

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

**FINANCIAL REPORT
with Supplemental Information**

December 31, 2013

CHARTER TOWNSHIP OF PORTAGE

DECEMBER 31, 2013

ELECTED OFFICIALS

Supervisor	Bruce Petersen
Clerk	Jamie Solka
Treasurer	Carol Little
Trustee	Peggy Anderson
Trustee	John Ollila
Trustee	William Bingham
Trustee	Andrew Kemper

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RUKKILA | NEGRO AND ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 39 through 40 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The additional information on pages 42 to 49 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

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

July 15, 2014

**CHARTER TOWNSHIP OF PORTAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

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, 2013. 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.

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 Position 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 Position 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 position and the changes in the net position during the year are reported by these two statements. Increases or decreases in the Township's net position 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 Position 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, 2013**

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 Position 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, 2013**

Overview of the Financial Statements - Continued

Summary of Net Position

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Assets				
Current and other assets	\$ 623,740	\$ 671,107	\$ 190,763	\$ 294,371
Restricted cash and investments	1,061,567	1,103,442	202,841	194,272
Capital assets - Net of accumulated depreciation	990,804	1,029,658	4,273,963	4,339,491
Total Assets	\$ 2,676,111	\$ 2,804,207	\$ 4,667,567	\$ 4,828,134
Liabilities				
Current liabilities	\$ 16,654	\$ 2,931	\$ 1,794	\$ 34,065
Non-current liabilities	52,480	89,402	1,519,067	1,645,202
Advances of revenues	47,103	74,625	4,226	6,261
Total Liabilities	116,237	166,958	1,525,087	1,685,528
Net Position				
Net investment in capital assets	945,137	946,923	2,755,066	2,694,289
Restricted	1,237,075	1,286,324	202,841	188,901
Unrestricted	377,662	404,002	184,573	259,416
Total Net Position	2,559,874	2,637,249	3,142,480	3,142,606
Total Liabilities and Net Position	\$ 2,676,111	\$ 2,804,207	\$ 4,667,567	\$ 4,828,134

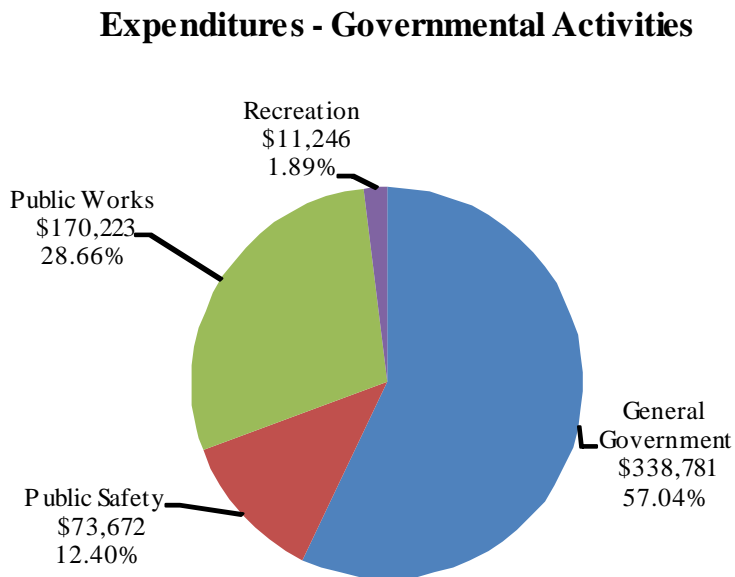
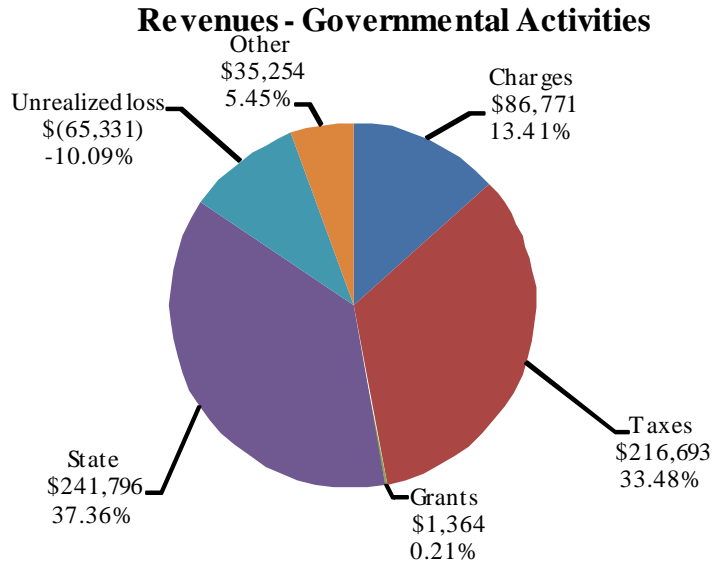
Results of Operations

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
<u>Revenues</u>				
Program Revenue:				
Charges for services	\$ 86,771	\$ 79,528	\$ 430,475	\$ 443,297
Grants and contributions	1,364	27,000	-	-
Capital grants and contributions	-	-	102,981	106,419
General Revenue:				
Property taxes	216,693	225,918	-	-
State shared revenue	241,796	235,501	-	-
Unrealized loss	(65,331)	-	-	-
Other	35,254	71,776	3,868	6,496
Total Revenue	516,547	639,723	537,324	556,212
<u>Functions/Program Expenses</u>				
General government	338,781	366,668	-	-
Public safety	73,672	69,252	-	-
Public works	170,223	157,445	537,450	494,538
Recreation	11,246	24,635	-	-
Total Expenses	593,922	618,000	537,450	494,538
Change in Net Position	(77,375)	21,723	(126)	61,674
Net Position - Beginning	2,637,249	2,615,526	3,142,606	3,080,932
Net Position - Ending	\$ 2,559,874	\$ 2,637,249	\$ 3,142,480	\$ 3,142,606

**CHARTER TOWNSHIP OF PORTAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Overview of the Financial Statements - Continued

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

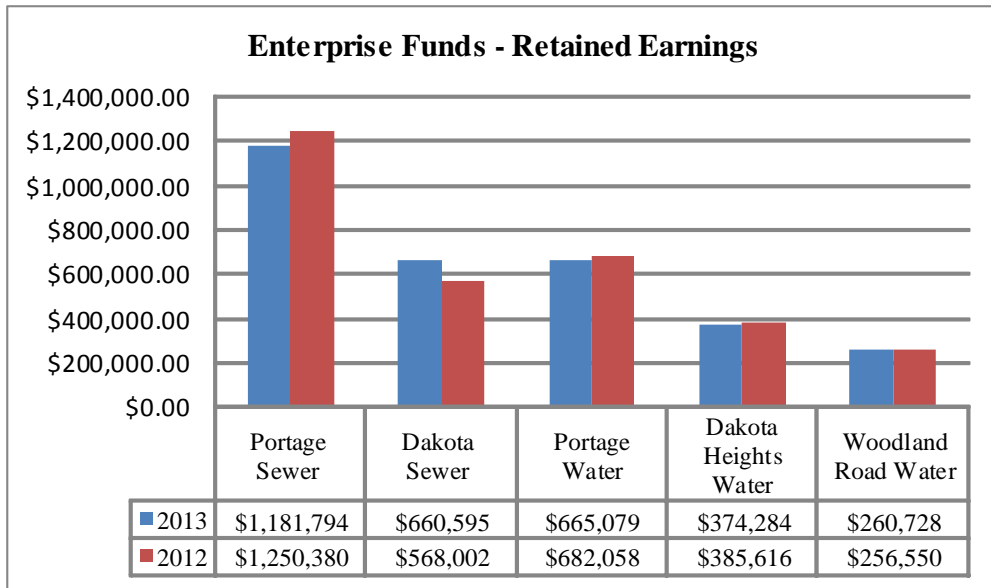
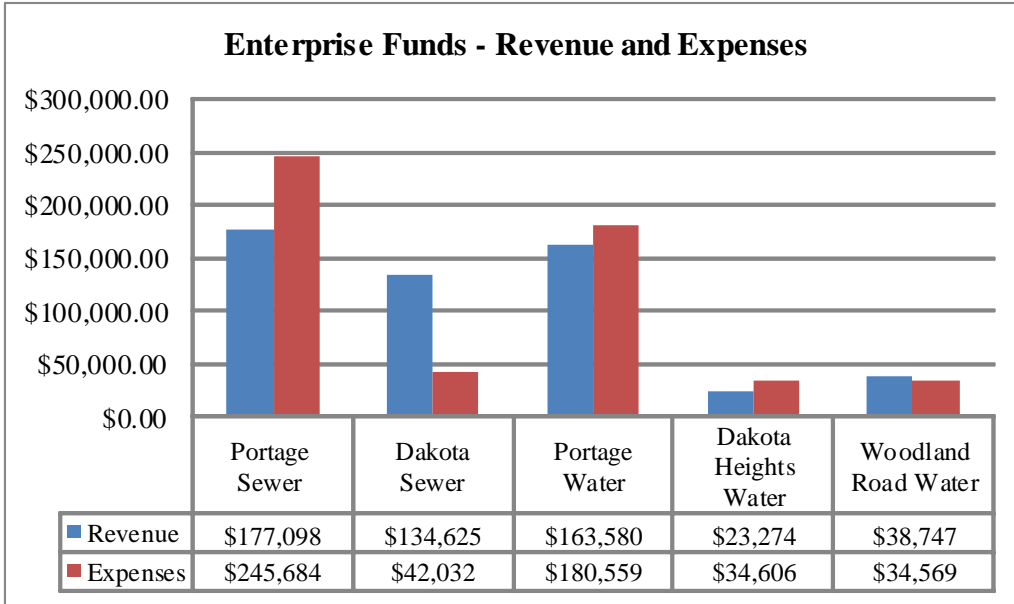


The most significant portions of the revenues for all governmental activities of the Township comes from state shared revenue and property taxes. The Township's operating millage was 1.2964 mills.

**CHARTER TOWNSHIP OF PORTAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

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, 2013**

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.

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 \$384,475. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 82% of total General Fund expenditures.

The fund balance of the Township's General Fund decreased by \$27,061 during the fiscal year. Revenues decreased in taxes, grant revenue, and administration fees. Expenditures decreased by \$70,346 with a majority of the decrease in the general government and recreation area. Prior year consisted of the capital improvements at the Hurontown ballfield. Public works had an increase for capital improvements on the maintenance building roof.

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 position at the end of the year amounted to \$3,142,480.

Budgetary Highlights

During the year ended December 31, 2013, the Township did not amended the budget throughout the year.

Capital Assets and Debt Administration

The Township's investment in capital assets net of accumulated depreciation for the governmental and business-type activities as of December 31, 2013, amounts to \$5,264,767. This investment in capital assets includes land, buildings, system improvements, machinery and equipment.

Governmental Activities:

The maintenance building roof project in the amount of \$13,928 was the major capital asset expenditure for Governmental activities.

Business-Type Activities:

The Dakota Heights sewer fund received \$102,981 in grant revenues from the United States Department of Agriculture - Rural Development (USDA) for major improvements to the Dakota Heights sewage disposal system. Sewage improvement costs for the year totaled \$108,293.

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, 2013**

Long-term debt

At the end of the current fiscal year, the Township had total debt in bonds and loans in the amount of \$1,530,750. This total amount is backed by the full faith and credit of the Township. The Township's overall debt decreased by \$69,400 during the fiscal year.

Additional information on the Township's long-term debt can be found starting page 33 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, 47420 Green Acres Road, Houghton, Michigan 49931, phone (906) 482-4310 and e-mail address supervisor@charterportagetwp.org.

CHARTER TOWNSHIP OF PORTAGE
STATEMENT OF NET POSITION

December 31, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 449,777	\$ 193,061	\$ 642,838
Account receivables	-	13,938	13,938
Inventory	-	30,447	30,447
Prepaid expenses	29,456	5,181	34,637
Internal balances	51,935	(51,935)	-
Due from fiduciary funds	50,304	71	50,375
Due from other governmental units	42,268	-	42,268
TOTAL CURRENT ASSETS	623,740	190,763	814,503
NONCURRENT ASSETS:			
Restricted cash	594,082	202,841	796,923
Restricted investments	467,485	-	467,485
Capital assets	1,934,434	6,794,715	8,729,149
Less: accumulated depreciation	(943,630)	(2,520,752)	(3,464,382)
	990,804	4,273,963	5,264,767
TOTAL NONCURRENT ASSETS	2,052,371	4,476,804	6,061,690
TOTAL ASSETS	\$ 2,676,111	\$ 4,667,567	\$ 7,343,678
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued expenses	\$ 3,541	\$ -	\$ 3,541
Accrued expenses	13,113	1,794	14,907
Noncurrent liabilities:			
Due within one year	9,069	71,981	81,050
Due in more than one year	36,598	1,446,916	1,483,514
Accrued vacation payable	6,813	-	6,813
User deposits	-	170	170
TOTAL LIABILITIES	69,134	1,520,861	1,589,995
DEFERRED INFOLOW OF RESOURCES			
Advances of revenues from imposed nonexchange transactions	47,103	4,226	51,329
NET POSITION:			
Net investment in capital assets	945,137	2,755,066	3,700,203
Restricted:			
General Fund	19,547	-	19,547
Fire Protection Fund	174,484	-	174,484
Liquor Law Fund	144	-	144
Cemetery Operating Fund	522	-	522
Cemetery Perpetual Care	1,042,378	-	1,042,378
Debt service	-	202,841	202,841
Unrestricted	377,662	184,573	562,235
TOTAL NET POSITION	2,559,874	3,142,480	5,702,354
TOTAL LIABILITIES AND NET POSITION	\$ 2,676,111	\$ 4,667,567	\$ 7,343,678

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, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital	Primary Government		Total
			Grants and Contributions	Governmental Activities	Business-type Activities	
<u>FUNCTIONS/PROGRAMS</u>						
Primary government:						
Government activities:						
General government	\$ 338,781	\$ 86,771	\$ -	\$(252,010)	\$ -	\$(252,010)
Public safety	73,672	-	1,364	(72,308)	-	(72,308)
Public works	170,223	-	-	(170,223)	-	(170,223)
Recreation	11,246	-	-	(11,246)	-	(11,246)
Total governmental activities	<u>593,922</u>	<u>86,771</u>	<u>1,364</u>	<u>(505,787)</u>	<u>-</u>	<u>(505,787)</u>
Business-type activities:						
Water	249,734	222,496	-	-	(27,238)	(27,238)
Sewer	287,716	207,979	102,981	-	23,244	23,244
Total business-type activities	<u>537,450</u>	<u>430,475</u>	<u>102,981</u>	<u>-</u>	<u>(3,994)</u>	<u>(3,994)</u>
Total primary government	<u>\$ 1,131,372</u>	<u>\$ 517,246</u>	<u>\$ 104,345</u>	<u>(505,787)</u>	<u>(3,994)</u>	<u>(509,781)</u>
General Revenues:						
Taxes				216,693	-	216,693
State shared revenue				241,796	-	241,796
Interest and investment earnings				25,663	897	26,560
Unrealized gain (loss)				(65,331)	-	(65,331)
Other				9,591	2,971	12,562
Total general revenues, transfers and special items				<u>428,412</u>	<u>3,868</u>	<u>432,280</u>
Change in Net Assets				(77,375)	(126)	(77,501)
Net Position- Beginning				2,637,249	3,142,606	5,779,855
Net Position- Ending				<u>\$ 2,559,874</u>	<u>\$ 3,142,480</u>	<u>\$ 5,702,354</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, 2013

	Major Funds				Total Governmental Funds
	General Fund	Fire Protection Fund	Permanent Fund Cemetery Perpetual Care	Non-major Funds	
ASSETS:					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 270,873	\$ 178,800	\$ -	\$ 104	\$ 449,777
Prepaid expenses	19,547	4,945	-	4,964	29,456
Due from other funds	75,526	-	6,811	26,000	108,337
Due from fiduciary funds	33,303	17,001	-	-	50,304
Due from governmental units	42,268	-	-	-	42,268
TOTAL CURRENT ASSETS	441,517	200,746	6,811	31,068	680,142
RESTRICTED ASSETS:					
Restricted cash	-	-	594,082	-	594,082
Restricted investments	-	-	467,485	-	467,485
TOTAL RESTRICTED ASSETS	-	-	1,061,567	-	1,061,567
TOTAL ASSETS	\$ 441,517	\$ 200,746	\$ 1,068,378	\$ 31,068	\$ 1,741,709
LIABILITIES:					
CURRENT LIABILITIES:					
Accounts payable	\$ 2,410	\$ 1,131	\$ -	\$ -	\$ 3,541
Accrued expenses	13,113	-	-	-	13,113
Due to other funds	-	-	26,000	30,402	56,402
Deferred revenue	21,972	25,131	-	-	47,103
TOTAL CURRENT LIABILITIES	37,495	26,262	26,000	30,402	120,159
FUND BALANCES:					
Nonspendable:					
Prepaid expenses	19,547	4,945	-	4,964	29,456
Restricted	-	169,539	1,042,378	(4,298)	1,207,619
Unassigned	384,475	-	-	-	384,475
TOTAL FUND BALANCES	404,022	174,484	1,042,378	666	1,621,550
TOTAL LIABILITIES AND FUND BALANCES	\$ 441,517	\$ 200,746	\$ 1,068,378	\$ 31,068	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 990,804

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. (52,480)

Net position of governmental activities \$ 2,559,874

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, 2013

	<u>Major Funds</u>				Total Governmental Funds
	General Fund	Fire Protection Fund	Permanent Fund Cemetery Perpetual Care	Non-major Funds	
Revenues:					
Taxes	\$ 111,802	\$ 80,289	\$ -	\$ -	\$ 192,091
Commercial Forest	24,602	-	-	-	24,602
State revenue	239,686	-	-	2,110	241,796
Federal grant	-	1,364	-	-	1,364
Charges for services	60,473	-	-	26,298	86,771
Interest	2,075	132	23,456	-	25,663
Other revenue	1,766	800	3,500	3,525	9,591
Total revenues	<u>440,404</u>	<u>82,585</u>	<u>26,956</u>	<u>31,933</u>	<u>581,878</u>
Expenditures:					
General government	317,339	-	-	-	317,339
Public safety	3,163	58,116	-	2,153	63,432
Public works	135,717	-	-	64,256	199,973
Recreation and culture	11,246	-	-	-	11,246
Total expenditures	<u>467,465</u>	<u>58,116</u>	<u>-</u>	<u>66,409</u>	<u>591,990</u>
Excess (deficiency) of revenue over expenditures	(27,061)	24,469	26,956	(34,476)	(10,112)
Other Financing Sources:					
Unrealized gain (loss)	-	-	(65,331)	-	(65,331)
Operating transfers in (out)	-	-	(26,000)	26,000	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>(91,331)</u>	<u>26,000</u>	<u>(65,331)</u>
Net change in fund balance	<u>(27,061)</u>	<u>24,469</u>	<u>(64,375)</u>	<u>(8,476)</u>	<u>(75,443)</u>
Fund Balances - Beginning of Year	431,083	150,015	1,106,753	9,142	
Fund Balances - End of Year	<u>\$ 404,022</u>	<u>\$ 174,484</u>	<u>\$ 1,042,378</u>	<u>\$ 666</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. (38,854)

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 Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred. (146)

Loan payments on long term debt 37,068

Change in net position of governmental activities \$ (77,375)

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

CHARTER TOWNSHIP OF PORTAGE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2013

	Business-Type Activities Enterprise Funds		
	Sewer System	Water System	Total
ASSET AND OTHER DEBITS:			
Current Assets:			
Cash	\$ 15,238	\$ 177,823	\$ 193,061
Account receivables	5,325	8,613	13,938
Inventory	-	30,447	30,447
Due from other funds	-	313	313
Due from fiduciary funds	-	71	71
Prepaid expenses	1,453	3,728	5,181
Total current assets	<u>22,016</u>	<u>220,995</u>	<u>243,011</u>
Restricted cash	<u>57,831</u>	<u>145,010</u>	<u>202,841</u>
General fixed assets:			
Fixed Assets	3,605,012	3,189,703	6,794,715
Accumulated depreciation	<u>(1,237,229)</u>	<u>(1,283,523)</u>	<u>(2,520,752)</u>
Total general fixed assets	<u>2,367,783</u>	<u>1,906,180</u>	<u>4,273,963</u>
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 2,447,630</u>	<u>\$ 2,272,185</u>	<u>\$ 4,719,815</u>
LIABILITIES:			
Current Liabilities:			
Due to other funds	26,467	25,781	52,248
Accrued expenses	725	1,069	1,794
Noncurrent liabilities			
Due within one year	12,646	59,335	71,981
Due in more than one year	565,403	881,513	1,446,916
User deposits	-	170	170
TOTAL LIABILITIES	<u>605,241</u>	<u>967,868</u>	<u>1,573,109</u>
DEFERRED INFOLOW OF RESOURCES			
Advances of revenues from imposed nonexchange transactions	<u>-</u>	<u>4,226</u>	<u>4,226</u>
NET POSITION AND OTHER CREDITS:			
Unrestricted	<u>1,842,389</u>	<u>1,300,091</u>	<u>3,142,480</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,447,630</u>	<u>\$ 2,272,185</u>	<u>\$ 4,719,815</u>

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 NET POSITION
For the Year Ended December 31, 2013

	Business-Type Activities		
	Enterprise Funds		
	Sewer System	Water System	Total
OPERATING REVENUE			
Charges for services	\$ 204,345	\$ 217,142	\$ 421,487
Parts, meters, hook-up fees	3,634	5,354	8,988
Other	763	2,208	2,971
TOTAL OPERATING REVENUE	<u>208,742</u>	<u>224,704</u>	<u>433,446</u>
EXPENSES:			
Salaries	23,589	32,308	55,897
Payroll taxes	2,474	3,492	5,966
Employee benefits	7,105	13,483	20,588
Supplies	952	4,969	5,921
Utilities	8,756	-	8,756
Insurance	2,062	4,228	6,290
Repairs and maintenance	2,662	6,134	8,796
Professional services	611	2,843	3,454
Printing and publishing	-	1,385	1,385
Membership and dues	-	516	516
Education	-	607	607
Depreciation	92,440	81,380	173,820
Purchase services	139,052	56,448	195,500
Miscellaneous	152	883	1,035
TOTAL EXPENSES	<u>279,855</u>	<u>208,676</u>	<u>488,531</u>
OPERATING INCOME (LOSS)	(71,113)	16,028	(55,085)
NON-OPERATING REVENUES (EXPENSES)			
Grant proceeds	102,981	-	102,981
Interest income	-	897	897
Interest expense	(7,861)	(41,058)	(48,919)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>95,120</u>	<u>(40,161)</u>	<u>54,959</u>
NET INCOME (LOSS)	24,007	(24,133)	(126)
NET POSITION, BEGINNING OF YEAR	<u>1,818,382</u>	<u>1,324,224</u>	<u>3,142,606</u>
NET POSITION, END OF YEAR	<u>\$ 1,842,389</u>	<u>\$ 1,300,091</u>	<u>\$ 3,142,480</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, 2013

	Enterprise Funds		
	Sewer System	Water System	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 209,618	\$ 225,145	\$ 434,763
Payments to suppliers	(162,863)	(78,679)	(241,542)
Payments to employees	(32,443)	(48,214)	(80,657)
Other receipts (payments)	-	-	-
Net cash provided by operating activities	<u>14,312</u>	<u>98,252</u>	<u>112,564</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	<u>23,003</u>	<u>27,023</u>	<u>50,026</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(108,293)	-	(108,293)
Capital lease payments	(29,878)	(46,278)	(76,156)
Grant proceeds	102,981	-	102,981
Principal paid on capital debt	(9,000)	(42,000)	(51,000)
Interest paid on capital debt	(7,861)	(41,058)	(48,919)
Net cash (used) by capital and related financing activities	<u>(52,051)</u>	<u>(129,336)</u>	<u>(181,387)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	-	897	897
Net cash provided by investing activities	<u>-</u>	<u>897</u>	<u>897</u>
Net (decrease) in cash and cash equivalents	(14,736)	(3,164)	(17,900)
Cash and cash equivalents - beginning of year	<u>87,805</u>	<u>325,997</u>	<u>413,802</u>
Cash and cash equivalents - ending of year	<u>\$ 73,069</u>	<u>\$ 322,833</u>	<u>\$ 395,902</u>
Reconciliation of operating income (loss) to net cash provided			
(used) by operating activities:			
Operating income (loss)	\$ (71,113)	\$ 16,028	\$ (55,085)
Adjustments to reconcile operating income to net cash provided			
(used) by operating activities:			
Depreciation expense	92,440	81,380	173,820
Change in assets and liabilities			
Receivables, net	876	2,306	3,182
Other assets	25,449	(666)	24,783
Accounts and other payables	(34,065)	-	(34,065)
Other liabilities	-	(1,866)	(1,866)
Accrued expenses	725	1,070	1,795
Net cash provided by operating activities	<u>\$ 14,312</u>	<u>\$ 98,252</u>	<u>\$ 112,564</u>

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

CHARTER TOWNSHIP OF PORTAGE
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2013

	<u>Tax Collection Fund</u>
ASSETS:	
RESTRICTED ASSETS:	
Cash and cash equivalents	\$ 322,696
TOTAL RESTRICTED ASSETS	<u>\$ 322,696</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Due to governmental funds	\$ 50,375
Due to taxpayers	448
Due to other governmental units	<u>271,873</u>
TOTAL CURRENT LIABILITIES	<u>\$ 322,696</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, 2013**

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 position 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. The Statement of Net Position and Statement of Activities report information on all of the non-fiduciary activities of the primary government and its component unit. 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 position are reported as restricted when constraints placed on net position 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 position 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, 2013**

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.

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resource measurement focus as defined below.

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.
- Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensation absences, which are reported when due.

Other Accounting Policies

Cash and Cash Equivalents - The Township’s cash and cash equivalents as reported in the statement of cash flows and the statement of net position are considered to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Restricted assets - Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited. In the enterprise funds, the “Bond Requirements” accounts are used for the payment of current debt obligations.

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Township has not recorded an allowance for uncollectible as the Township does not anticipate any material uncollectible accounts.

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.

**CHARTER TOWNSHIP OF PORTAGE
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes - Property taxes are accrued in the year they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

For the year ended December 31, 2013, the Township levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
Township Operating	1.2964
Fire Operating	.9830

Capital Assets - Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits, and bond interest costs. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Capital assets are defined by the Township as assets with an initial individual cost of more than \$3,000 and an estimated useful life of more than one year.

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the asset's estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of assets is as follows:

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

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

Restricted Assets - Restricted assets include cash and equivalents, which have been reserved for the principal portion of the cemetery perpetual care fund non-expendable cash.

Long-Term Debt - The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of bonds payable.

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures as it is in the government-wide statements.

Compensated Absences - The Township’s policies regarding vacation and sick time permit employees to accumulate earned unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

Advances of derived tax revenues - In the government-wide statements and proprietary fund financial statements, advances of derived tax revenue is recognized when cash, receivables or other assets are received prior to being earned. In the governmental fund statements, advances of derived tax revenue is recognized when revenue is unearned or unavailable. The Township has reported advances of derived revenues of \$47,103 in the general and fire protection funds for property taxes levied in December 2013 for use in 2014. These amounts has been deemed measurable, but not currently available. The following schedule is a detail as of December 31, 2013:

Fund	Property Taxes	Special Assessments	Total
General	\$ 21,972	\$ -	\$ 21,972
Fire Protection	25,131	-	25,131
Portage Water	-	4,226	4,226
Totals	<u>\$ 47,103</u>	<u>\$ 4,226</u>	<u>\$ 51,329</u>

Equity Classification

Government-Wide Statements

Equity is classified as net position and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position - Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted net position - All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements – Governmental fund equity is classified as fund balance. Fund balance is further classified as described on page 27. Proprietary fund equity is classified the same as in the government-wide statements.

Revenues

Government-Wide Statements

In the government-wide statement of activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues, includes all revenues which do not meet the criteria of program revenues and included revenues such as property taxes, state revenue sharing payments and interest earnings.

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Statements

In the governmental fund statements revenues are reported by source, such as federal sources, state sources and taxes. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Township's policy to use restricted resources first.

Expenses/Expenditures

Government-Wide Statements

In the government-wide statement of activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

The governmental fund financial statements are classified by character: current, debt service, and capital outlay.

In the proprietary fund financial statements expenses are classified by operating and nonoperating and sub-classified by function such as salaries, supplies and contracted services.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

Other Financing Sources (Uses)

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Interfund Activity

As a general rule, the effect of interfund 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 position, except for the residual amounts due between governmental and business-type activities.

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance - 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. A formal resolution of the Board 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.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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.

Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position - Deferred outflows are reported in a separate section following assets, and deferred inflows are reported in a separate section following liabilities. The statement of net position then arrives at net position which includes the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

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 and Special Revenue.

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 and other major funds are noted in the required supplementary information section.

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE C - CASH AND INVESTMENTS

As of December 31, 2013 the Township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Ratings</u>
Municipal Bonds	\$ 138,991	Aa2 & AA
Government and agency securities	<u>328,494</u>	AA+, Aaa, & AAA
Total Bonds	<u>\$ 467,485</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.

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, 2013, \$392,829 of the Township's bank balance of \$1,814,921 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:

	<u>Governmental Activities</u>	<u>Enterprise Funds</u>	<u>Total Government</u>	<u>Fiduciary Funds</u>
Unrestricted cash	\$ 449,777	\$ 193,061	\$ 642,838	\$ -
Restricted cash	<u>594,082</u>	<u>202,841</u>	<u>796,923</u>	<u>322,696</u>
Total cash and cash equivalents	<u>\$ 1,043,859</u>	<u>\$ 395,902</u>	<u>\$ 1,439,761</u>	<u>\$ 322,696</u>

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE D - INTER-FUND RECEIVABLES AND PAYABLES / TRANSFERS

The amounts of inter-fund receivables and payables at December 31, 2013 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable	Not expected to be paid back within one year
General Fund	\$ 75,526	Sewer Fund	\$ 26,467	\$ -
Water Fund	313	Water Fund	25,781	-
Perpetual Care Fund	6,811	Perpetual Care Fund	26,000	-
Cemetery Fund	26,000	Cemetery Fund	30,402	-
TOTALS	\$ 108,650	TOTALS	\$ 108,650	\$ -

- The tax collection fund owed the general fund \$33,303, fire protection fund \$17,001, and the water fund \$71 at December 31, 2013.
- Perpetual Care Fund transferred \$26,000 to the Cemetery Fund.

NOTE E - CAPITAL ASSETS

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

	Balance 12/31/12	Additions	Deletions	Balance 12/31/13
Capital assets not being depreciated:				
Land	\$ 580,954	\$ -	\$ -	\$ 580,954
Capital assets being depreciated:				
Buildings	552,919	13,928	-	566,847
Equipment	134,278	-	2,180	132,098
Machinery	91,614	-	-	91,614
Office equipment	30,916	-	-	30,916
Street signs	6,569	-	-	6,569
Vehicles	525,436	-	-	525,436
	<u>1,341,732</u>	<u>13,928</u>	<u>2,180</u>	<u>1,353,480</u>
Subtotal	1,922,686	\$ 13,928	\$ 2,180	1,934,434
Accumulated depreciation:				
Buildings	301,947	15,954	-	317,901
Equipment	85,144	7,107	2,180	90,071
Machinery	86,532	1,564	-	88,096
Office equipment	24,529	1,354	-	25,883
Street signs	6,569	-	-	6,569
Vehicles	388,307	26,803	-	415,110
Subtotal	893,028	\$ 52,782	\$ 2,180	943,630
Net capital assets being depreciated	448,704			409,850
Net capital assets	<u>\$ 1,029,658</u>			<u>\$ 990,804</u>

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

General government	\$ 21,442
Public safety	28,640
Public works	2,700
Total governmental activities	<u>\$ 52,782</u>

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE E - CAPITAL ASSETS (Continued)

The property, plant, and equipment in Township business-type funds at December 31, 2013 are summarized as follows:

SEWER FUNDS				
<u>Portage Sewer Fund</u>	Balance 12/31/12	Additions	Deletions	Balance 12/31/13
Capital assets being depreciated:				
Utility system	\$ 2,611,618	\$ -	\$ -	\$ 2,611,618
Equipment	42,384	-	-	42,384
Vehicle and machinery	5,624	-	-	5,624
Subtotal	<u>2,659,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,659,626</u>
Accumulated depreciation:				
Utility system	1,110,164	\$ 65,220	\$ -	1,175,384
Equipment	7,945	4,238	-	12,183
Vehicles and machinery	5,624	-	-	5,624
Subtotal	<u>1,123,733</u>	<u>\$ 69,458</u>	<u>\$ -</u>	<u>1,193,191</u>
Net capital assets	<u>\$ 1,535,893</u>			<u>\$ 1,466,435</u>
<u>Dakota Heights Sewer Fund</u>	Balance 12/31/12	Additions	Deletions	Balance 12/31/13
Capital assets being depreciated:				
Utility system	\$ 821,726	\$ 108,293	\$ -	\$ 930,019
Machinery	15,367	-	-	15,367
Subtotal	<u>837,093</u>	<u>\$ 108,293</u>	<u>\$ -</u>	<u>945,386</u>
Accumulated depreciation:				
Utility system	19,371	\$ 21,445	\$ -	40,816
Vehicles and Machinery	1,685	1,537	-	3,222
Subtotal	<u>-</u>	<u>\$ 22,982</u>	<u>\$ -</u>	<u>44,038</u>
Net capital assets	<u>\$ 837,093</u>			<u>\$ 901,348</u>
WATER FUNDS				
<u>Portage Water Fund</u>	Balance 12/31/12	Additions	Deletions	Balance 12/31/13
Capital assets being depreciated:				
Utility system	\$ 2,224,491	\$ -	\$ -	\$ 2,224,491
Equipment & Vehicles	107,604	-	-	107,604
Office equipment	765	-	-	765
Machinery	3,772	-	-	3,772
Subtotal	<u>2,336,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,336,632</u>
Accumulated depreciation:				
Utility system	930,749	\$ 47,797	\$ -	978,546
Equipment & Vehicles	26,064	9,692	-	35,756
Office equipment	765	-	-	765
Machinery	3,772	-	-	3,772
Subtotal	<u>961,350</u>	<u>\$ 57,489</u>	<u>\$ -</u>	<u>1,018,839</u>
Net capital assets	<u>\$ 1,375,282</u>			<u>\$ 1,317,793</u>

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE E - CAPITAL ASSETS (Continued)

<u>Dakota Heights Water Fund</u>	Balance 12/31/12	Additions	Deletions	Balance 12/31/13
Capital assets being depreciated:				
Utility system	\$ 668,919	\$ -	\$ -	\$ 668,919
Equipment & Vehicles	21,908	-	-	21,908
Subtotal	<u>690,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>690,827</u>
Accumulated depreciation:				
Utility system	192,314	\$ 16,723	\$ -	209,037
Equipment & Vehicles	10,341	1,622	-	11,963
Subtotal	<u>202,655</u>	<u>\$ 18,345</u>	<u>\$ -</u>	<u>221,000</u>
Net capital assets	<u>\$ 488,172</u>			<u>\$ 469,827</u>
<u>Woodland Road Water Fund</u>	Balance 12/31/12	Additions	Deletions	Balance 12/31/13
Capital assets being depreciated:				
Utility system	\$ 133,312	\$ -	\$ -	\$ 133,312
Equipment & Vehicles	28,932	-	-	28,932
Subtotal	<u>162,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>162,244</u>
Accumulated depreciation:				
Utility system	29,017	\$ 3,055	\$ -	32,072
Equipment & Vehicles	9,120	2,492	-	11,612
Subtotal	<u>38,137</u>	<u>\$ 5,547</u>	<u>\$ -</u>	<u>43,684</u>
Net capital assets	<u>\$ 124,107</u>			<u>\$ 118,560</u>

NOTE F - ACCUMULATED UNPAID VACATION

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

Accumulated unpaid vacation at December 31, 2013 was \$6,813.

NOTE G - 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 2013, total lease payments were \$79,197 and \$15,626 respectively. Both equipment items are recorded on the capital assets and depreciated. The loader lease was paid in full during the year. Future payments for the backhoe are as follows:

<u>Year</u>	<u>Backhoe</u>
2014	\$ 17,225
2015	15,739
Total	<u>\$ 32,964</u>

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE H - BOND PAYMENT AND RESERVE REQUIREMENTS - PROPRIETARY FUNDS

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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

At December 31, 2013, the Township had established these accounts and had restricted cash, as required, as follows:

	<u>Required</u>	<u>Amount Funded</u>
<u>Portage Sewer Fund</u>		
Bond Reserve	\$ 3,625	\$ 14,500
Repair and Replacement	10,000	20,000
Bond and Interest	6,983	10,268
	<u>\$ 20,608</u>	<u>\$ 44,768</u>
<u>Dakota Sewer Fund</u>		
Bond Reserve	\$ 2,475	\$ 2,750
Repair and Replacement	4,500	4,950
Bond and Interest	5,314	5,363
	<u>\$ 12,289</u>	<u>\$ 13,063</u>
<u>Portage Water Fund</u>		
Bond Reserve	\$ 22,813	\$ 22,813
Repair and Replacement	20,312	45,232
Bond and Interest	17,968	19,078
	<u>\$ 61,093</u>	<u>\$ 87,123</u>
<u>Dakota Water Fund</u>		
Bond Reserve	\$ 11,000	\$ 11,000
Repair and Replacement	16,825	40,310
Bond and Interest	2,538	6,577
	<u>\$ 30,363</u>	<u>\$ 57,887</u>

NOTE I - 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:

<u>Year</u>	July 1	<u>November 1</u>		<u>Total</u>
	Interest	Interest	Principal	
2014	\$ 2,328	\$ 2,328	\$ 35,000	\$ 39,656
2015	1,786	1,786	35,000	38,572
2016	1,231	1,231	35,000	37,462
TOTALS	<u>\$ 5,345</u>	<u>\$ 5,345</u>	<u>\$ 105,000</u>	<u>\$ 115,690</u>

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:

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE I - LONG-TERM DEBT (Continued)

PORTAGE WATER FUND (Continued)

Year	January 1	July 1		Total
	Interest	Interest	Principal	
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	12,684	12,684	11,000	36,368
2019	12,458	12,458	11,000	35,916
2020	12,231	12,231	12,000	36,462
2021	11,983	11,983	12,000	35,966
2022	11,736	11,736	13,000	36,472
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
TOTALS	\$ 287,101	\$ 287,101	\$ 653,000	\$ 1,227,202

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	
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	3,285	3,285	4,000	10,570
2019	3,195	3,195	4,000	10,390
2020	3,105	3,105	4,000	10,210
2021	3,015	3,015	4,000	10,030
2022	2,925	2,925	4,000	9,850
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
TOTALS	\$ 59,582	\$ 59,582	\$ 159,000	\$ 278,164

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE I - LONG-TERM DEBT (Continued)

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	
2014	\$ 4,483	\$ 4,483	\$ 5,000	\$ 13,966
2015	4,414	4,414	5,000	13,828
2016	4,345	4,345	5,000	13,690
2017	4,276	4,276	6,000	14,552
2018	4,194	4,194	6,000	14,388
2019	4,111	4,111	6,000	14,222
2020	4,029	4,029	6,000	14,058
2021	3,946	3,946	6,000	13,892
2022	3,864	3,864	6,000	13,728
2023-2027	17,944	17,944	35,000	70,888
2028-2032	15,400	15,400	40,000	70,800
2033-2037	12,513	12,513	46,000	71,026
2038-2042	9,200	9,200	52,000	70,400
2043-2047	5,417	5,417	60,000	70,834
2048-2050	1,197	1,197	42,000	44,394
TOTALS	\$ 99,333	\$ 99,333	\$ 326,000	\$ 524,666

DAKOTA HEIGHTS SEWER FUND – The Dakota Heights Sewage Disposal System Revenue Bonds were issued on July 19, 2010 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	
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	3,149	3,149	4,000	10,298
2019	3,094	3,094	4,000	10,188
2020	3,039	3,039	4,000	10,078
2021	2,984	2,984	5,000	10,968
2022	2,915	2,915	5,000	10,830
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
2048-2050	1,362	1,362	39,000	41,724
TOTALS	\$ 76,375	\$ 76,375	\$ 245,000	\$ 397,750

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE I - LONG-TERM DEBT (Continued)

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. Additional principal payment was made in 2013 in the amount of \$10,900 changing the maturity date. The note has an interest rate of 4.25% and maturing on March 15, 2019.

Year	March		September	Total
	Interest	Principal	Interest	
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	2	100	-	102
TOTALS	\$ 4,847	\$ 43,600	\$ 3,920	\$ 52,367

Long-term liabilities activity, as reported in and liquidated through the each of the following funds for the fiscal year ended December 31, 2013, was as follows:

	Balance 12/31/12	Additions	Reductions	Balance 12/31/13	Current Maturities
<i>Enterprise</i>					
Portage Water Supply Bond 2007	\$ 662,000	\$ -	\$ 9,000	\$ 653,000	\$ 9,000
Portage Water Supply Bond 2005	135,000	-	30,000	105,000	35,000
Portage Sewer 2010 Bond	331,000	-	5,000	326,000	5,000
Dakota Heights Sewer 2011 Bond	249,000	-	4,000	245,000	4,000
Dakota Heights Water 2000 Bond	162,000	-	3,000	159,000	3,000
Sub-Total	<u>1,539,000</u>	<u>-</u>	<u>51,000</u>	<u>1,488,000</u>	<u>56,000</u>
<i>Governmental Funds</i>					
Fire Protection Fund	62,000	-	18,400	43,600	8,000
Total bonds and loans	<u>1,601,000</u>	<u>-</u>	<u>69,400</u>	<u>1,531,600</u>	<u>64,000</u>
Accrued compensated absences	6,667	146	-	6,813	-
TOTALS	\$ 1,607,667	\$ 146	\$ 69,400	\$ 1,538,413	\$ 64,000

SUMMARY SCHEDULE OF LONG-TERM DEBT

Year	Interest	Principal	Total
2014	\$ 47,972	\$ 64,000	\$ 111,972
2015	45,921	64,500	110,421
2016	43,824	66,000	109,824
2017	40,321	33,000	73,321
2018	39,318	34,000	73,318
2019	45,716	25,100	70,816
2020	44,808	26,000	70,808
2021	43,856	27,000	70,856
2022	42,880	28,000	70,880
2023-2027	198,100	157,000	355,100
2028-2032	167,184	188,000	355,184
2033-2037	129,884	225,000	354,884
2038-2042	85,374	248,000	333,374
2043-2047	40,620	265,000	305,620
2047-2050	5,118	81,000	86,118
TOTALS	\$ 1,020,896	\$ 1,531,600	\$ 2,552,496

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE J - DEFINED CONTRIBUTION PLAN

The Township has a Defined Contribution Pension Plan for Michigan Township Employees and provides pension benefits for all of its eligible employees through this plan managed by Burnham & Flower Insurance Group. 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 \$220,844. The Township made the required 5% contribution amounting to \$11,042.

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, 2013 is as follows:

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota. Heights Water	Woodland Road Water
Operating Revenues	\$ 177,098	\$ 31,644	\$ 163,226	\$ 23,201	\$ 38,277
Depreciation	\$ 69,458	\$ 22,982	\$ 57,488	\$ 18,345	\$ 5,547
Operating Income (Loss)	\$ (60,725)	\$ (10,388)	\$ 16,435	\$ (4,115)	\$ 3,708
Non-operating Revenue (Expense)	\$ (7,861)	\$ 102,981	\$ (33,414)	\$ (7,217)	\$ 470
Net Income (Loss)	\$ (68,586)	\$ 92,593	\$ (16,979)	\$ (11,332)	\$ 4,178
Property, Plant, and Equipment - Additions	\$ -	\$ 108,293	\$ -	\$ -	\$ -
Net Working Capital (Deficit)	\$ (5,099)	\$ (12,723)	\$ (18,424)	\$ 4,251	\$ 144,587
Total Assets	\$ 1,531,293	\$ 916,337	\$ 1,463,253	\$ 538,280	\$ 270,652
Total Equity	\$ 1,181,794	\$ 660,595	\$ 665,079	\$ 374,284	\$ 260,728

NOTE L - CONTINGENT LIABILITIES

The Township has received financial assistance from federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or on the overall financial position of the Township at December 31, 2013.

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 calendar years.

NOTE N - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

CHARTER TOWNSHIP OF PORTAGE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources	\$ 203,725	\$ 203,725	\$ 200,718	\$ 3,007
State and federal sources	237,179	237,179	239,686	(2,507)
TOTAL REVENUE	<u>440,904</u>	<u>440,904</u>	<u>440,404</u>	<u>500</u>
EXPENDITURES:				
Assessor	40,800	40,800	42,631	(1,831)
Supervisor	22,100	22,100	21,028	1,072
Clerk	28,400	28,400	26,498	1,902
Treasurer	28,950	28,950	27,108	1,842
Zoning and planning	3,900	3,900	4,676	(776)
General services	41,700	41,700	37,539	4,161
Township board	5,300	5,300	7,156	(1,856)
Town Hall	27,700	27,700	24,171	3,529
Other activities	105,080	105,080	131,121	(26,041)
Recreation	23,600	23,600	11,246	12,354
Motor vehicle pool	28,800	28,800	34,826	(6,026)
Constable	3,110	3,110	3,163	(53)
Elections	3,000	3,000	87	2,913
Maintenance building	55,900	55,900	73,534	(17,634)
Roads and repairs	28,700	28,700	22,681	6,019
TOTAL EXPENDITURES	<u>447,040</u>	<u>447,040</u>	<u>467,465</u>	<u>(20,425)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (6,136)</u>	<u>\$ (6,136)</u>	(27,061)	<u>\$ (19,925)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>431,083</u>	
FUND BALANCE - END OF YEAR			<u>\$ 404,022</u>	

CHARTER TOWNSHIP OF PORTAGE
BUDGETARY COMPARISON SCHEDULE
FIRE PROTECTION FUND
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	(GAAP Basis)	<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 79,550	\$ 79,550	\$ 82,585	\$ 3,035
TOTAL REVENUE	<u>79,550</u>	<u>79,550</u>	<u>82,585</u>	<u>3,035</u>
EXPENDITURES:				
Hurontown Fire Department	43,840	48,840	44,747	4,093
Otter Lake Fire Department	<u>17,000</u>	<u>17,000</u>	<u>13,369</u>	<u>3,631</u>
TOTAL EXPENDITURES	<u>60,840</u>	<u>65,840</u>	<u>58,116</u>	<u>7,724</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 18,710</u>	<u>\$ 13,710</u>	24,469	<u>\$ (4,689)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>150,015</u>	
FUND BALANCE - END OF YEAR			<u>\$ 174,484</u>	

SUPPLEMENTAL FINANCIAL INFORMATION

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENT OF EXPENDITURES
For the Year Ended December 31, 2013

EXPENDITURES:

ASSESSOR:

Salaries	\$ 29,200
Fringe benefits	10,138
Tax supplies	2,211
Travel expense	173
Miscellaneous	<u>909</u>
Total assessor	<u>42,631</u>

SUPERVISOR:

Salaries	20,225
Supplies	29
Travel expenses	353
Conferences/Workshops	<u>421</u>
Total supervisor	<u>21,028</u>

CLERK:

Salaries	24,140
Office supplies	1,216
Equipment	721
Travel	112
Conference/Workshops	295
Miscellaneous	<u>14</u>
Total clerk	<u>26,498</u>

TREASURER:

Salaries	23,555
Supplies	123
Tax supplies	2,282
Travel	108
Conference/Workshops	178
Equipment	<u>862</u>
Total treasurer	<u>27,108</u>

ZONING AND PLANNING:

Salaries	3,240
Supplies	220
Printing and publishing	923
Travel expenses	<u>293</u>
Total zoning and planning	<u>4,676</u>

GENERAL SERVICES:

Professional services	25,642
Supplies	15
Tower rent and expenses	2,427
Miscellaneous	<u>9,455</u>
Total general services	<u>37,539</u>

TOWNSHIP BOARD:

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENT OF EXPENDITURES (Continued)
For the Year Ended December 31, 2013

Salaries	5,900
Contributions	600
Conference/Workshops	656
Total township board	<u>7,156</u>

TOWN HALL:

Salaries	5,753
Supplies	3,183
Utilities	7,169
Repairs and maintenance	3,625
Miscellaneous	4,441
Total town hall	<u>24,171</u>

OTHER ACTIVITIES:

Salaries	10,783
Payroll taxes	22,694
Employee benefits	57,510
Printing and publishing	1,448
Insurance	15,897
Board of review	1,308
Street lights	19,765
Miscellaneous	1,716
Total other activities	<u>131,121</u>

RECREATION:

Salaries	6,271
Supplies	1,046
Utilities	2,345
Professional services	1,500
Repairs and maintenance	84
Total recreation	<u>11,246</u>

MOTOR VEHICLE POOL:

Salaries	4,595
Supplies	532
Repairs and maintenance	12,992
Fuel	16,435
Capital outlay	272
Total motor vehicle pool	<u>34,826</u>

CONSTABLE:

Salaries	3,036
Insurance	127
Total constable	<u>3,163</u>

ELECTIONS:

Supplies	87
Total elections	<u>87</u>

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENT OF EXPENDITURES (Continued)
For the Year Ended December 31, 2013

MAINTENANCE BUILDING:	
Salaries	31,484
Supplies	6,464
Utilities	6,130
Repairs and maintenance	28,486
Miscellaneous	<u>970</u>
Total maintenance building	<u>73,534</u>
ROADS:	
Salaries	266
Supplies	200
Street signs	215
Oiling roads	<u>22,000</u>
Total roads and repairs	<u>22,681</u>
TOTAL EXPENDITURES	<u>\$ 467,465</u>

CHARTER TOWNSHIP OF PORTAGE
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
December 31, 2013

	Fire Protection	Cemetery Operating	Liquor Law Enforcement	Total
ASSET AND OTHER DEBITS:				
Cash	\$ 178,800	\$ -	\$ 104	\$ 178,904
Due from other funds	-	26,000	-	26,000
Due from fiduciary funds	17,001	-	-	17,001
Prepaid expenses	4,945	4,924	40	9,909
TOTAL ASSETS AND OTHER DEBITS	\$ 200,746	\$ 30,924	\$ 144	\$ 231,814
LIABILITIES:				
Accounts payable	\$ 1,131	\$ -	\$ -	\$ 1,131
Due to other funds	-	30,402	-	30,402
Deferred revenue	25,131	-	-	25,131
TOTAL LIABILITIES	26,262	30,402	-	56,664
FUND EQUITY				
Nonspendable:				
Prepaid expense	4,945	4,924	40	9,909
Restricted	169,539	(4,402)	104	165,241
TOTAL FUND EQUITY	174,484	522	144	175,150
TOTAL LIABILITIES, FUND EQUITY	\$ 200,746	\$ 30,924	\$ 144	\$ 231,814

CHARTER TOWNSHIP OF PORTAGE
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2013

	Fire Protection	Cemetery Operating	Liquor Law Fund	Total
REVENUES:				
Taxes	\$ 80,289	\$ -	\$ -	\$ 80,289
State	-	-	2,110	2,110
Federal	1,364	-	-	1,364
Charges for services	-	26,298	-	26,298
Interest	132	-	-	132
Other	800	3,525	-	4,325
TOTAL REVENUES	82,585	29,823	2,110	114,518
EXPENDITURES:				
Salaries	4,640	36,430	1,944	43,014
Payroll taxes	88	6,068	148	6,304
Employee benefits	-	1,886	-	1,886
Supplies	1,450	1,376	-	2,826
Utilities	9,128	2,442	-	11,570
Insurance	7,385	6,269	61	13,715
Professional services	-	6,045	-	6,045
Education	4,055	-	-	4,055
Printing & publishing	-	191	-	191
Repairs and maintenance	8,520	1,816	-	10,336
Fuel	906	1,731	-	2,637
Interest payments	2,435	-	-	2,435
Principal payments	18,400	-	-	18,400
Miscellaneous	1,109	2	-	1,111
TOTAL EXPENDITURES	58,116	64,256	2,153	124,525
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	24,469	(34,433)	(43)	(10,007)
OTHER FINANCING SOURCES:				
Transfer from Perpetual Care	-	26,000	-	(26,000)
TOTAL OTHER FINANCING SOURCES	-	26,000	-	26,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	24,469	(8,433)	(43)	15,993
FUND BALANCE, BEGINNING OF YEAR	150,015	8,955	187	159,157
FUND BALANCE, END OF YEAR	\$ 174,484	\$ 522	\$ 144	\$ 175,150

CHARTER TOWNSHIP OF PORTAGE**ENTERPRISE FUNDS****COMBINING BALANCE SHEETS****December 31, 2013**

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Total
ASSET AND OTHER DEBITS:						
Current Assets:						
Cash	\$ 14,028	\$ 1,210	\$ 17,227	\$ 9,503	\$ 151,093	\$ 193,061
Account receivables	4,851	474	7,807	308	498	13,938
Inventory	-	-	30,447	-	-	30,447
Due from other funds	-	-	-	384	-	384
Prepaid expenses	1,211	242	2,856	371	501	5,181
Total current assets	20,090	1,926	58,337	10,566	152,092	243,011
Restricted cash	44,768	13,063	87,123	57,887	-	202,841
Fixed Assets	2,659,626	945,386	2,336,632	690,827	162,244	6,794,715
Accumulated depreciation	(1,193,191)	(44,038)	(1,018,839)	(221,000)	(43,684)	(2,520,752)
Total general fixed assets	1,466,435	901,348	1,317,793	469,827	118,560	4,273,963
TOTAL ASSETS AND OTHER DEBITS	\$ 1,531,293	\$ 916,337	\$ 1,463,253	\$ 538,280	\$ 270,652	\$ 4,719,815
LIABILITIES:						
Current Liabilities:						
Due to other funds	\$ 16,000	\$ 10,467	\$ 19,509	\$ 1,394	\$ 4,878	\$ 52,248
Current maturities - leases	3,547	99	7,943	1,801	2,591	15,981
Current maturities - bonds	5,000	4,000	44,000	3,000	-	56,000
User deposits	-	-	170	-	-	170
Accrued expenses	642	83	913	120	36	1,794
Deferred revenue	-	-	4,226	-	-	4,226
Total current liabilities	25,189	14,649	76,761	6,315	7,505	130,419
Long-term liabilities:						
Leases payable	3,310	93	7,413	1,681	2,419	14,916
Bonds payable	321,000	241,000	714,000	156,000	-	1,432,000
Total long-term liabilities	324,310	241,093	721,413	157,681	2,419	1,446,916
TOTAL LIABILITIES	349,499	255,742	798,174	163,996	9,924	1,577,335
FUND EQUITY AND OTHER CREDITS:						
Restricted for debt service	44,768	13,063	87,123	57,887	-	202,841
Retained earnings	1,137,026	647,532	577,956	316,397	260,728	2,939,639
TOTAL FUND EQUITY	1,181,794	660,595	665,079	374,284	260,728	3,142,480
TOTAL LIABILITIES & FUND EQUITY	\$ 1,531,293	\$ 916,337	\$ 1,463,253	\$ 538,280	\$ 270,652	\$ 4,719,815

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
For the Year Ended December 31, 2013

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Total
OPERATING REVENUE						
Charges for services	\$ 173,862	\$ 30,483	\$ 156,595	\$ 22,833	\$ 37,714	\$ 421,487
Parts, meters, hook-up fees	3,236	398	4,423	368	563	8,988
Other	-	763	2,208	-	-	2,971
TOTAL OPERATING REVENUE	177,098	31,644	163,226	23,201	38,277	433,446
EXPENSES:						
Salaries	20,236	3,353	26,766	3,148	2,394	55,897
Payroll taxes	2,126	348	2,820	387	285	5,966
Employee benefits	6,184	921	11,809	928	746	20,588
Supplies	831	121	3,886	487	596	5,921
Utilities	6,529	2,227	-	-	-	8,756
Insurance	1,882	180	3,746	241	241	6,290
Repairs and maintenance	1,515	1,147	4,074	930	1,130	8,796
Professional services	541	70	2,658	86	99	3,454
Printing and publishing	-	-	1,385	-	-	1,385
Membership and dues	-	-	516	-	-	516
Education	-	-	607	-	-	607
Depreciation	69,458	22,982	57,488	18,345	5,547	173,820
Purchase services	128,410	10,642	30,351	2,638	23,459	195,500
Miscellaneous	111	41	685	126	72	1,035
TOTAL EXPENSES	237,823	42,032	146,791	27,316	34,569	488,531
OPERATING INCOME(LOSS)	(60,725)	(10,388)	16,435	(4,115)	3,708	(55,085)
NON-OPERATING REVENUES (EXPENSES):						
Interest income	-	-	354	73	470	897
Grant proceeds	-	102,981	-	-	-	102,981
Interest expense	(7,861)	-	(33,768)	(7,290)	-	(48,919)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(7,861)	102,981	(33,414)	(7,217)	470	54,959
NET INCOME (LOSS)	(68,586)	92,593	(16,979)	(11,332)	4,178	(126)
RETAINED EARNINGS, BEGINNING OF YEAR	1,250,380	568,002	682,058	385,616	256,550	3,142,606
RETAINED EARNINGS, END OF YEAR	\$ 1,181,794	\$ 660,595	\$ 665,079	\$ 374,284	\$ 260,728	\$ 3,142,480

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2013

	Portage Sewer	Dakota Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Totals
RECONCILIATION OF OPERATING INCOME TO NET						
CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating Income (Loss)	\$ (60,725)	\$ (10,388)	\$ 16,435	\$ (4,115)	\$ 3,708	\$ (55,085)
Adjustments to Reconcile Operating						
Income to Net Cash Provided by Operating Activities:						
Depreciation	69,458	22,982	57,488	18,345	5,547	173,820
(Increase) Decrease in accounts receivable	785	91	2,195	146	(35)	3,182
(Increase) Decrease in prepaid expenses	97	33	312	34	69	545
(Increase) Decrease in inventory	-	-	(1,081)	-	-	(1,081)
(Increase) Decrease in due from other funds	-	148	6,016	986	-	7,150
(Increase) Decrease in due from other government entities	-	25,319	-	-	-	25,319
Increase (Decrease) in accounts payable	-	(34,065)	-	-	-	(34,065)
Increase (Decrease) in user deposits	-	-	170	-	-	170
Increase (Decrease) in due to other funds	13,335	9,520	15,580	1,394	3,046	42,875
Increase (Decrease) in accrued expenses	642	83	913	120	37	1,795
Increase (Decrease) in deferred revenue	-	-	(2,035)	-	-	(2,035)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>23,592</u>	<u>13,723</u>	<u>95,993</u>	<u>16,910</u>	<u>12,372</u>	<u>162,590</u>
CASH FLOWS FROM CAPITAL AND RELATED						
FINANCING ACTIVITIES						
Reductions of long-term debt	(5,000)	(4,000)	(39,000)	(3,000)	-	(51,000)
Capital lease payments	(18,429)	(11,449)	(32,877)	(4,422)	(8,979)	(76,156)
Grant proceeds	-	102,981	-	-	-	102,981
Interest paid on long-term debt	(7,861)	-	(33,768)	(7,290)	-	(48,919)
Purchase of fixed assets	-	(108,293)	-	-	-	(108,293)
NET CASH FLOWS FROM CAPITAL AND RELATED	<u>(31,290)</u>	<u>(20,761)</u>	<u>(105,645)</u>	<u>(14,712)</u>	<u>(8,979)</u>	<u>(181,387)</u>
FINANCING ACTIVITIES						
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments and deposits	-	-	354	73	470	897
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>354</u>	<u>73</u>	<u>470</u>	<u>897</u>
NET INCREASE (DECREASE) IN CASH						
AND RESTRICTED CASH	(7,698)	(7,038)	(9,298)	2,271	3,863	(17,900)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>66,494</u>	<u>21,311</u>	<u>113,648</u>	<u>65,119</u>	<u>147,230</u>	<u>413,802</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 58,796</u>	<u>\$ 14,273</u>	<u>\$ 104,350</u>	<u>\$ 67,390</u>	<u>\$ 151,093</u>	<u>\$ 395,902</u>

COMMUNICATIONS

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon 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, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and if applicable, Government Auditing Standards, 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 January 6, 2014. 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, 2013. 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 July 15, 2014.

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.

We appreciate your business, thank you.

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

July 15, 2014

CHARTER TOWNSHIP OF PORTAGE
COMMENTS AND RECOMMENDATIONS

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.

2012-1 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.

2013-1 - BUDGET

The Uniform Budgeting Act requires entities to approve an operating budget prior to the beginning of the year and that all amendments to budget made throughout the year are approved. Townships shall not incur expenditures in excess of the amount appropriated. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended December 31, 2013, the Township incurred expenditures which were in excess of the amounts appropriated as shown within the required supplemental financial information.

The Township failed to amend the budgets during the year based on the level of expenditures resulting in the Township not in compliance with State Law.

The Township should control expenditures in each governmental fund so as not to exceed the amounts appropriated. When this is not possible, the budget should be amended accordingly. We recommend that the Township Supervisor and Clerk review the provisions of Public Act 2 of 1968, as amended, to determine proper compliance procedures.

2013-2 - AUDIT SUBMISSION

The Township did not submit audit reports for the years ended December 31, 2012 and December 31, 2013 within the required timeline.

According to Public Act 2 of 1968, as amended, local units of government are required to have an annual audit. Audit reports are to be filed with the Michigan Department of Treasury within six months after the end of the fiscal year being audited.