

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

**FINANCIAL REPORT  
with Supplemental Information**

**December 31, 2014**

**CHARTER TOWNSHIP OF PORTAGE**

**DECEMBER 31, 2014**

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**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

*Certified Public Accountants, PC*  
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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, 2014, 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, 2014, 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 40 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *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 43 to 50 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 29, 2014

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

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This section of the Charter Township of Portage's annual Financial Report presents Management's Discussion and Analysis of the Township's financial activities during the fiscal year ended December 31, 2014. 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, 2014**

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**Overview of the Financial Statements - Continued**

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

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

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

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

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

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

Enterprise funds are used to report business like activities. In general, these funds charge a fee for their services. The Township uses enterprise funds for water and sewer. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net 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, 2014**

**Overview of the Financial Statements - Continued**

**Summary of Net Position**

|  | Governmental Activities |                     | Business-Type Activities |                     |
|--|-------------------------|---------------------|--------------------------|---------------------|
|  | 2014                    | 2013                | 2014                     | 2013                |
| <b>Assets</b>                                    |                         |                     |                          |                     |
| Current and other assets                         | \$ 1,781,098            | \$ 1,685,307        | \$ 350,963               | \$ 406,252          |
| Capital assets - Net of accumulated depreciation | 983,758                 | 990,904             | 4,112,280                | 4,273,963           |
| <b>Total Assets</b>                              | <b>2,764,856</b>        | <b>2,676,211</b>    | <b>4,463,243</b>         | <b>4,680,215</b>    |
| <b>Liabilities</b>                               |                         |                     |                          |                     |
| Current liabilities                              | 4,313                   | 16,654              | 1,553                    | 1,794               |
| Non-current liabilities                          | 41,546                  | 52,480              | 1,446,791                | 1,519,067           |
| Advances of revenues                             | 58,915                  | 47,103              | 2,244                    | 4,226               |
| <b>Total Liabilities</b>                         | <b>104,774</b>          | <b>116,237</b>      | <b>1,450,588</b>         | <b>1,525,087</b>    |
| <b>Net Position</b>                              |                         |                     |                          |                     |
| Net investment in capital assets                 | 948,547                 | 945,137             | 2,665,659                | 2,755,066           |
| Restricted                                       | 1,325,537               | 1,237,075           | -                        | 215,489             |
| Unrestricted                                     | 385,998                 | 377,662             | 346,996                  | 184,573             |
| <b>Total Net Position</b>                        | <b>\$ 2,660,082</b>     | <b>\$ 2,559,874</b> | <b>\$ 3,012,655</b>      | <b>\$ 3,155,128</b> |

**Results of Operations**

|                                   | Governmental Activities |                     | Business-Type Activities |                     |
|-----------------------------------|-------------------------|---------------------|--------------------------|---------------------|
|                                   | 2014                    | 2013                | 2014                     | 2013                |
| <b>Revenues</b>                   |                         |                     |                          |                     |
| <b>Program Revenue:</b>           |                         |                     |                          |                     |
| Charges for services              | \$ 86,738               | \$ 86,771           | \$ 433,770               | \$ 430,475          |
| Grants and contributions          | -                       | 1,364               | -                        | -                   |
| Capital grants and contributions  | -                       | -                   | -                        | 102,981             |
| <b>General Revenue:</b>           |                         |                     |                          |                     |
| Property taxes                    | 214,013                 | 216,693             | -                        | -                   |
| State shared revenue              | 246,616                 | 241,796             | -                        | -                   |
| Unrealized gain                   | 43,735                  | (65,331)            | -                        | -                   |
| Other                             | 67,880                  | 35,254              | 4,911                    | 3,868               |
| <b>Total Revenue</b>              | <b>658,982</b>          | <b>516,547</b>      | <b>438,681</b>           | <b>537,324</b>      |
| <b>Functions/Program Expenses</b> |                         |                     |                          |                     |
| General government                | 383,964                 | 338,781             | -                        | -                   |
| Public safety                     | 57,914                  | 73,672              | -                        | -                   |
| Public works                      | 104,406                 | 170,223             | 581,154                  | 537,450             |
| Recreation                        | 12,490                  | 11,246              | -                        | -                   |
| <b>Total Expenses</b>             | <b>558,774</b>          | <b>593,922</b>      | <b>581,154</b>           | <b>537,450</b>      |
| Change in Net Position            | 100,208                 | (77,375)            | (142,473)                | (126)               |
| Net Position - Beginning          | 2,559,874               | 2,637,249           | 3,155,128                | 3,155,254           |
| Net Position - Ending             | <b>\$ 2,660,082</b>     | <b>\$ 2,559,874</b> | <b>\$ 3,012,655</b>      | <b>\$ 3,155,128</b> |



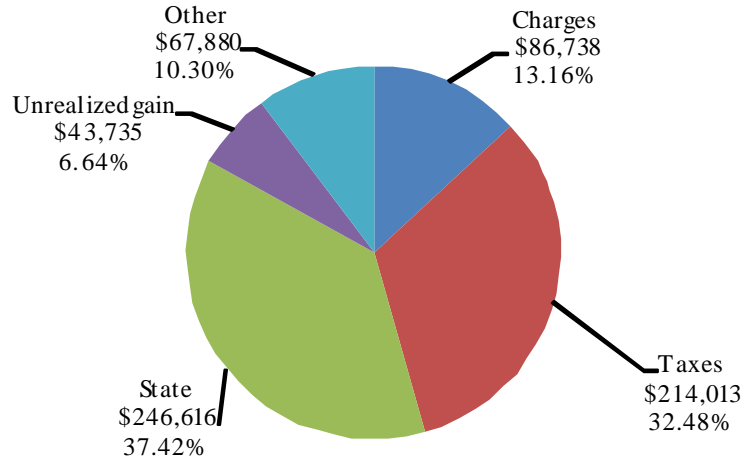
**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

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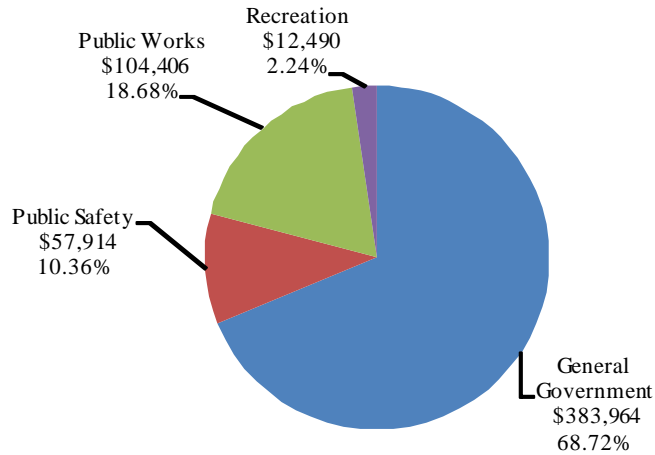
**Overview of the Financial Statements - Continued**

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

**Revenues - Governmental Activities**



**Expenditures - Governmental Activities**



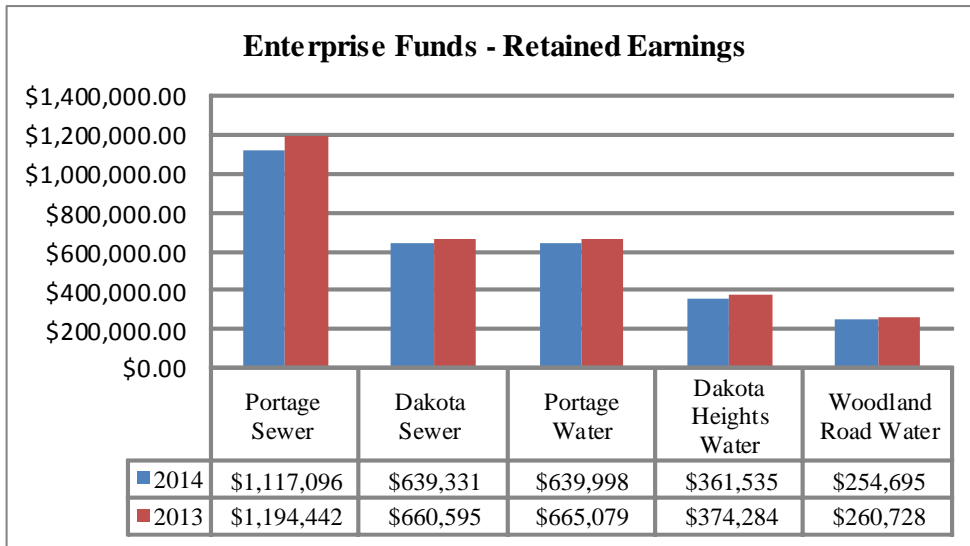
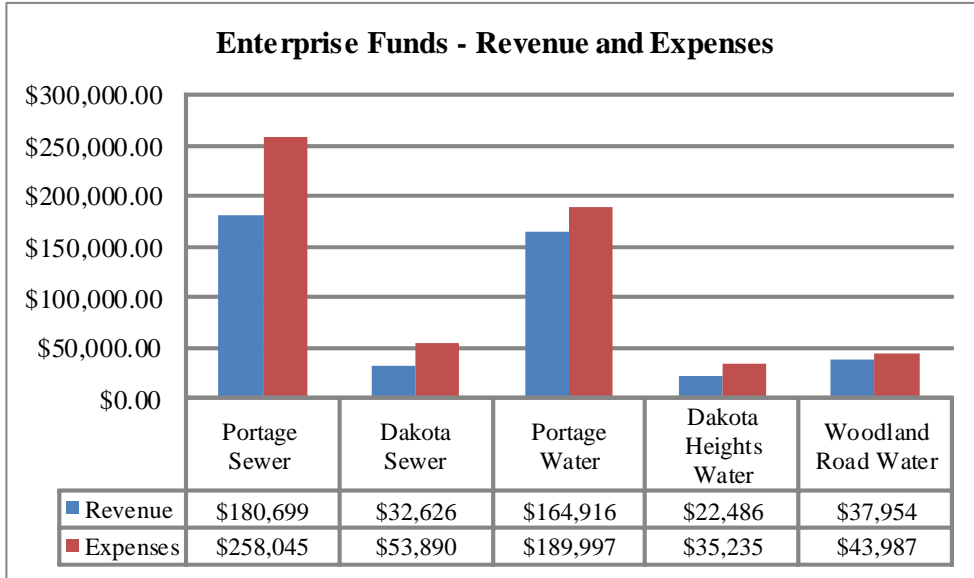
The most significant portions of the revenues for all governmental activities of the Township comes from state shared revenue and property taxes. The Township's operating millage was 1.2962 mills.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

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**Overview of the Financial Statements - Continued**

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



**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

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**Financial Analysis**

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

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 \$392,333. 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 86% of total General Fund expenditures.

The fund balance of the Township's General Fund decreased by \$11,689 during the fiscal year. Revenues increased by \$3,685. Expenditures overall decreased by \$11,687. Major decreases occurred in roads, maintenance building, motor vehicle pool, and town hall. Major increases general services for professional fees, other activities for repairs to the Hurontown fire hall, and elections.

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 \$3,012,655.

**Budgetary Highlights**

During the year ended December 31, 2014, the Township revised the budget once at year end.

**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, 2014, amounts to \$5,096,038. This investment in capital assets includes land, buildings, system improvements, machinery and equipment.

The Hurontown Fire Hall building roof project in the amount of \$33,115 and the purchase of a 2015 Ford F-250 for \$36,608 were the major capital asset expenditures. Additional information on the Township's capital assets can be found starting on page 29 of this report.

**Long-term debt**

At the end of the current fiscal year, the Township had total debt in bonds and loans in the amount of \$1,467,600. This total amount is backed by the full faith and credit of the Township. The Township's overall debt decreased by \$64,000 during the fiscal year.

Additional information on the Township's long-term debt can be found starting page 33 of this report.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

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**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](mailto:supervisor@charterportagetwp.org).

**CHARTER TOWNSHIP OF PORTAGE**  
**STATEMENT OF NET POSITION**

**December 31, 2014**

| ASSETS                                       | Primary Government         |                             |                     |
|--|----------------------------|-----------------------------|---------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total               |
| Current assets:                              |                            |                             |                     |
| Cash and cash equivalents                    | \$ 491,909                 | \$ 170,076                  | \$ 661,985          |
| Account receivables                          | -                          | 10,430                      | 10,430              |
| Inventory                                    | -                          | 55,989                      | 55,989              |
| Internal balances                            | 57,511                     | (57,511)                    | -                   |
| Due from fiduciary funds                     | 71,919                     | -                           | 71,919              |
| Due from other governmental units            | 44,245                     | -                           | 44,245              |
| Restricted cash                              | 604,294                    | 171,979                     | 776,273             |
| Restricted investments                       | 511,220                    | -                           | 511,220             |
| Capital assets - Net                         | 983,758                    | 4,112,280                   | 5,096,038           |
| Total assets                                 | <u>2,764,856</u>           | <u>4,463,243</u>            | <u>7,228,099</u>    |
| LIABILITIES:                                 |                            |                             |                     |
| Accounts payable and accrued expenses        | -                          | 173                         | 173                 |
| Accrued expenses                             | 4,313                      | 1,380                       | 5,693               |
| Noncurrent liabilities:                      |                            |                             |                     |
| Due within one year                          | 10,085                     | 56,000                      | 66,085              |
| Due in more than one year                    | 25,126                     | 1,390,621                   | 1,415,747           |
| Accrued vacation payable                     | 6,335                      | -                           | 6,335               |
| User deposits                                | -                          | 170                         | 170                 |
| Total liabilities                            | <u>45,859</u>              | <u>1,448,344</u>            | <u>1,494,203</u>    |
| DEFERRED INFLOW OF RESOURCES                 |                            |                             |                     |
| Property taxes levied for the following year | 58,915                     | 2,244                       | 61,159              |
| NET POSITION:                                |                            |                             |                     |
| Net investment in capital assets             | 948,547                    | 2,665,659                   | 3,614,206           |
| Restricted:                                  |                            |                             |                     |
| Fire Protection Fund                         | 214,859                    | -                           | 214,859             |
| Liquor Law Fund                              | 116                        | -                           | 116                 |
| Cemetery Operating Fund                      | 1,737                      | -                           | 1,737               |
| Cemetery Perpetual Care                      | 1,108,825                  | -                           | 1,108,825           |
| Unrestricted                                 | 385,998                    | 346,996                     | 732,994             |
| Total net position                           | <u>\$ 2,660,082</u>        | <u>\$ 3,012,655</u>         | <u>\$ 5,672,737</u> |

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, 2014**

|   | Program Revenues    |                         |  | Net (Expense) Revenue and<br>Changes in Net Position |                             |                     |
|---|---------------------|-------------------------|--|--|-----------------------------|---------------------|
|   | Expenses            | Charges for<br>Services | Capital<br>Grants and<br>Contributions | Primary Government                                   |                             | Total               |
|   |                     |                         |  | Governmental<br>Activities                           | Business-type<br>Activities |                     |
| <b><u>FUNCTIONS/PROGRAMS</u></b>                    |                     |                         |  |  |                             |                     |
| Primary government:                                 |                     |                         |  |  |                             |                     |
| Government activities:                              |                     |                         |  |  |                             |                     |
| General government                                  | \$ 383,964          | \$ 86,738               | \$ -                                   | \$(297,226)  | \$ -                        | \$(297,226)         |
| Public safety                                       | 57,914              | -                       | -                                      | (57,914)   | -                           | (57,914)            |
| Public works  | 104,406             | -                       | -                                      | (104,406)  | -                           | (104,406)           |
| Recreation  | 12,490              | -                       | -                                      | (12,490)   | -                           | (12,490)            |
| Total governmental activities                       | <u>558,774</u>      | <u>86,738</u>           | <u>-</u>                               | <u>\$(472,036)</u>                                   | <u>-</u>                    | <u>\$(472,036)</u>  |
| Business-type activities:                           |                     |                         |  |  |                             |                     |
| Water   | 269,219             | 221,028                 | -                                      | -  | (48,191)                    | (48,191)            |
| Sewer   | 311,935             | 212,742                 | -                                      | -  | (99,193)                    | (99,193)            |
| Total business-type activities                      | <u>581,154</u>      | <u>433,770</u>          | <u>-</u>                               | <u>-</u>   | <u>(147,384)</u>            | <u>(147,384)</u>    |
| Total primary government                            | <u>\$ 1,139,928</u> | <u>\$ 520,508</u>       | <u>\$ -</u>                            | <u>\$(472,036)</u>                                   | <u>(147,384)</u>            | <u>(619,420)</u>    |
| General Revenues:                                   |                     |                         |  |  |                             |                     |
| Taxes   |                     |                         |  | 214,013  | -                           | 214,013             |
| State shared revenue                                |                     |                         |  | 246,616  | -                           | 246,616             |
| Interest and investment earnings                    |                     |                         |  | 29,026   | 1,203                       | 30,229              |
| Realized gain (loss)                                |                     |                         |  | (34)   | -                           | (34)                |
| Unrealized gain (loss)                              |                     |                         |  | 43,735   | -                           | 43,735              |
| Other   |                     |                         |  | 38,888   | 3,708                       | 42,596              |
| Total general revenues, transfers and special items |                     |                         |  | <u>572,244</u>                                       | <u>4,911</u>                | <u>577,155</u>      |
| Change in Net Assets                                |                     |                         |  | 100,208  | (142,473)                   | (42,265)            |
| Net Position- Beginning                             |                     |                         |  | <u>2,559,874</u>                                     | <u>3,155,128</u>            | <u>5,715,002</u>    |
| Net Position- Ending                                |                     |                         |  | <u>\$ 2,660,082</u>                                  | <u>\$ 3,012,655</u>         | <u>\$ 5,672,737</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, 2014**

|  | Major Funds       |                            |  |                    | Total<br>Governmental<br>Funds |
|--|-------------------|----------------------------|--|--------------------|--------------------------------|
|  | General<br>Fund   | Fire<br>Protection<br>Fund | Permanent Fund<br>Cemetery<br>Perpetual Care | Non-major<br>Funds |                                |
| <b>ASSETS:</b>                                 |                   |                            |  |                    |                                |
| <b>CURRENT ASSETS:</b>                         |                   |                            |  |                    |                                |
| Cash and cash equivalents                      | \$ 270,834        | \$ 220,959                 | \$ -   | \$ 116             | \$ 491,909                     |
| Due from other funds                           | 68,563            | -                          | 3,311  | 10,000             | 81,874                         |
| Due from fiduciary funds                       | 46,304            | 25,615                     | -  | -                  | 71,919                         |
| Due from governmental units                    | 44,245            | -                          | -  | -                  | 44,245                         |
| <b>TOTAL CURRENT ASSETS</b>                    | <b>429,946</b>    | <b>246,574</b>             | <b>3,311</b>                                 | <b>10,116</b>      | <b>689,947</b>                 |
| <b>RESTRICTED ASSETS:</b>                      |                   |                            |  |                    |                                |
| Restricted cash                                | -                 | -                          | 604,294                                      | -                  | 604,294                        |
| Restricted investments                         | -                 | -                          | 511,220                                      | -                  | 511,220                        |
| <b>TOTAL RESTRICTED ASSETS</b>                 | <b>-</b>          | <b>-</b>                   | <b>1,115,514</b>                             | <b>-</b>           | <b>1,115,514</b>               |
| <b>TOTAL ASSETS</b>                            | <b>\$ 429,946</b> | <b>\$ 246,574</b>          | <b>\$ 1,118,825</b>                          | <b>\$ 10,116</b>   | <b>\$ 1,805,461</b>            |
| <b>LIABILITIES:</b>                            |                   |                            |  |                    |                                |
| <b>CURRENT LIABILITIES:</b>                    |                   |                            |  |                    |                                |
| Accrued expenses                               | 4,313             | -                          | -  | -                  | 4,313                          |
| Due to other funds                             | -                 | 6,100                      | 10,000                                       | 8,263              | 24,363                         |
| Deferred revenue                               | 33,300            | 25,615                     | -  | -                  | 58,915                         |
| <b>TOTAL CURRENT LIABILITIES</b>               | <b>37,613</b>     | <b>31,715</b>              | <b>10,000</b>                                | <b>8,263</b>       | <b>87,591</b>                  |
| <b>FUND BALANCES:</b>                          |                   |                            |  |                    |                                |
| <b>Nonspendable:</b>                           |                   |                            |  |                    |                                |
| Prepaid expenses                               | -                 | -                          | -  | 40                 | 40                             |
| Restricted                                     | -                 | 214,859                    | 1,108,825                                    | 1,813              | 1,325,497                      |
| Unassigned                                     | 392,333           | -                          | -  | -                  | 392,333                        |
| <b>TOTAL FUND BALANCES</b>                     | <b>392,333</b>    | <b>214,859</b>             | <b>1,108,825</b>                             | <b>1,853</b>       | <b>1,717,870</b>               |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 429,946</b> | <b>\$ 246,574</b>          | <b>\$ 1,118,825</b>                          | <b>\$ 10,116</b>   |                                |

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.                   | 983,758             |
| Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. | (41,546)            |
| Net position of governmental activities   | <u>\$ 2,660,082</u> |

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

**CHARTER TOWNSHIP OF PORTAGE**  
**GOVERNMENTAL FUNDS**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2014**

|   | Major Funds       |                            |  |                    | Total<br>Governmental<br>Funds |
|---|-------------------|----------------------------|--|--------------------|--------------------------------|
|   | General<br>Fund   | Fire<br>Protection<br>Fund | Permanent Fund<br>Cemetery<br>Perpetual Care | Non-major<br>Funds |                                |
| Revenues:   |                   |                            |  |                    |                                |
| Taxes   | \$ 114,905        | \$ 85,686                  | \$ -   | \$ -               | \$ 200,591                     |
| Commercial Forest                                   | 13,422            | -                          | -  | -                  | 13,422                         |
| State revenue                                       | 244,485           | -                          | -  | 2,131              | 246,616                        |
| Charges for services                                | 66,115            | -                          | -  | 20,623             | 86,738                         |
| Interest  | 1,155             | 1,625                      | 26,246                                       | -                  | 29,026                         |
| Other revenue                                       | 4,007             | 1,366                      | 30,500                                       | 3,015              | 38,888                         |
| Total revenues                                      | <u>444,089</u>    | <u>88,677</u>              | <u>56,746</u>                                | <u>25,769</u>      | <u>615,281</u>                 |
| Expenditures:                                       |                   |                            |  |                    |                                |
| General government                                  | 360,747           | -                          | -  | -                  | 360,747                        |
| Public safety                                       | 3,183             | 48,302                     | -  | 2,159              | 53,644                         |
| Public works  | 79,358            | -                          | -  | 56,423             | 135,781                        |
| Recreation and culture                              | 12,490            | -                          | -  | -                  | 12,490                         |
| Total expenditures                                  | <u>455,778</u>    | <u>48,302</u>              | <u>-</u>                                     | <u>58,582</u>      | <u>562,662</u>                 |
| Excess (deficiency) of revenue<br>over expenditures | (11,689)          | 40,375                     | 56,746                                       | (32,813)           | 52,619                         |
| Other Financing Sources:                            |                   |                            |  |                    |                                |
| Realize gain (loss)                                 | -                 | -                          | (34)   | -                  | (34)                           |
| Unrealized gain (loss)                              | -                 | -                          | 43,735                                       | -                  | 43,735                         |
| Operating transfers in (out)                        | -                 | -                          | (34,000)                                     | 34,000             | -                              |
| Total other financing sources                       | <u>-</u>          | <u>-</u>                   | <u>9,701</u>                                 | <u>34,000</u>      | <u>43,701</u>                  |
| Net change in fund balance                          | <u>(11,689)</u>   | <u>40,375</u>              | <u>66,447</u>                                | <u>1,187</u>       | <u>96,320</u>                  |
| Fund Balances - Beginning of Year                   | 404,022           | 174,484                    | 1,042,378                                    | 666                |                                |
| Fund Balances - End of Year                         | <u>\$ 392,333</u> | <u>\$ 214,859</u>          | <u>\$ 1,108,825</u>                          | <u>\$ 1,853</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. (7,046)

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. 478

Loan payments on long term debt 10,456

Change in net position of governmental activities \$ 100,208

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, 2014**

|   | Business-Type<br>Activities<br>Enterprise Funds |                     |                     |
|---|---|---------------------|---------------------|
|   | Sewer<br>System                                 | Water<br>System     | Total               |
|   |   |                     |                     |
| <b>ASSET AND OTHER DEBITS:</b>                                |   |                     |                     |
| Current Assets:   |   |                     |                     |
| Cash  | \$ 3,949  | \$ 166,127          | \$ 170,076          |
| Account receivables   | 5,826   | 4,604               | 10,430              |
| Inventory   | 12,648  | 43,341              | 55,989              |
| Total current assets  | 22,423  | 214,072             | 236,495             |
| Restricted cash   | 48,770  | 123,209             | 171,979             |
| General fixed assets:   |   |                     |                     |
| Fixed Assets  | 3,610,338                                       | 3,200,134           | 6,810,472           |
| Accumulated depreciation                                      | (1,332,038)                                     | (1,366,154)         | (2,698,192)         |
| Total general fixed assets                                    | 2,278,300                                       | 1,833,980           | 4,112,280           |
| <b>TOTAL ASSETS AND OTHER DEBITS</b>                          | <b>\$ 2,349,493</b>                             | <b>\$ 2,171,261</b> | <b>\$ 4,520,754</b> |
| <b>LIABILITIES:</b>   |   |                     |                     |
| Current Liabilities:  |   |                     |                     |
| Accounts payable  | \$ -  | \$ 173              | \$ 173              |
| Due to other funds  | 27,512  | 29,999              | 57,511              |
| Accrued expenses  | 454   | 926                 | 1,380               |
| Noncurrent liabilities  |   |                     |                     |
| Due within one year   | 9,000   | 47,000              | 56,000              |
| Due in more than one year                                     | 556,100   | 834,521             | 1,390,621           |
| User deposits   | -   | 170                 | 170                 |
| <b>TOTAL LIABILITIES</b>                                      | <b>593,066</b>                                  | <b>912,789</b>      | <b>1,505,855</b>    |
| <b>DEFERRED INFOLOW OF RESOURCES</b>                          |   |                     |                     |
| Advances of revenues from imposed<br>nonexchange transactions | -   | 2,244               | 2,244               |
| <b>NET POSITION AND OTHER CREDITS:</b>                        |   |                     |                     |
| Unrestricted  | 1,756,427                                       | 1,256,228           | 3,012,655           |
| <b>TOTAL LIABILITIES AND NET POSITION</b>                     | <b>\$ 2,349,493</b>                             | <b>\$ 2,171,261</b> | <b>\$ 4,520,754</b> |

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

**CHARTER TOWNSHIP OF PORTAGE**  
**PROPRIETARY FUNDS**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2014**

|   | Business-Type Activities |                     |                     |
|---|--------------------------|---------------------|---------------------|
|   | Enterprise Funds         |                     |                     |
|   | Sewer<br>System          | Water<br>System     | Total               |
| OPERATING REVENUE                       |                          |                     |                     |
| Charges for services                    | \$ 208,846               | \$ 216,867          | \$ 425,713          |
| Parts, meters, hook-up fees             | 3,896                    | 4,161               | 8,057               |
| Other                                   | 583                      | 3,125               | 3,708               |
| TOTAL OPERATING REVENUE                 | <u>213,325</u>           | <u>224,153</u>      | <u>437,478</u>      |
| EXPENSES:                               |                          |                     |                     |
| Salaries                                | 18,136                   | 32,036              | 50,172              |
| Payroll taxes                           | 1,990                    | 3,457               | 5,447               |
| Employee benefits                       | 5,679                    | 11,466              | 17,145              |
| Supplies                                | 2,038                    | 4,692               | 6,730               |
| Utilities                               | 9,294                    | -                   | 9,294               |
| Insurance                               | 2,122                    | 4,381               | 6,503               |
| Repairs and maintenance                 | 3,743                    | 5,710               | 9,453               |
| Professional services                   | 425                      | 7,874               | 8,299               |
| Printing and publishing                 | 426                      | 1,077               | 1,503               |
| Membership and dues                     | -                        | 485                 | 485                 |
| Education                               | -                        | 36                  | 36                  |
| Depreciation                            | 94,808                   | 82,631              | 177,439             |
| Purchase services                       | 158,982                  | 76,097              | 235,079             |
| Miscellaneous                           | 424                      | 776                 | 1,200               |
| TOTAL EXPENSES                          | <u>298,067</u>           | <u>230,718</u>      | <u>528,785</u>      |
| OPERATING INCOME (LOSS)                 | (84,742)                 | (6,565)             | (91,307)            |
| NON-OPERATING REVENUES (EXPENSES)       |                          |                     |                     |
| Interest income                         | -                        | 1,203               | 1,203               |
| Interest expense                        | (13,868)                 | (38,501)            | (52,369)            |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>(13,868)</u>          | <u>(37,298)</u>     | <u>(51,166)</u>     |
| NET INCOME (LOSS)                       | (98,610)                 | (43,863)            | (142,473)           |
| NET POSITION, BEGINNING OF YEAR         | <u>1,855,037</u>         | <u>1,300,091</u>    | <u>3,155,128</u>    |
| NET POSITION, END OF YEAR               | <u>\$ 1,756,427</u>      | <u>\$ 1,256,228</u> | <u>\$ 3,012,655</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, 2014**

|   | Enterprise Funds |                   |                   |
|---|------------------|-------------------|-------------------|
|   | Sewer<br>System  | Water<br>System   | Total             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                           |                  |                   |                   |
| Receipts from customers   | \$ 212,824       | \$ 226,180        | \$ 439,004        |
| Payments to suppliers   | (176,001)        | (110,121)         | (286,122)         |
| Payments to employees   | (26,076)         | (47,102)          | (73,178)          |
| Other receipts (payments)   | -                | -                 | -                 |
| Net cash provided by operating activities                             | <u>10,747</u>    | <u>68,957</u>     | <u>79,704</u>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                |                  |                   |                   |
| Operating subsidies and transfers to other funds                      | <u>1,045</u>     | <u>4,602</u>      | <u>5,647</u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>       |                  |                   |                   |
| Purchases of capital assets   | (5,326)          | (10,431)          | (15,757)          |
| Capital lease payments  | (3,948)          | (12,327)          | (16,275)          |
| Grant proceeds  | -                | -                 | -                 |
| Principal paid on capital debt  | (9,000)          | (47,000)          | (56,000)          |
| Interest paid on capital debt   | (13,868)         | (38,501)          | (52,369)          |
| Net cash (used) by capital and related financing activities           | <u>(32,142)</u>  | <u>(108,259)</u>  | <u>(140,401)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |                  |                   |                   |
| Interest and dividends  | -                | 1,203             | 1,203             |
| Net cash provided by investing activities                             | <u>-</u>         | <u>1,203</u>      | <u>1,203</u>      |
| Net (decrease) in cash and cash equivalents                           | (20,350)         | (33,497)          | (53,847)          |
| Cash and cash equivalents - beginning of year                         | <u>73,069</u>    | <u>322,833</u>    | <u>395,902</u>    |
| Cash and cash equivalents - ending of year                            | <u>\$ 52,719</u> | <u>\$ 289,336</u> | <u>\$ 342,055</u> |
| <b>Reconciliation of operating income (loss) to net cash provided</b> |                  |                   |                   |
| <b>(used) by operating activities:</b>                                |                  |                   |                   |
| Operating income (loss)   | \$ (84,742)      | \$ (6,565)        | \$ (91,307)       |
| <b>Adjustments to reconcile operating income to net cash provided</b> |                  |                   |                   |
| <b>(used) by operating activities:</b>                                |                  |                   |                   |
| Depreciation expense  | 94,808           | 82,631            | 177,439           |
| <b>Change in assets and liabilities</b>                               |                  |                   |                   |
| Receivables, net  | (501)            | 4,009             | 3,508             |
| Other assets  | 1,453            | (9,166)           | (7,713)           |
| Accounts and other payables   | -                | 173               | 173               |
| Other liabilities   | -                | (1,982)           | (1,982)           |
| Accrued expenses  | (271)            | (143)             | (414)             |
| Net cash provided by operating activities                             | <u>\$ 10,747</u> | <u>\$ 68,957</u>  | <u>\$ 79,704</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, 2014**

|                                 | <u>Tax<br/>Collection<br/>Fund</u> |
|---------------------------------|------------------------------------|
| ASSETS:                         |                                    |
| RESTRICTED ASSETS:              |                                    |
| Cash and cash equivalents       | \$ 409,661                         |
| TOTAL RESTRICTED ASSETS         | <u>\$ 409,661</u>                  |
| LIABILITIES:                    |                                    |
| CURRENT LIABILITIES:            |                                    |
| Due to governmental funds       | \$ 71,919                          |
| Due to taxpayers                | 555                                |
| Due to other governmental units | <u>337,187</u>                     |
| TOTAL CURRENT LIABILITIES       | <u>\$ 409,661</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, 2014**

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

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

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

**REPORTING ENTITY**

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

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

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

**Government-Wide Financial Statements** - The statement of net 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, 2014**

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

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

The following fund types are used by the Township:

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

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

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

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

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

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

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

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

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

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

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

The following is a description of the fiduciary fund:

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

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, 2014**

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**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, 2014**

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**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, 2014, the Township levied the following amounts per \$1,000 of assessed valuation:

| Fund               | Mills  |
|--------------------|--------|
| Township Operating | 1.2962 |
| Fire Operating     | .9971  |

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, 2014**

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**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.

Deferred Outflows of Resources and Deferred Inflows of Resources - Deferred outflows are reported in a separate section following assets and represents a consumption of net position applying to a future period and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has no deferred outflows in the current year.

Deferred inflows are reported in a separate section following liabilities and represents an acquisition of net position applying to a future period and therefore will not be recognized as an inflow of resources (revenue) in the current year. The Township has reported \$61,159 in property taxes and special assessments levied for the following year, and therefore not available in the current year under the governmental fund basis of accounting, as a deferred inflow.

| Fund            | Property<br>Taxes | Special<br>Assessments | Total            |
|-----------------|-------------------|------------------------|------------------|
| General         | \$ 33,300         | \$ -                   | \$ 33,300        |
| Fire Protection | 25,615            | -                      | 25,615           |
| Portage Water   | -                 | 2,244                  | 2,244            |
| Totals          | <u>\$ 58,915</u>  | <u>\$ 2,244</u>        | <u>\$ 61,159</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.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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

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.

*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.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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

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.

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.

**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.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

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.

**NOTE C - CASH AND INVESTMENTS**

As of December 31, 2014 the Township had the following investments:

| <u>Investment Type</u>           | <u>Fair Value</u> | <u>Ratings</u>  |
|----------------------------------|-------------------|-----------------|
| Municipal Bonds                  | \$ 153,582        | Aa2, AA & AA-   |
| Government and agency securities | <u>357,638</u>    | AA+, Aaa, & AAA |
| Total Bonds                      | <u>\$ 511,220</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, 2014, \$502,326 of the Township's bank balance of \$1,437,514 was exposed to custodial credit risk because it was uninsured and uncollateralized 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<br/>Activities</u> | <u>Enterprise<br/>Funds</u> | <u>Total<br/>Government</u> | <u>Fiduciary<br/>Funds</u> |
|---------------------------------|------------------------------------|-----------------------------|-----------------------------|----------------------------|
| Unrestricted cash               | \$ 491,909                         | \$ 170,076                  | \$ 661,985                  | \$ -                       |
| Restricted cash                 | 604,294                            | 171,979                     | 776,273                     | 409,661                    |
| Total cash and cash equivalents | <u>\$ 1,096,203</u>                | <u>\$ 342,055</u>           | <u>\$ 1,438,258</u>         | <u>\$ 409,661</u>          |

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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

The amounts of inter-fund receivables and payables at December 31, 2014 are as follows:

| Fund                | Inter-fund<br>Receivable | Fund                | Inter-fund<br>Payable | Not expected to<br>be paid back<br>within one year |
|---------------------|--------------------------|---------------------|-----------------------|--|
| General Fund        | \$ 68,563                | Sewer Fund          | \$ 27,512             | \$ -   |
| Water Fund          | -                        | Water Fund          | 29,999                | -  |
| Perpetual Care Fund | 3,311                    | Perpetual Care Fund | 10,000                | -  |
| Cemetery Fund       | 10,000                   | Cemetery Fund       | 8,263                 | -  |
|                     |                          | Fire Protection     | 6,100                 | -  |
| <b>TOTALS</b>       | <b>\$ 81,874</b>         | <b>TOTALS</b>       | <b>\$ 81,874</b>      | <b>\$ -</b>  |

- The tax collection fund owed the general fund \$46,304 and the fire protection fund \$25,615 at December 31, 2014.
- Perpetual Care Fund transferred \$34,000 to the Cemetery Fund.

**NOTE E - CAPITAL ASSETS**

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

|                                       | Balance<br>12/31/2013 | Additions        | Deletions   | Balance<br>12/31/2014 |
|---------------------------------------|-----------------------|------------------|-------------|-----------------------|
| Capital assets not being depreciated: |                       |                  |             |                       |
| Land                                  | \$ 580,954            | \$ -             | \$ -        | \$ 580,954            |
| Capital assets being depreciated:     |                       |                  |             |                       |
| Buildings                             | 566,847               | 33,115           | -           | 599,962               |
| Equipment                             | 132,098               | -                | -           | 132,098               |
| Machinery                             | 91,614                | -                | -           | 91,614                |
| Office equipment                      | 30,916                | -                | -           | 30,916                |
| Street signs                          | 6,569                 | -                | -           | 6,569                 |
| Vehicles                              | 525,436               | 13,093           | -           | 538,529               |
|                                       | <u>1,353,480</u>      | <u>46,208</u>    | <u>-</u>    | <u>1,399,688</u>      |
| Subtotal                              | 1,934,434             | \$ 46,208        | \$ -        | 1,980,642             |
| Accumulated depreciation:             |                       |                  |             |                       |
| Buildings                             | 317,901               | 16,637           | -           | 334,538               |
| Equipment                             | 90,071                | 5,528            | -           | 95,599                |
| Machinery                             | 88,096                | 1,564            | -           | 89,660                |
| Office equipment                      | 25,883                | 1,353            | -           | 27,236                |
| Street signs                          | 6,569                 | -                | -           | 6,569                 |
| Vehicles                              | 415,110               | 28,172           | -           | 443,282               |
| Subtotal                              | <u>943,630</u>        | <u>\$ 53,254</u> | <u>\$ -</u> | <u>996,884</u>        |
| Net capital assets being depreciated  | <u>409,850</u>        |                  |             | <u>402,804</u>        |
| Net capital assets                    | <u>\$ 990,804</u>     |                  |             | <u>\$ 983,758</u>     |

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

|                               |                  |
|-------------------------------|------------------|
| General government            | \$ 23,217        |
| Public safety                 | 27,337           |
| Public works                  | 2,700            |
| Total governmental activities | <u>\$ 53,254</u> |

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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

The property, plant, and equipment in Township business-type funds at December 31, 2014 are summarized as follows:

| SEWER FUNDS                       |                     |                  |             |                     |
|-----------------------------------|---------------------|------------------|-------------|---------------------|
| <u>Portage Sewer Fund</u>         | Balance             |                  |             | Balance             |
|                                   | 12/31/2013          | Additions        | Deletions   | 12/31/2014          |
| Capital assets being depreciated: |                     |                  |             |                     |
| Utility system                    | \$ 2,611,618        | \$ -             | \$ -        | \$ 2,611,618        |
| Equipment                         | 42,384              | -                | -           | 42,384              |
| Vehicle and machinery             | 5,624               | 4,838            | -           | 10,462              |
| Subtotal                          | <u>2,659,626</u>    | <u>\$ -</u>      | <u>\$ -</u> | <u>2,664,464</u>    |
| Accumulated depreciation:         |                     |                  |             |                     |
| Utility system                    | 1,175,384           | \$ 65,220        | \$ -        | 1,240,604           |
| Equipment                         | 12,183              | 4,238            | -           | 16,421              |
| Vehicles and machinery            | 5,624               | 514              | -           | 6,138               |
| Subtotal                          | <u>1,193,191</u>    | <u>\$ 69,972</u> | <u>\$ -</u> | <u>1,263,163</u>    |
| Net capital assets                | <u>\$ 1,466,435</u> |                  |             | <u>\$ 1,401,301</u> |
|                                   |                     |                  |             |                     |
| <u>Dakota Heights Sewer Fund</u>  | Balance             |                  |             | Balance             |
|                                   | 12/31/2013          | Additions        | Deletions   | 12/31/2014          |
| Capital assets being depreciated: |                     |                  |             |                     |
| Utility system                    | \$ 930,019          | \$ -             | \$ -        | \$ 930,019          |
| Vehicles and Machinery            | 15,367              | 488              | -           | 15,855              |
| Subtotal                          | <u>945,386</u>      | <u>\$ 488</u>    | <u>\$ -</u> | <u>945,874</u>      |
| Accumulated depreciation:         |                     |                  |             |                     |
| Utility system                    | 40,816              | \$ 23,251        | \$ -        | 64,067              |
| Vehicles and Machinery            | 3,222               | 1,586            | -           | 4,808               |
| Subtotal                          | <u>44,038</u>       | <u>\$ 24,837</u> | <u>\$ -</u> | <u>68,875</u>       |
| Net capital assets                | <u>\$ 901,348</u>   |                  |             | <u>\$ 876,999</u>   |
|                                   |                     |                  |             |                     |
| WATER FUNDS                       |                     |                  |             |                     |
| <u>Portage Water Fund</u>         | Balance             |                  |             | Balance             |
|                                   | 12/31/2013          | Additions        | Deletions   | 12/31/2014          |
| Capital assets being depreciated: |                     |                  |             |                     |
| Utility system                    | \$ 2,224,491        | \$ -             | \$ -        | \$ 2,224,491        |
| Equipment & Vehicles              | 107,604             | 8,367            | -           | 115,971             |
| Office equipment                  | 765                 | -                | -           | 765                 |
| Machinery                         | 3,772               | -                | -           | 3,772               |
| Subtotal                          | <u>2,336,632</u>    | <u>\$ -</u>      | <u>\$ -</u> | <u>2,344,999</u>    |
| Accumulated depreciation:         |                     |                  |             |                     |
| Utility system                    | 978,546             | \$ 47,797        | \$ -        | 1,026,343           |
| Equipment & Vehicles              | 35,756              | 10,646           | -           | 46,402              |
| Office equipment                  | 765                 | -                | -           | 765                 |
| Machinery                         | 3,772               | -                | -           | 3,772               |
| Subtotal                          | <u>1,018,839</u>    | <u>\$ 58,443</u> | <u>\$ -</u> | <u>1,077,282</u>    |
| Net capital assets                | <u>\$ 1,317,793</u> |                  |             | <u>\$ 1,267,717</u> |

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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

| <u>Dakota Heights Water Fund</u>  | Balance           |                  |             | Balance           |
|-----------------------------------|-------------------|------------------|-------------|-------------------|
|                                   | <u>12/31/2013</u> | Additions        | Deletions   | <u>12/31/2014</u> |
| Capital assets being depreciated: |                   |                  |             |                   |
| Utility system                    | \$ 668,919        | \$ -             | \$ -        | \$ 668,919        |
| Equipment & Vehicles              | 21,908            | 1,154            | -           | 23,062            |
| Subtotal                          | <u>690,827</u>    | <u>\$ -</u>      | <u>\$ -</u> | <u>691,981</u>    |
| Accumulated depreciation:         |                   |                  |             |                   |
| Utility system                    | 209,037           | \$ 16,723        | \$ -        | 225,760           |
| Equipment & Vehicles              | 11,963            | 1,782            | -           | 13,745            |
| Subtotal                          | <u>221,000</u>    | <u>\$ 18,505</u> | <u>\$ -</u> | <u>239,505</u>    |
| Net capital assets                | <u>\$ 469,827</u> |                  |             | <u>\$ 452,476</u> |
|                                   |                   |                  |             |                   |
| <u>Woodland Road Water Fund</u>   | Balance           |                  |             | Balance           |
|                                   | <u>12/31/2013</u> | Additions        | Deletions   | <u>12/31/2014</u> |
| Capital assets being depreciated: |                   |                  |             |                   |
| Utility system                    | \$ 133,312        | \$ -             | \$ -        | \$ 133,312        |
| Equipment & Vehicles              | 28,932            | 910              | -           | 29,842            |
| Subtotal                          | <u>162,244</u>    | <u>\$ -</u>      | <u>\$ -</u> | <u>163,154</u>    |
| Accumulated depreciation:         |                   |                  |             |                   |
| Utility system                    | 32,072            | \$ 3,055         | \$ -        | 35,127            |
| Equipment & Vehicles              | 11,612            | 2,628            | -           | 14,240            |
| Subtotal                          | <u>43,684</u>     | <u>\$ 5,683</u>  | <u>\$ -</u> | <u>49,367</u>     |
| Net capital assets                | <u>\$ 118,560</u> |                  |             | <u>\$ 113,787</u> |

**NOTE F - ACCUMULATED UNPAID VACATION**

Township full time employees accumulate vacation days and will be compensated upon leaving the township's employment. 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, 2014 was \$6,335.

**NOTE G - LEASES PAYABLE**

**2011 JOHN DEERE BACKHOE**

On December 30, 2010, the Township entered into capital lease agreement with Deere Credit, Inc. to buy a John Deere backhoe for \$79,627. The lease bears an interest rate of 3.55%. In 2014, total lease payments were \$15,626. The backhoe is recorded on the capital assets and depreciated. The payments for 2015 are \$16,207.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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**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, 2014**

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

At December 31, 2014, the Township had established these accounts and had restricted cash, as required, as follows:

|                           | <u>Required</u>  | <u>Amount<br/>Funded</u> |
|---------------------------|------------------|--------------------------|
| <u>Portage Sewer Fund</u> |                  |                          |
| Bond Reserve              | \$ 5,075         | \$ 10,000                |
| Repair and Replacement    | 14,000           | 20,000                   |
| Bond and Interest         | 6,914            | 6,845                    |
|                           | <u>\$ 25,989</u> | <u>\$ 36,845</u>         |
| <u>Dakota Sewer Fund</u>  |                  |                          |
| Bond Reserve              | \$ 3,575         | \$ 3,575                 |
| Repair and Replacement    | 6,500            | 5,113                    |
| Bond and Interest         | 5,259            | 3,237                    |
|                           | <u>\$ 15,334</u> | <u>\$ 11,925</u>         |
| <u>Portage Water Fund</u> |                  |                          |
| Bond Reserve              | \$ 26,463        | \$ 26,563                |
| Repair and Replacement    | 23,562           | 25,364                   |
| Bond and Interest         | 17,782           | 14,862                   |
|                           | <u>\$ 67,807</u> | <u>\$ 66,789</u>         |
| <u>Dakota Water Fund</u>  |                  |                          |
| Bond Reserve              | \$ 11,000        | \$ 11,000                |
| Repair and Replacement    | 18,925           | 40,410                   |
| Bond and Interest         | 2,505            | 5,010                    |
|                           | <u>\$ 32,430</u> | <u>\$ 56,420</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:

| Year          | January 1       | July 1          |                  | Total            |
|---------------|-----------------|-----------------|------------------|------------------|
|               | Interest        | Interest        | Principal        |                  |
| 2015          | \$ 1,786        | \$ 1,786        | \$ 35,000        | \$ 38,572        |
| 2016          | 1,231           | 1,231           | 35,000           | 37,462           |
| <b>TOTALS</b> | <u>\$ 3,017</u> | <u>\$ 3,017</u> | <u>\$ 70,000</u> | <u>\$ 76,034</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, 2014**

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

PORTAGE WATER FUND (Continued)

| Year          | January 1         | July 1            |                   | Total               |
|---------------|-------------------|-------------------|-------------------|---------------------|
|               | Interest          | Interest          | Principal         |                     |
| 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             |
| <b>TOTALS</b> | <b>\$ 273,633</b> | <b>\$ 273,633</b> | <b>\$ 644,000</b> | <b>\$ 1,191,266</b> |

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         |                   |
| 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            |
| <b>TOTALS</b> | <b>\$ 56,004</b> | <b>\$ 56,004</b> | <b>\$ 156,000</b> | <b>\$ 268,008</b> |

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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 1        | July 1           |                   | Total             |
|---------------|------------------|------------------|-------------------|-------------------|
|               | Interest         | Interest         | Principal         |                   |
| 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            |
| <b>TOTALS</b> | <b>\$ 94,850</b> | <b>\$ 94,850</b> | <b>\$ 321,000</b> | <b>\$ 510,700</b> |

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 1        | July 1           |                   | Total             |
|---------------|------------------|------------------|-------------------|-------------------|
|               | Interest         | Interest         | Principal         |                   |
| 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            |
| <b>TOTALS</b> | <b>\$ 73,006</b> | <b>\$ 73,006</b> | <b>\$ 241,000</b> | <b>\$ 387,012</b> |

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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 15        |                  | September 15    |                  |
|---------------|-----------------|------------------|-----------------|------------------|
|               | Interest        | Principal        | Interest        | Total            |
| 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              |
| <b>TOTALS</b> | <u>\$ 3,519</u> | <u>\$ 35,600</u> | <u>\$ 2,762</u> | <u>\$ 41,881</u> |

Long-term liabilities activity, as reported in and liquidated through the each of the following funds for the fiscal year ended December 31, 2014, was as follows:

|                                | Balance<br>12/31/2013 | Additions   | Reductions       | Balance<br>12/31/2014 | Current<br>Maturities |
|--------------------------------|-----------------------|-------------|------------------|-----------------------|-----------------------|
| <i>Enterprise</i>              |                       |             |                  |                       |                       |
| Portage Water Supply Bond 2007 | \$ 653,000            | \$ -        | \$ 9,000         | \$ 644,000            | \$ 9,000              |
| Portage Water Supply Bond 2005 | 105,000               | -           | 35,000           | 70,000                | 35,000                |
| Portage Sewer 2010 Bond        | 326,000               | -           | 5,000            | 321,000               | 5,000                 |
| Dakota Heights Sewer 2011 Bond | 245,000               | -           | 4,000            | 241,000               | 4,000                 |
| Dakota Heights Water 2000 Bond | 159,000               | -           | 3,000            | 156,000               | 3,000                 |
| Sub-Total                      | <u>1,488,000</u>      | <u>-</u>    | <u>56,000</u>    | <u>1,432,000</u>      | <u>56,000</u>         |
| <i>Governmental Funds</i>      |                       |             |                  |                       |                       |
| Fire Protection Fund           | 43,600                | -           | 8,000            | 35,600                | 8,500                 |
| Total bonds and loans          | <u>1,531,600</u>      | <u>-</u>    | <u>64,000</u>    | <u>1,467,600</u>      | <u>64,500</u>         |
| Accrued compensated absences   | 6,813                 | -           | 478              | 6,335                 | -                     |
| <b>TOTALS</b>                  | <u>\$ 1,538,413</u>   | <u>\$ -</u> | <u>\$ 64,478</u> | <u>\$ 1,473,935</u>   | <u>\$ 64,500</u>      |

**SUMMARY SCHEDULE OF LONG-TERM DEBT**

| Year          | Interest            | Principal           | Total               |
|---------------|---------------------|---------------------|---------------------|
| 2015          | \$ 54,749           | \$ 64,500           | \$ 119,249          |
| 2016          | 52,514              | 66,000              | 118,514             |
| 2017          | 48,873              | 33,000              | 81,873              |
| 2018          | 47,623              | 34,000              | 81,623              |
| 2019          | 45,718              | 25,100              | 70,818              |
| 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              |
| <b>TOTALS</b> | <u>\$ 1,007,301</u> | <u>\$ 1,467,600</u> | <u>\$ 2,474,901</u> |

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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**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 \$219,051. The Township made the required 5% contribution amounting to \$10,953.

**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, 2014 is as follows:

|  | Portage<br>Sewer | Dakota<br>Heights<br>Sewer | Portage<br>Water | Dakota.<br>Heights<br>Water | Woodland<br>Road<br>Water |
|--|------------------|----------------------------|------------------|-----------------------------|---------------------------|
| Operating Revenues                         | \$ 180,699       | \$ 32,626                  | \$ 164,728       | \$ 22,386                   | \$ 37,039                 |
| Depreciation                               | \$ 69,972        | \$ 24,836                  | \$ 58,443        | \$ 18,505                   | \$ 5,683                  |
| Operating Income (Loss)                    | \$ (69,603)      | \$ (15,139)                | \$ 6,077         | \$ (5,694)                  | \$ (6,948)                |
| Non-operating Revenue (Expense)            | \$ (7,743)       | \$ (6,125)                 | \$ (31,158)      | \$ (7,055)                  | \$ 915                    |
| Net Income (Loss)                          | \$ (77,346)      | \$ (21,264)                | \$ (25,081)      | \$ (12,749)                 | \$ (6,033)                |
| Property, Plant, and Equipment - Additions | \$ 4,838         | \$ 488                     | \$ 8,367         | \$ 1,154                    | \$ 910                    |
| Net Working Capital (Deficit)              | \$ (2,046)       | \$ (12,497)                | \$ (16,869)      | \$ 7,069                    | \$ 143,360                |
| Total Assets                               | \$ 1,459,365     | \$ 890,128                 | \$ 1,386,014     | \$ 522,316                  | \$ 262,931                |
| Total Equity                               | \$ 1,117,096     | \$ 639,331                 | \$ 639,998       | \$ 361,535                  | \$ 254,695                |

**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, 2014.

**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.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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**NOTE O - PRIOR PERIOD ADJUSTMENTS**

It was noted during the inventory observation that inventory for the Portage Sewer Fund had never been reported in prior years. A prior period adjustment was made recording inventory and adjusting the beginning net position in the amount of \$12,648.

**REQUIRED SUPPLEMENTAL INFORMATION**

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

**For the Year Ended December 31, 2014**

|  | <u>Budgeted Amounts</u> |                    | <u>Actual</u>     | <u>Variance</u>        |
|--|-------------------------|--------------------|-------------------|------------------------|
|  | <u>Original</u>         | <u>Final</u>       |                   | <u>Final to Actual</u> |
| <b>REVENUES:</b>   |                         |                    |                   |                        |
| Local sources  | \$ 170,900              | \$ 180,979         | \$ 199,604        | \$ (18,625)            |
| State and federal sources                                    | 263,000                 | 256,500            | 244,485           | 12,015                 |
| <b>TOTAL REVENUE</b>   | <u>433,900</u>          | <u>437,479</u>     | <u>444,089</u>    | <u>(6,610)</u>         |
| <b>EXPENDITURES:</b>   |                         |                    |                   |                        |
| Assessor   | 43,100                  | 39,700             | 40,221            | (521)                  |
| Supervisor   | 22,800                  | 21,900             | 20,956            | 944                    |
| Clerk  | 28,150                  | 24,200             | 23,440            | 760                    |
| Treasurer  | 29,600                  | 28,400             | 28,334            | 66                     |
| Zoning and planning  | 10,830                  | 4,880              | 4,446             | 434                    |
| General services   | 28,060                  | 46,860             | 51,611            | (4,751)                |
| Township board   | 7,100                   | 9,520              | 9,175             | 345                    |
| Town Hall  | 24,100                  | 17,600             | 14,996            | 2,604                  |
| Other activities   | 124,550                 | 158,519            | 161,417           | (2,898)                |
| Recreation   | 13,700                  | 24,700             | 12,490            | 12,210                 |
| Motor vehicle pool   | 23,700                  | 24,500             | 20,958            | 3,542                  |
| Constable  | 3,050                   | 3,187              | 3,183             | 4                      |
| Elections  | 14,150                  | 11,150             | 10,597            | 553                    |
| Maintenance building   | 50,100                  | 53,700             | 52,520            | 1,180                  |
| Roads and repairs  | 16,700                  | 1,900              | 1,434             | 466                    |
| <b>TOTAL EXPENDITURES</b>                                    | <u>439,690</u>          | <u>470,716</u>     | <u>455,778</u>    | <u>14,938</u>          |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>\$ (5,790)</u>       | <u>\$ (33,237)</u> | (11,689)          | <u>\$ 8,328</u>        |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                      |                         |                    | <u>404,022</u>    |                        |
| <b>FUND BALANCE - END OF YEAR</b>                            |                         |                    | <u>\$ 392,333</u> |                        |



**CHARTER TOWNSHIP OF PORTAGE**  
**BUDGETARY COMPARISON SCHEDULE**  
**FIRE PROTECTION FUND**  
**For the Year Ended December 31, 2014**

|  | <u>Budgeted Amounts</u> |                  | <u>Actual</u>     | <u>Variance</u>        |
|--|-------------------------|------------------|-------------------|------------------------|
|  | <u>Original</u>         | <u>Final</u>     |                   | <u>Final to Actual</u> |
| REVENUES:  |                         |                  |                   |                        |
| Local sources  | \$ 84,500               | \$ 87,105        | \$ 88,677         | \$ 1,572               |
| TOTAL REVENUE  | <u>84,500</u>           | <u>87,105</u>    | <u>88,677</u>     | <u>1,572</u>           |
| EXPENDITURES:  |                         |                  |                   |                        |
| Hurontown Fire Department                            | 47,830                  | 45,830           | 38,725            | 7,105                  |
| Otter Lake Fire Department                           | <u>30,000</u>           | <u>30,000</u>    | <u>9,577</u>      | <u>20,423</u>          |
| TOTAL EXPENDITURES                                   | <u>77,830</u>           | <u>75,830</u>    | <u>48,302</u>     | <u>27,528</u>          |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | <u>\$ 6,670</u>         | <u>\$ 11,275</u> | 40,375            | <u>\$ (25,956)</u>     |
| FUND BALANCE - BEGINNING OF YEAR                     |                         |                  | <u>174,484</u>    |                        |
| FUND BALANCE - END OF YEAR                           |                         |                  | <u>\$ 214,859</u> |                        |

**SUPPLEMENTAL FINANCIAL INFORMATION**

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENT OF EXPENDITURES**  
**For the Year Ended December 31, 2014**

EXPENDITURES:

ASSESSOR:

|                    |               |
|--------------------|---------------|
| Salaries           | \$ 29,200     |
| Fringe benefits    | 8,123         |
| Tax supplies       | 2,385         |
| Equipment & Repair | 336           |
| Travel expense     | 98            |
| Miscellaneous      | 79            |
| Total assessor     | <u>40,221</u> |

SUPERVISOR:

|                       |               |
|-----------------------|---------------|
| Salaries              | 20,225        |
| Supplies              | 43            |
| Travel expenses       | 311           |
| Conferences/Workshops | 377           |
| Total supervisor      | <u>20,956</u> |

CLERK:

|                      |               |
|----------------------|---------------|
| Salaries             | 22,172        |
| Office supplies      | 725           |
| Equipment            | 319           |
| Conference/Workshops | 224           |
| Total clerk          | <u>23,440</u> |

TREASURER:

|                      |               |
|----------------------|---------------|
| Salaries             | 25,250        |
| Supplies             | 220           |
| Tax supplies         | 2,722         |
| Conference/Workshops | 99            |
| Equipment            | 43            |
| Total treasurer      | <u>28,334</u> |

ZONING AND PLANNING:

|                           |              |
|---------------------------|--------------|
| Salaries                  | 4,140        |
| Supplies                  | 185          |
| Travel expenses           | 121          |
| Total zoning and planning | <u>4,446</u> |

GENERAL SERVICES:

|                         |               |
|-------------------------|---------------|
| Professional services   | 39,504        |
| Supplies                | 52            |
| Tower rent and expenses | 1,577         |
| Miscellaneous           | 10,478        |
| Total general services  | <u>51,611</u> |

TOWNSHIP BOARD:

|               |       |
|---------------|-------|
| Salaries      | 8,610 |
| Supplies      | 68    |
| Contributions | 200   |

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENT OF EXPENDITURES (Continued)**  
**For the Year Ended December 31, 2014**

|                      |       |
|----------------------|-------|
| Conference/Workshops | 297   |
| Total township board | 9,175 |

TOWN HALL:

|                         |        |
|-------------------------|--------|
| Salaries                | 4,530  |
| Supplies                | 2,777  |
| Utilities               | 5,105  |
| Repairs and maintenance | 2,355  |
| Miscellaneous           | 229    |
| Total town hall         | 14,996 |

OTHER ACTIVITIES:

|                         |         |
|-------------------------|---------|
| Salaries                | 17,013  |
| Payroll taxes           | 22,928  |
| Employee benefits       | 49,740  |
| Printing and publishing | 530     |
| Insurance               | 15,981  |
| Board of review         | 1,418   |
| Street lights           | 18,600  |
| Capital outlay          | 33,115  |
| Miscellaneous           | 2,092   |
| Total other activities  | 161,417 |

RECREATION:

|                         |        |
|-------------------------|--------|
| Salaries                | 6,463  |
| Supplies                | 2,335  |
| Utilities               | 3,078  |
| Repairs and maintenance | 474    |
| Miscellaneous           | 140    |
| Total recreation        | 12,490 |

MOTOR VEHICLE POOL:

|                          |        |
|--------------------------|--------|
| Salaries                 | 3,671  |
| Supplies                 | 295    |
| Repairs and maintenance  | 3,424  |
| Fuel                     | 13,568 |
| Total motor vehicle pool | 20,958 |

CONSTABLE:

|                 |       |
|-----------------|-------|
| Salaries        | 3,036 |
| Insurance       | 147   |
| Total constable | 3,183 |

ELECTIONS:

|                         |        |
|-------------------------|--------|
| Salaries                | 7,010  |
| Supplies                | 2,962  |
| Printing and publishing | 70     |
| Travel                  | 555    |
| Total elections         | 10,597 |

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENT OF EXPENDITURES (Continued)**  
**For the Year Ended December 31, 2014**

|                            |                   |
|----------------------------|-------------------|
| MAINTENANCE BUILDING:      |                   |
| Salaries                   | 26,621            |
| Supplies                   | 6,106             |
| Utilities                  | 5,973             |
| Repairs and maintenance    | 12,979            |
| Miscellaneous              | <u>841</u>        |
| Total maintenance building | <u>52,520</u>     |
| ROADS:                     |                   |
| Salaries                   | 619               |
| Supplies                   | 49                |
| Paving roads               | <u>766</u>        |
| Total roads and repairs    | <u>1,434</u>      |
| TOTAL EXPENDITURES         | <u>\$ 455,778</u> |

**CHARTER TOWNSHIP OF PORTAGE**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEETS**  
**December 31, 2014**

|   | <u>Fire</u>              | <u>Cemetery</u>         | <u>Liquor Law</u>    | <u>Total</u>             |
|---|--------------------------|-------------------------|----------------------|--------------------------|
|   | <u>Protection</u>        | <u>Operating</u>        | <u>Enforcement</u>   | <u>Total</u>             |
| <b>ASSET AND OTHER DEBITS:</b>            |                          |                         |                      |                          |
| Cash                                      | \$ 220,959               | \$ -                    | \$ 116               | \$ 221,075               |
| Due from other funds                      | -                        | 10,000                  | -                    | 10,000                   |
| Due from fiduciary funds                  | 25,615                   | -                       | -                    | 25,615                   |
| <b>TOTAL ASSETS AND OTHER DEBITS</b>      | <b><u>\$ 246,574</u></b> | <b><u>\$ 10,000</u></b> | <b><u>\$ 116</u></b> | <b><u>\$ 256,690</u></b> |
| <br><b>LIABILITIES:</b>                   |                          |                         |                      |                          |
| Due to other funds                        | 6,100                    | 8,263                   | -                    | 14,363                   |
| Deferred revenue                          | 25,615                   | -                       | -                    | 25,615                   |
| <b>TOTAL LIABILITIES</b>                  | <b><u>31,715</u></b>     | <b><u>8,263</u></b>     | <b><u>-</u></b>      | <b><u>39,978</u></b>     |
| <br><b>FUND EQUITY</b>                    |                          |                         |                      |                          |
| Nonspendable:                             |                          |                         |                      |                          |
| Prepaid expense                           | -                        | -                       | 40                   | 40                       |
| Restricted                                | 214,859                  | 1,737                   | 76                   | 216,672                  |
| <b>TOTAL FUND EQUITY</b>                  | <b><u>214,859</u></b>    | <b><u>1,737</u></b>     | <b><u>116</u></b>    | <b><u>216,712</u></b>    |
| <br><b>TOTAL LIABILITIES, FUND EQUITY</b> | <b><u>\$ 246,574</u></b> | <b><u>\$ 10,000</u></b> | <b><u>\$ 116</u></b> | <b><u>\$ 256,690</u></b> |

**CHARTER TOWNSHIP OF PORTAGE**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**For the Year Ended December 31, 2014**

|   | Fire<br>Protection | Cemetery<br>Operating | Liquor Law<br>Fund | Total          |
|---|--------------------|-----------------------|--------------------|----------------|
| REVENUES:   |                    |                       |                    |                |
| Taxes   | \$ 85,686          | \$ -                  | \$ -               | \$ 85,686      |
| State   | -                  | -                     | 2,131              | 2,131          |
| Charges for services  | -                  | 20,623                | -                  | 20,623         |
| Interest  | 1,625              | -                     | -                  | 1,625          |
| Other   | 1,366              | 3,015                 | -                  | 4,381          |
| <b>TOTAL REVENUES</b>   | <b>88,677</b>      | <b>23,638</b>         | <b>2,131</b>       | <b>114,446</b> |
| EXPENDITURES:   |                    |                       |                    |                |
| Salaries  | 4,700              | 32,976                | 1,944              | 39,620         |
| Payroll taxes   | 359                | 2,520                 | 149                | 3,028          |
| Employee benefits   | -                  | 1,608                 | -                  | 1,608          |
| Contract labor  | 75                 | -                     | -                  | 75             |
| Supplies  | 7,219              | 4,148                 | -                  | 11,367         |
| Utilities   | 11,533             | 2,213                 | -                  | 13,746         |
| Insurance   | 7,626              | 6,458                 | 66                 | 14,150         |
| Professional services   | -                  | 4,474                 | -                  | 4,474          |
| Education   | 646                | -                     | -                  | 646            |
| Printing & publishing   | -                  | 458                   | -                  | 458            |
| Repairs and maintenance   | 2,696              | 468                   | -                  | 3,164          |
| Fuel  | 1,590              | 1,040                 | -                  | 2,630          |
| Interest payments   | 1,749              | -                     | -                  | 1,749          |
| Principal payments  | 9,974              | -                     | -                  | 9,974          |
| Miscellaneous   | 135                | 60                    | -                  | 195            |
| <b>TOTAL EXPENDITURES</b>   | <b>48,302</b>      | <b>56,423</b>         | <b>2,159</b>       | <b>106,884</b> |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES                                | 40,375             | (32,785)              | (28)               | 7,562          |
| OTHER FINANCING SOURCES:  |                    |                       |                    |                |
| Transfer from Perpetual Care  | -                  | 34,000                | -                  | (34,000)       |
| <b>TOTAL OTHER FINANCING SOURCES</b>  | <b>-</b>           | <b>34,000</b>         | <b>-</b>           | <b>34,000</b>  |
| EXCESS (DEFICIENCY) OF REVENUES<br>AND OTHER FINANCING SOURCES<br>OVER EXPENDITURES | 40,375             | 1,215                 | (28)               | 41,562         |
| FUND BALANCE, BEGINNING OF YEAR   | 174,484            | 522                   | 144                | 175,150        |
| FUND BALANCE, END OF YEAR   | \$ 214,859         | \$ 1,737              | \$ 116             | \$ 216,712     |

**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING BALANCE SHEETS**  
**December 31, 2014**

|  | Portage<br>Sewer    | Dakota<br>Heights<br>Sewer | Portage<br>Water    | Dakota<br>Heights<br>Water | Woodland<br>Road<br>Water | Total               |
|--|---------------------|----------------------------|---------------------|----------------------------|---------------------------|---------------------|
| <b>ASSET AND OTHER DEBITS:</b>             |                     |                            |                     |                            |                           |                     |
| Current Assets:                            |                     |                            |                     |                            |                           |                     |
| Cash                                       | \$ 3,240            | \$ 709                     | \$ 3,965            | \$ 13,018                  | \$ 149,144                | \$ 170,076          |
| Account receivables                        | 5,331               | 495                        | 4,202               | 402                        | -                         | 10,430              |
| Inventory                                  | 12,648              | -                          | 43,341              | -                          | -                         | 55,989              |
| Total current assets                       | 21,219              | 1,204                      | 51,508              | 13,420                     | 149,144                   | 236,495             |
| Restricted cash                            | 36,845              | 11,925                     | 66,789              | 56,420                     | -                         | 171,979             |
| Fixed Assets                               | 2,664,464           | 945,874                    | 2,344,999           | 691,981                    | 163,154                   | 6,810,472           |
| Accumulated depreciation                   | (1,263,163)         | (68,875)                   | (1,077,282)         | (239,505)                  | (49,367)                  | (2,698,192)         |
| Total general fixed assets                 | 1,401,301           | 876,999                    | 1,267,717           | 452,476                    | 113,787                   | 4,112,280           |
| <b>TOTAL ASSETS AND OTHER DEBITS</b>       | <b>\$ 1,459,365</b> | <b>\$ 890,128</b>          | <b>\$ 1,386,014</b> | <b>\$ 522,316</b>          | <b>\$ 262,931</b>         | <b>\$ 4,520,754</b> |
| <b>LIABILITIES:</b>                        |                     |                            |                     |                            |                           |                     |
| Current Liabilities:                       |                     |                            |                     |                            |                           |                     |
| Accounts payable                           | \$ -                | \$ -                       | \$ -                | \$ -                       | \$ 173                    | \$ 173              |
| Due to other funds                         | 17,872              | 9,640                      | 21,199              | 3,258                      | 5,542                     | 57,511              |
| Current maturities - bonds                 | 5,000               | 4,000                      | 44,000              | 3,000                      | -                         | 56,000              |
| User deposits                              | -                   | -                          | 170                 | -                          | -                         | 170                 |
| Accrued expenses                           | 393                 | 61                         | 764                 | 93                         | 69                        | 1,380               |
| Deferred revenue                           | -                   | -                          | 2,244               | -                          | -                         | 2,244               |
| Total current liabilities                  | 23,265              | 13,701                     | 68,377              | 6,351                      | 5,784                     | 117,478             |
| Long-term liabilities:                     |                     |                            |                     |                            |                           |                     |
| Leases payable                             | 3,004               | 96                         | 7,639               | 1,430                      | 2,452                     | 14,621              |
| Bonds payable                              | 316,000             | 237,000                    | 670,000             | 153,000                    | -                         | 1,376,000           |
| Total long-term liabilities                | 319,004             | 237,096                    | 677,639             | 154,430                    | 2,452                     | 1,390,621           |
| <b>TOTAL LIABILITIES</b>                   | <b>342,269</b>      | <b>250,797</b>             | <b>746,016</b>      | <b>160,781</b>             | <b>8,236</b>              | <b>1,508,099</b>    |
| <b>FUND EQUITY AND OTHER CREDITS:</b>      |                     |                            |                     |                            |                           |                     |
| Retained earnings                          | 1,117,096           | 639,331                    | 639,998             | 361,535                    | 254,695                   | 3,012,655           |
| <b>TOTAL FUND EQUITY</b>                   | <b>1,117,096</b>    | <b>639,331</b>             | <b>639,998</b>      | <b>361,535</b>             | <b>254,695</b>            | <b>3,012,655</b>    |
| <b>TOTAL LIABILITIES &amp; FUND EQUITY</b> | <b>\$ 1,459,365</b> | <b>\$ 890,128</b>          | <b>\$ 1,386,014</b> | <b>\$ 522,316</b>          | <b>\$ 262,931</b>         | <b>\$ 4,520,754</b> |



**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS**  
**For the Year Ended December 31, 2014**

|   | Portage<br>Sewer    | Dakota<br>Heights<br>Sewer | Portage<br>Water  | Dakota<br>Heights<br>Water | Woodland<br>Road<br>Water | Total               |
|---|---------------------|----------------------------|-------------------|----------------------------|---------------------------|---------------------|
| <b>OPERATING REVENUE</b>                        |                     |                            |                   |                            |                           |                     |
| Charges for services                            | \$ 176,532          | \$ 32,314                  | \$ 158,510        | \$ 22,252                  | \$ 36,105                 | \$ 425,713          |
| Parts, meters, hook-up fees                     | 3,584               | 312                        | 3,110             | 117                        | 934                       | 8,057               |
| Other   | 583                 | -                          | 3,108             | 17                         | -                         | 3,708               |
| <b>TOTAL OPERATING REVENUE</b>                  | <b>180,699</b>      | <b>32,626</b>              | <b>164,728</b>    | <b>22,386</b>              | <b>37,039</b>             | <b>437,478</b>      |
| <b>EXPENSES:</b>                                |                     |                            |                   |                            |                           |                     |
| Salaries  | 15,112              | 3,024                      | 24,905            | 3,046                      | 4,085                     | 50,172              |
| Payroll taxes                                   | 1,647               | 343                        | 2,682             | 379                        | 396                       | 5,447               |
| Employee benefits                               | 4,957               | 722                        | 9,764             | 733                        | 969                       | 17,145              |
| Supplies  | 1,756               | 282                        | 1,320             | 1,633                      | 1,739                     | 6,730               |
| Utilities                                       | 7,196               | 2,098                      | -                 | -                          | -                         | 9,294               |
| Insurance                                       | 1,941               | 181                        | 3,824             | 316                        | 241                       | 6,503               |
| Repairs and maintenance                         | 3,683               | 60                         | 5,385             | 129                        | 196                       | 9,453               |
| Professional services                           | 289                 | 136                        | 6,762             | 976                        | 136                       | 8,299               |
| Printing and publishing                         | 213                 | 213                        | 1,039             | 19                         | 19                        | 1,503               |
| Membership and dues                             | -                   | -                          | 485               | -                          | -                         | 485                 |
| Education                                       | -                   | -                          | 36                | -                          | -                         | 36                  |
| Depreciation                                    | 69,972              | 24,836                     | 58,443            | 18,505                     | 5,683                     | 177,439             |
| Purchase services                               | 143,139             | 15,843                     | 43,301            | 2,318                      | 30,478                    | 235,079             |
| Miscellaneous                                   | 397                 | 27                         | 705               | 26                         | 45                        | 1,200               |
| <b>TOTAL EXPENSES</b>                           | <b>250,302</b>      | <b>47,765</b>              | <b>158,651</b>    | <b>28,080</b>              | <b>43,987</b>             | <b>528,785</b>      |
| <b>OPERATING INCOME(LOSS)</b>                   | <b>(69,603)</b>     | <b>(15,139)</b>            | <b>6,077</b>      | <b>(5,694)</b>             | <b>(6,948)</b>            | <b>(91,307)</b>     |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>       |                     |                            |                   |                            |                           |                     |
| Interest income                                 | -                   | -                          | 188               | 100                        | 915                       | 1,203               |
| Interest expense                                | (7,743)             | (6,125)                    | (31,346)          | (7,155)                    | -                         | (52,369)            |
| <b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>  | <b>(7,743)</b>      | <b>(6,125)</b>             | <b>(31,158)</b>   | <b>(7,055)</b>             | <b>915</b>                | <b>(51,166)</b>     |
| <b>NET INCOME (LOSS)</b>                        | <b>(77,346)</b>     | <b>(21,264)</b>            | <b>(25,081)</b>   | <b>(12,749)</b>            | <b>(6,033)</b>            | <b>(142,473)</b>    |
| <b>RETAINED EARNINGS,<br/>BEGINNING OF YEAR</b> | <b>1,194,442</b>    | <b>660,595</b>             | <b>665,079</b>    | <b>374,284</b>             | <b>260,728</b>            | <b>3,155,128</b>    |
| <b>RETAINED EARNINGS,<br/>END OF YEAR</b>       | <b>\$ 1,117,096</b> | <b>\$ 639,331</b>          | <b>\$ 639,998</b> | <b>\$ 361,535</b>          | <b>\$ 254,695</b>         | <b>\$ 3,012,655</b> |

**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**For the Year Ended December 31, 2014**

|   | Portage<br>Sewer | Dakota<br>Sewer  | Portage<br>Water | Dakota<br>Heights<br>Water | Woodland<br>Road<br>Water | Totals            |
|---|------------------|------------------|------------------|----------------------------|---------------------------|-------------------|
| RECONCILIATION OF OPERATING INCOME TO NET                 |                  |                  |                  |                            |                           |                   |
| CASH PROVIDED BY OPERATING ACTIVITIES:                    |                  |                  |                  |                            |                           |                   |
| Operating Income (Loss)                                   | \$ (69,603)      | \$ (15,139)      | \$ 6,077         | \$ (5,694)                 | \$ (6,948)                | \$ (91,307)       |
| Adjustments to Reconcile Operating                        |                  |                  |                  |                            |                           |                   |
| Income to Net Cash Provided by Operating Activities:      |                  |                  |                  |                            |                           |                   |
| Depreciation  | 69,972           | 24,836           | 58,443           | 18,505                     | 5,683                     | 177,439           |
| (Increase) Decrease in accounts receivable                | (480)            | (21)             | 3,605            | (94)                       | 498                       | 3,508             |
| (Increase) Decrease in prepaid expenses                   | 1,211            | 242              | 2,856            | 371                        | 501                       | 5,181             |
| (Increase) Decrease in inventory                          | -                | -                | (12,894)         | -                          | -                         | (12,894)          |
| (Increase) Decrease in due from other funds               | -                | -                | -                | 384                        | -                         | 384               |
| (Increase) Decrease in due from other government entities | -                | -                | -                | -                          | -                         | -                 |
| Increase (Decrease) in accounts payable                   | -                | -                | -                | -                          | 173                       | 173               |
| Increase (Decrease) in user deposits                      | -                | -                | -                | -                          | -                         | -                 |
| Increase (Decrease) in due to other funds                 | 1,872            | (827)            | 1,690            | 1,864                      | 664                       | 5,263             |
| Increase (Decrease) in accrued expenses                   | (249)            | (22)             | (149)            | (27)                       | 33                        | (414)             |
| Increase (Decrease) in deferred revenue                   | -                | -                | (1,982)          | -                          | -                         | (1,982)           |
| NET CASH PROVIDED BY OPERATING ACTIVITIES                 | <u>2,723</u>     | <u>9,069</u>     | <u>57,646</u>    | <u>15,309</u>              | <u>604</u>                | <u>85,351</u>     |
| CASH FLOWS FROM CAPITAL AND RELATED                       |                  |                  |                  |                            |                           |                   |
| FINANCING ACTIVITIES                                      |                  |                  |                  |                            |                           |                   |
| Reductions of long-term debt                              | (5,000)          | (4,000)          | (44,000)         | (3,000)                    | -                         | (56,000)          |
| Capital lease payments                                    | (3,853)          | (95)             | (7,717)          | (2,052)                    | (2,558)                   | (16,275)          |
| Grant proceeds  | -                | -                | -                | -                          | -                         | -                 |
| Interest paid on long-term debt                           | (7,743)          | (6,125)          | (31,346)         | (7,155)                    | -                         | (52,369)          |
| Purchase of fixed assets                                  | (4,838)          | (488)            | (8,367)          | (1,154)                    | (910)                     | (15,757)          |
| NET CASH FLOWS FROM CAPITAL AND RELATED                   | <u>(21,434)</u>  | <u>(10,708)</u>  | <u>(91,430)</u>  | <u>(13,361)</u>            | <u>(3,468)</u>            | <u>(140,401)</u>  |
| CASH FLOWS FROM INVESTING ACTIVITIES                      |                  |                  |                  |                            |                           |                   |
| Interest on investments and deposits                      | -                | -                | 188              | 100                        | 915                       | 1,203             |
| NET CASH FLOWS FROM INVESTING ACTIVITIES                  | <u>-</u>         | <u>-</u>         | <u>188</u>       | <u>100</u>                 | <u>915</u>                | <u>1,203</u>      |
| NET INCREASE (DECREASE) IN CASH                           |                  |                  |                  |                            |                           |                   |
| AND RESTRICTED CASH                                       | (18,711)         | (1,639)          | (33,596)         | 2,048                      | (1,949)                   | (53,847)          |
| CASH AND RESTRICTED CASH, BEGINNING 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>    |
| CASH AND RESTRICTED CASH, END OF YEAR                     | <u>\$ 40,085</u> | <u>\$ 12,634</u> | <u>\$ 70,754</u> | <u>\$ 69,438</u>           | <u>\$ 149,144</u>         | <u>\$ 342,055</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, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 March 9, 2015. 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, 2014. 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 depreciation expense.

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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

#### *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 as 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 29, 2015.

### *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 Matters

We applied certain limited procedures to the budgetary comparison schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on RSI.

We were engaged to report on the supplemental financial information, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

Restriction on Use

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 by anyone other than these specified parties.

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

We appreciate your business, thank you.

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

July 29, 2015

CHARTER TOWNSHIP OF PORTAGE  
COMMENTS AND RECOMMENDATIONS

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

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

*2014-1 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 all Enterprise Funds. 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.

*2014-2 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, 2014, the Township incurred expenditures which were in excess of the amounts appropriated as shown within the required supplemental financial information.

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.

*2014-3 AUDIT SUBMISSION*

The Township did not submit audit reports for the years ended December 31, 2013 and December 31, 2014 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.

*2014-4 RESERVE REQUIREMENT*

As of December 31, 2014, there was a shortage of funds deposited to meet the requirements of the Dakota Sewer Fund and the Portage Water Fund listed on page 33. The Township needs to deposit additional funds totaling \$4,427 into the required accounts and review the schedules and deposit/transfer funds on a quarterly basis to meet the requirements.