, but for which revenue recognition criteria have not been met. The following schedule details deferred revenue as of December 31, 2011:

Fund	Property Taxes	Special Assessments	Total
General	\$ 38,072	\$ -	\$ 38,072
Fire Protection	25,600	-	25,600
Portage Water	-	8,241	8,241
Woodland Road Water	-	1,325	1,325
Totals	<u>\$ 63,672</u>	<u>\$ 9,566</u>	<u>\$ 73,238</u>

**NOTE M - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE N - DEFINED CONTRIBUTION PLAN**

The Township is a member of the John Hancock Defined Contribution Pension Plan for Michigan Township Employees and provides pension benefits for all of its eligible employees through this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time and seasonal employees are eligible to participate from their date of employment. The Township policy requires that the Township contribute an amount equal to 5% of the employee's compensation. No contribution is required by any employee, although an employee may contribute. Township contributions for each employee and allocated to the employee's account are fully vested. Any amount contributed voluntarily by the employee under the plan, plus any earnings, are fully vested at the time of the contribution or crediting of investment earnings.

The Township's contributions were calculated using the eligible wage amount of \$216,709. The Township made the required 5% contribution amounting to \$10,835.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CHARTER TOWNSHIP OF PORTAGE**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

**For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance Final to Actual
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local sources	\$ 171,500	\$ 201,500	\$ 235,795	\$ 34,295
State sources	201,840	201,840	228,179	26,339
<b>TOTAL REVENUE</b>	<u>373,340</u>	<u>403,340</u>	<u>463,974</u>	<u>60,634</u>
<b>EXPENDITURES:</b>				
Assessor	40,500	40,500	40,278	222
Supervisor	23,200	23,200	21,336	1,864
Clerk	29,000	29,000	21,343	7,657
Treasurer	29,250	29,250	25,966	3,284
Zoning and planning	4,000	4,000	3,000	1,000
General services	93,700	93,700	88,044	5,656
Township board	5,800	5,800	5,138	662
Town Hall	42,100	42,100	29,396	12,704
Other activities	168,750	168,750	147,645	21,105
Recreation	21,500	21,500	21,195	305
Motor vehicle pool	26,300	26,300	24,211	2,089
Constable	3,200	3,200	3,011	-
Elections	3,660	3,660	3,058	602
Maintenance building	68,900	68,900	63,301	5,599
Roads and repairs	49,300	49,300	27,859	21,441
<b>TOTAL EXPENDITURES</b>	<u>609,160</u>	<u>609,160</u>	<u>524,781</u>	<u>84,190</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (235,820)</u>	<u>\$ (205,820)</u>	(60,807)	<u>\$ (23,556)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>556,294</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 495,487</u>	



**CHARTER TOWNSHIP OF PORTAGE**  
**BUDGETARY COMPARISON SCHEDULE**  
**FIRE PROTECTION FUND**  
**For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources	\$ 79,000	\$ 79,000	\$ 80,349	\$ 1,349
TOTAL REVENUE	<u>79,000</u>	<u>79,000</u>	<u>80,349</u>	<u>1,349</u>
EXPENDITURES:				
Hurontown Fire Department	31,223	48,375	38,846	9,529
Otter Lake Fire Department	<u>19,150</u>	<u>25,000</u>	<u>20,575</u>	<u>4,425</u>
TOTAL EXPENDITURES	<u>50,373</u>	<u>73,375</u>	<u>59,421</u>	<u>13,954</u>
NET CHANGE IN FUND BALANCE	<u>\$ 28,627</u>	<u>\$ 5,625</u>	20,928	<u>\$ (12,605)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>86,243</u>	
FUND BALANCE - END OF YEAR			<u>\$ 107,171</u>	

**SUPPLEMENTAL FINANCIAL INFORMATION**

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**

**For the Years Ended December 31, 2011 and 2010**

	2011	2010
<b>REVENUES:</b>		
Property tax	\$ 108,436	\$ 106,623
Commercial Forest	14,497	13,606
State shared revenues	228,179	200,907
Administration fees	56,662	51,443
Interest	3,592	3,773
Loan Proceeds	25,945	-
Other	26,663	3,385
<b>TOTAL REVENUES</b>	<b>463,974</b>	<b>379,737</b>
<b>EXPENDITURES:</b>		
<b>ASSESSOR:</b>		
Salaries	29,200	11,056
Fringe benefits	8,634	1,909
Tax supplies	305	886
Travel expense	392	19
Miscellaneous	1,747	2,277
<b>Total assessor</b>	<b>40,278</b>	<b>16,147</b>
<b>SUPERVISOR:</b>		
Salaries	20,225	20,120
Supplies	24	-
Travel expenses	309	615
Conferences/Workshops	20	20
Miscellaneous	758	836
<b>Total supervisor</b>	<b>21,336</b>	<b>21,591</b>
<b>CLERK:</b>		
Salaries	20,346	21,080
Office supplies	227	122
Equipment	535	491
Travel	114	165
Conference/Workshops	121	402
Miscellaneous	-	98
<b>Total clerk</b>	<b>21,343</b>	<b>22,358</b>
<b>TREASURER:</b>		
Salaries	23,010	21,405
Supplies	195	186
Tax supplies	1,899	2,336
Travel	-	60
Conference/Workshops	89	308
Equipment	723	1,390
Miscellaneous	50	50
<b>Total treasurer</b>	<b>25,966</b>	<b>25,735</b>

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

	2011	2010
<b>ZONING AND PLANNING:</b>		
Salaries	2,400	1,475
Supplies	-	122
Printing and publishing	415	187
Miscellaneous	185	222
Total zoning and planning	3,000	2,006
<b>GENERAL SERVICES:</b>		
Professional services	81,111	100,312
Supplies	-	47
Tower rent and expenses	1,473	1,652
Miscellaneous	5,460	7,157
Total general services	88,044	109,168
<b>TOWNSHIP BOARD:</b>		
Salaries	4,470	6,060
Contributions	400	300
Conference/Workshops	268	109
Miscellaneous	-	39
Total township board	5,138	6,508
<b>TOWN HALL:</b>		
Salaries	7,358	4,561
Supplies	3,640	2,607
Utilities	5,603	10,064
Repairs and maintenance	11,906	2,627
Miscellaneous	889	1,377
Total town hall	29,396	21,236
<b>OTHER ACTIVITIES:</b>		
Salaries	23,338	28,646
Payroll taxes	16,964	15,658
Employee benefits	48,251	38,602
Printing and publishing	2,642	2,712
Insurance	15,974	21,902
Board of review	1,249	1,381
Street lights	16,913	15,245
Capital outlay	16,500	-
Miscellaneous	5,814	333
Total other activities	147,645	124,479

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>RECREATION:</b>		
Salaries	4,768	6,315
Supplies	364	454
Utilities	1,907	1,841
Printing and publishing	61	-
Professional services	2,000	-
Repairs and maintenance	211	7,590
Miscellaneous	11,884	845
Total recreation	<u>21,195</u>	<u>17,045</u>
<b>MOTOR VEHICLE POOL:</b>		
Salaries	3,909	4,800
Supplies	481	996
Repairs and maintenance	4,908	573
Fuel	14,860	10,788
Miscellaneous	53	-
Total motor vehicle pool	<u>24,211</u>	<u>17,157</u>
<b>CONSTABLE:</b>		
Salaries	2,911	-
Insurance	100	-
Total constable	<u>3,011</u>	<u>-</u>
<b>ELECTIONS:</b>		
Salaries	1,460	6,910
Supplies	1,032	3,298
Printing and publishing	64	317
Travel	117	136
Miscellaneous	385	657
Total elections	<u>3,058</u>	<u>11,318</u>
<b>MAINTENANCE BUILDING:</b>		
Salaries	9,538	4,932
Supplies	8,357	13,941
Utilities	5,696	5,733
Repairs and maintenance	5,787	598
Capital outlay	32,447	-
Miscellaneous	1,476	1,132
Total maintenance building	<u>63,301</u>	<u>26,336</u>
<b>ROADS:</b>		
Salaries	42	-
Street signs	51	-
Paving roads	1,500	22,066
Oiling roads	26,266	-
Total roads and repairs	<u>27,859</u>	<u>22,066</u>
<b>TOTAL EXPENDITURES</b>	<u>524,781</u>	<u>443,150</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
EXCESS OF REVENUES OVER EXPENDITURES	(60,807)	(63,413)
FUND BALANCE, BEGINNING OF YEAR	<u>556,294</u>	<u>619,707</u>
FUND BALANCE, END OF YEAR	<u>\$ 495,487</u>	<u>\$ 556,294</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEETS**  
**December 31, 2011**

	Fire Protection	Cemetery Operating	Liquor Law Enforcement	TOTALS (Memorandum Only)	
				2011	2010
<b>ASSET AND OTHER DEBITS:</b>					
Cash	\$ 133,327	\$ 41,640	\$ 64	\$ 175,031	\$ 139,525
Due from fiduciary funds	19,175	-	-	19,175	35,180
Prepaid expenses	2,885	3,161	50	6,096	-
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 155,387</b>	<b>\$ 44,801</b>	<b>\$ 114</b>	<b>\$ 200,302</b>	<b>\$ 174,705</b>
<b>LIABILITIES:</b>					
Due to other funds	\$ 21,432	\$ 4,467	- \$	\$ 25,899	\$ 50,000
Accrued expenses	1,184	-	-	1,184	1,292
Deferred revenue	25,600	-	-	25,600	34,648
<b>TOTAL LIABILITIES</b>	<b>48,216</b>	<b>4,467</b>	<b>-</b>	<b>52,683</b>	<b>85,940</b>
<b>FUND EQUITY</b>					
<b>Nonspendable:</b>					
Prepaid	2,885	3,161	-	6,046	-
Unassigned	104,286	37,173	114	141,573	88,765
<b>TOTAL FUND EQUITY</b>	<b>107,171</b>	<b>40,334</b>	<b>114</b>	<b>147,619</b>	<b>88,765</b>
<b>TOTAL LIABILITIES, FUND EQUITY</b>	<b>\$ 155,387</b>	<b>\$ 44,801</b>	<b>\$ 114</b>	<b>\$ 200,302</b>	<b>\$ 174,705</b>

**CHARTER TOWNSHIP OF PORTAGE**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**

**For the Years Ended December 31, 2011 and 2010**

	Fire Protection	Cemetery Operating	Liquor Law Fund	Totals (Memorandum Only)	
				2011	2010
REVENUES:					
Taxes	\$ 77,854	\$ -	\$ -	\$ 77,854	\$ 76,910
State	-	-	2,263	2,263	2,153
Federal	-	-	-	-	17,006
Charges for services	-	22,363	-	22,363	24,509
Interest	1,280	33	-	1,313	1,687
Other	1,215	9,355	-	10,570	4,446
<b>TOTAL REVENUES</b>	<b>80,349</b>	<b>31,751</b>	<b>2,263</b>	<b>114,363</b>	<b>126,711</b>
EXPENDITURES:					
Salaries	4,640	41,199	2,069	47,908	53,719
Payroll taxes	355	4,363	120	4,838	4,562
Employee benefits	-	1,431	-	1,431	1,691
Contract labor	-	75	-	75	3,531
Supplies	3,338	946	-	4,284	4,822
Utilities	9,267	5,036	-	14,303	17,974
Insurance	7,839	4,956	100	12,895	14,848
Printing & publishing	-	180	-	180	100
Repairs and maintenance	11,145	1,808	-	12,953	135,982
Fuel	1,195	638	-	1,833	1,146
Interest payments	3,421	-	-	3,421	3,786
Principal payments	15,000	-	-	15,000	7,000
Miscellaneous	3,221	675	-	3,896	3,329
<b>TOTAL EXPENDITURES</b>	<b>59,421</b>	<b>61,307</b>	<b>2,289</b>	<b>123,017</b>	<b>252,490</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	20,928	(29,556)	(26)	(8,654)	(125,779)
OTHER FINANCING SOURCES:					
Sale of fixed assets	-	-	-	-	10,000
Transfer from Perpetual Care	-	67,508	-	(67,508)	50,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>67,508</b>	<b>-</b>	<b>67,508</b>	<b>60,000</b>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	20,928	37,952	(26)	58,854	(65,779)
FUND BALANCE, BEGINNING OF YEAR	86,243	2,382	140	88,765	154,544
FUND BALANCE, END OF YEAR	\$ 107,171	\$ 40,334	\$ 114	\$ 147,619	\$ 88,765



**CHARTER TOWNSHIP OF PORTAGE**  
**FIRE PROTECTION FUND**  
**DETAILED SCHEDULES OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**

**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
REVENUES:		
Taxes	\$ 77,854	\$ 76,910
Federal	-	17,006
Interest	1,280	1,601
Other	<u>1,215</u>	<u>281</u>
TOTAL REVENUES	<u>80,349</u>	<u>95,798</u>
EXPENDITURES:		
Salaries	4,640	4,800
Payroll taxes	355	133
Supplies	3,338	3,892
Utilities	9,267	8,832
Insurance	7,839	9,404
Repairs and maintenance	11,145	114,821
Fuel	1,195	926
Miscellaneous	3,221	3,119
Interest payments	3,421	3,786
Principal payments	<u>15,000</u>	<u>7,000</u>
TOTAL EXPENDITURES	<u>59,421</u>	<u>156,713</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	20,928	(60,915)
OTHER FINANCING SOURCES (USES)		
Sale of fixed assets	<u>-</u>	<u>10,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>10,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	20,928	(50,915)
FUND BALANCE, BEGINNING OF YEAR	<u>86,243</u>	<u>137,158</u>
FUND BALANCE, END OF YEAR	<u>\$ 107,171</u>	<u>\$ 86,243</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**CEMETERY OPERATING FUND**  
**DETAILED SCHEDULES OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**

**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
REVENUES:		
Charges for services	\$ 22,363	\$ 24,509
Interest	33	86
Other	<u>9,355</u>	<u>4,165</u>
TOTAL REVENUES	<u>31,751</u>	<u>28,760</u>
EXPENDITURES:		
Salaries	41,199	43,939
Payroll taxes	4,363	4,261
Employee benefits	1,431	1,691
Supplies	946	930
Utilities	5,036	9,142
Insurance	4,956	5,244
Printing and publishing	180	100
Repairs and maintenance	1,808	21,161
Contract labor	75	3,531
Fuel	638	220
Miscellaneous	<u>675</u>	<u>210</u>
TOTAL EXPENDITURES	<u>61,307</u>	<u>90,429</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(29,556)	(61,669)
OTHER FINANCING SOURCES (USES):		
Transfer from Perpetual Care	<u>67,508</u>	<u>50,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>67,508</u>	<u>50,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	37,952	(11,669)
FUND BALANCE, BEGINNING OF YEAR	<u>2,382</u>	<u>14,051</u>
FUND BALANCE, END OF YEAR	<u>\$ 40,334</u>	<u>\$ 2,382</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**LIQUOR LAW ENFORCEMENT FUND**  
**DETAILED SCHEDULES OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**

**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
REVENUES:		
State	\$ <u>2,263</u>	\$ <u>2,153</u>
EXPENDITURES:		
Salaries	2,069	4,980
Payroll taxes	120	168
Insurance	<u>100</u>	<u>200</u>
TOTAL EXPENDITURES	<u>2,289</u>	<u>5,348</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(26)	(3,195)
FUND BALANCE, BEGINNING OF YEAR	<u>140</u>	<u>3,335</u>
FUND BALANCE, END OF YEAR	<u>\$ 114</u>	<u>\$ 140</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING BALANCE SHEETS**  
**December 31, 2011**

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	TOTALS (Memorandum Only)	
						2011	2010
<b>ASSET AND OTHER DEBITS:</b>							
Current Assets:							
Cash	\$ 7,212	\$ 662	\$ 75,038	\$ 8,286	\$ 140,721	\$ 231,919	\$ 246,840
Receivables	7,485	714	14,500	902	594	24,195	122,533
Inventory	-	-	28,659	-	-	28,659	29,247
Due from other funds	-	148	6,762	1,370	1,325	9,605	4,056
Prepaid expenses	1,215	327	2,644	256	452	4,894	-
Total current assets	15,912	1,851	127,603	10,814	143,092	299,272	402,676
Restricted cash	20,115	2,607	91,621	53,816	-	168,159	161,562
Fixed Assets	2,661,721	719,618	2,324,250	690,135	168,733	6,564,457	5,695,603
Accumulated depreciation	(1,053,740)	(1,855)	(903,088)	(183,509)	(31,788)	(2,173,980)	(2,104,715)
Total general fixed assets	1,607,981	717,763	1,421,162	506,626	136,945	4,390,477	3,590,888
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 1,644,008</b>	<b>\$ 722,221</b>	<b>\$ 1,640,386</b>	<b>\$ 571,256</b>	<b>\$ 280,037</b>	<b>\$ 4,857,908</b>	<b>\$ 4,155,126</b>
<b>LIABILITIES:</b>							
Current Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,156
Due to other funds	11,448	947	9,780	-	1,832	24,007	89,025
Current maturities - leases	8,508	839	16,177	2,327	6,009	33,860	-
Current maturities	5,000	-	38,000	3,000	-	46,000	46,000
User deposits	-	-	11,611	4,375	636	16,622	16,622
Accrued expenses	394	72	631	119	98	1,314	1,397
Deferred revenue	-	-	8,241	-	1,325	9,566	19,748
Total current liabilities	25,350	1,858	84,440	9,821	9,900	131,369	265,948
Long-term liabilities:							
Leases payable	27,020	2,653	51,312	7,392	19,080	107,457	-
Bonds payable	331,000	249,000	796,150	162,000	-	1,538,150	1,335,150
Total long-term liabilities	358,020	251,653	847,462	169,392	19,080	1,645,607	1,335,150
<b>TOTAL LIABILITIES</b>	<b>383,370</b>	<b>253,511</b>	<b>931,902</b>	<b>179,213</b>	<b>28,980</b>	<b>1,776,976</b>	<b>1,601,098</b>
<b>FUND EQUITY AND OTHER CREDITS:</b>							
Restricted for debt service	20,115	2,607	91,621	53,816	-	168,159	161,562
Retained earnings	1,240,523	466,103	616,863	338,227	251,057	2,912,773	2,392,466
<b>TOTAL FUND EQUITY</b>	<b>1,260,638</b>	<b>468,710</b>	<b>708,484</b>	<b>392,043</b>	<b>251,057</b>	<b>3,080,932</b>	<b>2,554,028</b>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 1,644,008</b>	<b>\$ 722,221</b>	<b>\$ 1,640,386</b>	<b>\$ 571,256</b>	<b>\$ 280,037</b>	<b>\$ 4,857,908</b>	<b>\$ 4,155,126</b>

**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS**

**For the Years Ended December 31, 2011 and 2010**

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Totals (Memorandum Only)	
						2011	2010
<b>OPERATING REVENUE</b>							
Charges for services	\$ 187,346	\$ 6,253	\$ 144,085	\$ 23,834	\$ 44,470	\$ 405,988	\$ 383,487
Parts, meters, hook-up fees	2,472	203	4,847	358	361	8,241	6,702
Other	5,006	-	3,205	-	-	8,211	5,364
<b>TOTAL OPERATING REVENUE</b>	<b>194,824</b>	<b>6,456</b>	<b>152,137</b>	<b>24,192</b>	<b>44,831</b>	<b>422,440</b>	<b>395,553</b>
<b>EXPENSES:</b>							
Salaries	18,485	1,703	35,108	5,934	2,116	63,346	49,267
Payroll taxes	1,413	176	4,436	721	264	7,010	5,676
Employee benefits	6,639	79	11,548	949	884	20,099	11,366
Supplies	3,743	58	6,281	311	428	10,821	14,434
Utilities	5,098	56	4,645	-	-	9,799	5,333
Insurance	7,576	60	3,217	-	-	10,853	7,043
Repairs and maintenance	1,896	-	4,038	-	-	5,934	9,056
Depreciation	41,845	1,855	56,980	18,875	6,475	126,030	107,558
Purchase services	108,209	-	29,499	1,963	20,497	160,168	176,793
Miscellaneous	1,243	-	3,601	241	210	5,295	3,090
<b>TOTAL EXPENSES</b>	<b>196,147</b>	<b>3,987</b>	<b>159,353</b>	<b>28,994</b>	<b>30,874</b>	<b>419,355</b>	<b>389,616</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(1,323)</b>	<b>2,469</b>	<b>(7,216)</b>	<b>(4,802)</b>	<b>13,957</b>	<b>3,085</b>	<b>5,937</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>							
Interest income	-	-	2,275	61	703	3,039	2,201
Grant proceeds	96,600	466,300	-	-	-	562,900	925,100
Interest expense	(671)	(59)	(33,173)	(7,745)	(472)	(42,120)	(49,005)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>95,929</b>	<b>466,241</b>	<b>(30,898)</b>	<b>(7,684)</b>	<b>231</b>	<b>523,819</b>	<b>878,296</b>
<b>NET INCOME (LOSS)</b>	<b>94,606</b>	<b>468,710</b>	<b>(38,114)</b>	<b>(12,486)</b>	<b>14,188</b>	<b>526,904</b>	<b>884,233</b>
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<b>1,166,032</b>	<b>-</b>	<b>746,598</b>	<b>404,529</b>	<b>236,869</b>	<b>2,554,028</b>	<b>1,669,795</b>
<b>RETAINED EARNINGS, END OF YEAR</b>	<b>\$ 1,260,638</b>	<b>\$ 468,710</b>	<b>\$ 708,484</b>	<b>\$ 392,043</b>	<b>\$ 251,057</b>	<b>\$ 3,080,932</b>	<b>\$ 2,554,028</b>

**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2011 and 2010**

	Portage Sewer	Dakota Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	TOTALS (Memorandum Only)	
						2011	2010
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:							
Operating Income (Loss)	\$ (1,323)	\$ 2,469	\$ (7,216)	\$ (4,802)	\$ 13,957	\$ 3,085	\$ 5,937
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:							
Depreciation	41,845	1,855	56,980	18,875	6,475	126,030	107,558
(Increase) Decrease in accounts receivable	89,486	(714)	41	(266)	9,791	98,338	(83,375)
(Increase) Decrease in prepaid expenses	(1,215)	(327)	(2,644)	(256)	(452)	(4,894)	689
(Increase) Decrease in inventory	-	-	588	-	-	588	1,265
(Increase) Decrease in due from other funds	-	(148)	(6,762)	(1,289)	2,650	(5,549)	-
Increase (Decrease) in accounts payable	(93,156)	-	-	-	-	(93,156)	92,837
Increase (Decrease) in due to other funds	(2,335)	(64,881)	366	-	1,832	(65,018)	(171,220)
Increase (Decrease) in accrued expenses	344	72	(626)	52	75	(83)	550
Increase (Decrease) in deferred revenue	-	-	(2,232)	-	(7,950)	(10,182)	(12,172)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>33,646</u>	<u>(61,674)</u>	<u>38,495</u>	<u>12,314</u>	<u>26,378</u>	<u>49,159</u>	<u>(57,931)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Increases and reductions of long-term debt	(5,000)	249,000	(38,000)	(3,000)	-	203,000	299,575
Capital lease proceeds	44,478	4,379	84,530	12,167	31,411	176,965	-
Capital lease payments	(8,952)	(888)	(17,041)	(2,448)	(6,322)	(35,651)	-
Grant proceeds	96,600	466,300	-	-	-	562,900	925,100
Interest paid on long-term debt	(671)	(59)	(33,173)	(7,745)	(472)	(42,120)	(49,005)
Purchase of fixed assets	(143,719)	(653,789)	(84,530)	(12,167)	(31,411)	(925,616)	(1,085,894)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(17,264)</u>	<u>64,943</u>	<u>(88,214)</u>	<u>(13,193)</u>	<u>(6,794)</u>	<u>(60,522)</u>	<u>89,776</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest on investments and deposits	-	-	2,275	61	703	3,039	2,201
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>2,275</u>	<u>61</u>	<u>703</u>	<u>3,039</u>	<u>2,201</u>
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	<u>16,382</u>	<u>3,269</u>	<u>(47,444)</u>	<u>(818)</u>	<u>20,287</u>	<u>(8,324)</u>	<u>34,046</u>
<b>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</b>	<u>10,945</u>	<u>-</u>	<u>214,103</u>	<u>62,920</u>	<u>120,434</u>	<u>408,402</u>	<u>374,356</u>
<b>CASH AND RESTRICTED CASH, END OF YEAR</b>	<u>\$ 27,327</u>	<u>\$ 3,269</u>	<u>\$ 166,659</u>	<u>\$ 62,102</u>	<u>\$ 140,721</u>	<u>\$ 400,078</u>	<u>\$ 408,402</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**SEWER FUND - PORTAGE**  
**DETAILED SCHEDULES OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE		
Charges for services	\$ 187,346	\$ 159,980
Parts, meters, hook-up fees	2,472	1,661
Other	<u>5,006</u>	<u>100</u>
TOTAL OPERATING REVENUE	<u>194,824</u>	<u>161,741</u>
EXPENSES:		
Salaries	18,485	15,408
Payroll taxes	1,413	1,178
Employee benefits	6,639	5,828
Supplies	3,743	1,244
Utilities	5,098	3,918
Insurance	7,576	3,066
Repairs and maintenance	1,896	5,323
Depreciation	41,845	35,627
Sewage use charges	108,209	128,470
Miscellaneous	<u>1,243</u>	<u>563</u>
TOTAL EXPENSES	<u>196,147</u>	<u>200,625</u>
OPERATING INCOME (LOSS)	(1,323)	(38,884)
NON-OPERATING REVENUES:		
Bond proceeds	96,600	925,100
Interest expense	<u>(671)</u>	<u>-</u>
TOTAL EXPENSES	<u>95,929</u>	<u>925,100</u>
NET INCOME (LOSS)	94,606	886,216
RETAINED EARNINGS, BEGINNING OF YEAR	<u>1,166,032</u>	<u>279,816</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 1,260,638</u>	<u>\$ 1,166,032</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**SEWER FUND - DAKOTA HEIGHTS**  
**DETAILED SCHEDULES OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**

**For the Years Ended December 31, 2011 and 2010**

	2011
OPERATING REVENUE	
Charges for services	\$ 6,253
Parts, meters, hook-up fees	203
Other	-
TOTAL OPERATING REVENUE	6,456
EXPENSES:	
Salaries	1,703
Payroll taxes	176
Employee benefits	79
Supplies	58
Utilities	56
Insurance	60
Repairs and maintenance	-
Professional services	-
Depreciation	1,855
Water purchases	-
Sewage use charges	-
Miscellaneous	-
TOTAL EXPENSES	3,987
OPERATING INCOME(LOSS)	2,469
NON-OPERATING REVENUES:	
Bond proceeds	466,300
Interest expense	59
TOTAL EXPENSES	466,241
NET INCOME (LOSS)	468,710
RETAINED EARNINGS, BEGINNING OF YEAR	-
RETAINED EARNINGS, END OF YEAR	\$ 468,710



**CHARTER TOWNSHIP OF PORTAGE**  
**WATER FUND - PORTAGE**  
**DETAILED SCHEDULES OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE		
Charges for services	\$ 144,085	\$ 142,649
Parts, meters, hook-up fees	4,847	4,322
Other	<u>3,205</u>	<u>5,183</u>
TOTAL OPERATING REVENUE	<u>152,137</u>	<u>152,154</u>
EXPENSES:		
Salaries	35,108	27,887
Payroll taxes	4,436	3,619
Employee benefits	11,548	5,237
Supplies	6,281	12,673
Utilities	4,645	1,415
Insurance	3,217	3,352
Repairs and maintenance	4,038	2,936
Depreciation	56,980	50,213
Water purchases	29,499	24,398
Miscellaneous	<u>3,601</u>	<u>2,507</u>
TOTAL EXPENSES	<u>159,353</u>	<u>134,237</u>
OPERATING INCOME(LOSS)	(7,216)	17,917
NON-OPERATING REVENUES (EXPENSES):		
Interest income	2,189	1,206
Interest special assessment	86	27
Interest expense	<u>(33,173)</u>	<u>(41,297)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES):	<u>(30,898)</u>	<u>(40,064)</u>
NET INCOME (LOSS)	(38,114)	(22,147)
RETAINED EARNINGS, BEGINNING OF YEAR	746,598	758,655
ADJUSTMENTS TO FUND EQUITY		
Depreciation on Contributed Capital	<u>-</u>	<u>10,090</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 708,484</u>	<u>\$ 746,598</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**WATER FUND - DAKOTA HEIGHTS**  
**DETAILED SCHEDULES OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**

**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE		
Charges for services	\$ 23,834	\$ 24,974
Parts, meters, hook-up fees	358	359
Other	-	81
TOTAL OPERATING REVENUE	<u>24,192</u>	<u>25,414</u>
EXPENSES:		
Salaries	5,934	4,198
Payroll taxes	721	628
Employee benefits	949	208
Supplies	311	247
Insurance	-	375
Depreciation	18,875	17,861
Water purchases	1,963	2,135
Miscellaneous	241	640
TOTAL EXPENSES	<u>28,994</u>	<u>26,292</u>
OPERATING INCOME(LOSS)	(4,802)	(878)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	61	72
Interest expense	<u>(7,745)</u>	<u>(7,708)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES):	<u>(7,684)</u>	<u>(7,636)</u>
NET INCOME (LOSS)	(12,486)	(8,514)
RETAINED EARNINGS, BEGINNING OF YEAR	404,529	402,783
ADJUSTMENTS TO FUND EQUITY		
Depreciation on Contributed Capital	<u>-</u>	<u>10,260</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 392,043</u>	<u>\$ 404,529</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**WATER FUND - WOODLAND ROAD**  
**DETAILED SCHEDULES OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE		
Charges for services	\$ 44,470	\$ 55,884
Parts, meters, hook-up fees	<u>361</u>	<u>360</u>
TOTAL OPERATING REVENUE	<u>44,831</u>	<u>56,244</u>
EXPENSES:		
Salaries	2,116	1,774
Payroll taxes	264	251
Employee benefits	884	93
Insurance	-	250
Supplies	428	270
Depreciation	6,475	3,857
Water purchases	20,497	21,790
Miscellaneous	<u>210</u>	<u>177</u>
TOTAL EXPENSES	<u>30,874</u>	<u>28,462</u>
OPERATING INCOME (LOSS)	13,957	27,782
NON-OPERATING REVENUES (EXPENSES):		
Interest income	703	896
Interest expense	<u>(472)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES):	<u>231</u>	<u>896</u>
NET INCOME (LOSS)	14,188	28,678
RETAINED EARNINGS, BEGINNING OF YEAR	<u>236,869</u>	<u>208,191</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 251,057</u>	<u>\$ 236,869</u>

# RUKKILA | NEGRO AND ASSOCIATES

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Township Board  
Charter Township of Portage  
Houghton, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage (the Township) as of and for the year then ended December 31, 2011 which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as item 2011-1. *A significant deficiency* is a deficiency, or a 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Charter Township of Portage in a separate letter dated June 27, 2012.

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, others within the entity and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Rukkila, Negro & Associates,  
Certified Public Accountants, PC**

June 27, 2012

# RUKKILA | NEGRO AND ASSOCIATES

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Township Board  
Charter Township of Portage  
Houghton, Michigan

### Compliance

We have audited the Charter Township of Portage's (the Township's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Township's major federal programs for the year ended December 31, 2011. The Charter Township of Portage's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Charter Township of Portage's management. Our responsibility is to express an opinion on the Charter Township of Portage's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Portage's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Portage's compliance with those requirements.

In our opinion, the Township complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

### Internal Control Over Compliance

Management of the Charter Township of Portage is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Charter Township of Portage's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Township's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Charter Township of Portage's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Charter Township of Portage's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Township's council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Rukkila, Negro & Associates,  
Certified Public Accountants, PC**

June 27, 2012

**CHARTER TOWNSHIP OF PORTAGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended December 31, 2011**

<b><u>Federal Grantor/Pass-through Grantor/Program Title</u></b>	<b><u>CFDA Number</u></b>	<b><u>Federal Expenditures</u></b>
U.S. Department of Agriculture		
Rural Development		
Rural Utilities Service		
2010 Sewage Disposal System (Dodgeville/Hurontown)		
Grant	10.781	\$ 96,000
2011 Sewage Disposal System (Dakota Heights)		
Loan	10.781	249,000
Grant	10.781	<u>466,300</u>
Total		<u>\$ 811,300</u>



**CHARTER TOWNSHIP OF PORTAGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended December 31, 2011**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued:	Unqualified
Internal Control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
• Noncompliance material to financial statements noted?	No
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities Sewer Project - Bond and Grant	10.781

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2011-1 – Preparation of Financial Statements in Accordance with GAAP (Repeat Finding)**

Criteria: All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and reporting government-wide financial statements, including related footnotes.

**CHARTER TOWNSHIP OF PORTAGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended December 31, 2011**  
**(Continued)**

**2011-1 – Preparation of Financial Statements in Accordance with GAAP (Continued)**

Condition, Cause and Effect: As is the case with many small entities, the Township has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls. As a result of this condition, the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The Charter Township of Portage has evaluated the benefits of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the Township to outsource this task to its external auditors, and to carefully review the draft financials statements and notes prior to approving them and accepting responsibility for their content and presentation.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**SECTION IV - PRIOR YEAR FINDINGS**

Not applicable

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**December 31, 2011**

**NOTE A - OVERSIGHT AGENCY**

The U. S. Department of Agriculture is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the Township's expenditures of federal awards.

**NOTE B - BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

## **COMMUNICATIONS SECTION**

# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, PC*

310 Shelden Avenue, Houghton, Michigan 49931

906.482.6601 906.482.9046 fax www.rukkilanegro.com

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Members of the Township Board  
Charter Township of Portage  
Houghton, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage for the year ended December 31, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and if applicable, Government Auditing Standards and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 27, 2012. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Township of Portage are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2011. We noted no transactions entered into by the Charter Township of Portage during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements is current judgements.

Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives to determine that they are reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 27, 2012.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Portage's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### (Other Information in Documents Containing Audited Financial Statements)

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Charter Township of Portage board and management and is not intended to be and should not be used for anyone other than these specified parties.

It has been a pleasure to provide audit services to the Charter Township of Portage. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

**Rukkila, Negro & Associates,  
Certified Public Accountants, PC**

June 27, 2012

CHARTER TOWNSHIP OF PORTAGE  
COMMENTS AND RECOMMENDATIONS

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During our audit we became aware of opportunities for strengthening internal controls and operating efficiencies. The following items summarize our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Enterprise Funds*

Enterprise Funds are used to report an activity for which a fee is charged to external users for goods or services. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

The Township's fees and charges are not recovering the costs for three Enterprise Funds: Portage Sewer Fund, Portage Water, and Dakota Heights Water Fund. We recommend that the Township review revenues and expenses of these funds and adjust their pricing policies/rates to recover the costs accordingly so operations of these funds are recovering, at a minimum, their costs of operations.