

CHARTER TOWNSHIP OF PORTAGE
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED DECEMBER 31, 2018

CHARTER TOWNSHIP OF PORTAGE

December 31, 2018

ELECTED OFFICIALS

Supervisor.....	Bruce Peterson
Clerk.....	Amy Skewes
Treasurer.....	Elizabeth Smith
Trustee.....	Peggy Anderson
Trustee.....	John Ollila
Trustee.....	William Bingham
Trustee.....	William Fink

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS	
Statement of Net Position.....	11
Statement of Activities.....	12
Balance Sheet - Governmental Funds.....	13
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds.....	16
Combining Statement of Net Position - Proprietary Funds.....	17
Combining Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds.....	18
Combining Statement of Cash Flows - Proprietary Funds.....	19
Statement of Fiduciary Net Position.....	20
Notes to Financial Statements.....	21
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund.....	40
Budgetary Comparison Schedule - Fire Protection Fund.....	41
SUPPLEMENTARY INFORMATION	
Detailed Statement of Expenditures - General Fund.....	43
Combining Balance Sheet - Special Revenue Funds.....	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds.....	47
Combining Balance Sheet - Enterprise Funds.....	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Enterprise Funds.....	49
Combining Statement of Cash Flows - Enterprise Funds.....	50
COMMUNICATIONS SECTION	
Communication with Those Charged With Governance.....	52

RUKKILA | NEGRO AND ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage as of and for the year then ended December 31, 2018, 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 judgment, 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, 2018, 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 10 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 additional information on pages 43 to 50 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 and Associates,
Certified Public Accountants, PC*

June 27, 2019

**CHARTER TOWNSHIP OF PORTAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018**

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, 2018. 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 follow 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 are 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 Township the General Fund, Fire Protection Fund, and Cemetery Perpetual Care Fund 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, 2018**

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 and Sewer 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, 2018**

Overview of the Financial Statements - (Continued)

Summary of Net Position

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Assets				
Current and other assets	\$ 2,042,098	\$ 2,219,306	\$ 488,380	\$ 554,301
Capital assets - net	1,033,475	875,064	3,436,755	3,578,503
Total assets	3,075,573	3,094,370	3,925,135	4,132,804
Liabilities				
Current liabilities	11,297	15,337	8,626	20,300
Non-current liabilities	3,779	6,235	1,270,170	1,295,170
Total liabilities	15,076	21,572	1,278,796	1,315,470
Deferred inflow of resources	55,280	108,990	-	-
Net position				
Net investment in capital assets	1,033,475	875,064	2,166,755	2,283,503
Restricted	1,259,362	382,439	-	-
Unrestricted	712,380	1,706,305	479,584	533,831
Total net position	\$ 3,005,217	\$ 2,963,808	\$ 2,646,339	\$ 2,817,334

Results of Operations

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Program Revenue:				
Charges for services	\$ 83,472	\$ 124,570	\$ 451,510	\$ 467,273
General Revenue:				
Taxes	261,804	253,114	-	-
State shared revenue	273,512	268,133	-	-
Realized gain (loss)	(69,394)	10,052	-	-
Unrealized gain (loss)	(14,935)	56,264	-	-
Other income	52,546	56,550	6,880	5,051
Total revenues	587,005	768,683	458,390	472,324
Functions/program expenses				
General government	353,120	367,056	-	-
Public Safety	69,186	58,670	-	-
Public Works	103,298	120,717	629,385	511,658
Recreation and culture	19,992	29,369	-	-
Total expenses	545,596	575,812	629,385	511,658
Change in net position	41,409	192,871	(170,995)	(39,334)
Net position - Beginning	2,963,808	2,770,937	2,817,334	2,856,668
Net position - Ending	\$ 3,005,217	\$ 2,963,808	\$ 2,646,339	\$ 2,817,334

**CHARTER TOWNSHIP OF PORTAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018**

Overview of the Financial Statements - (Continued)

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

	2018	% of total	2017	% of total
Revenues				
Charges for services	\$ 83,472	14.2	\$ 124,570	16.2
Taxes	261,804	44.6	253,114	32.9
State shared revenue	273,512	46.6	268,133	34.9
Realized gain (loss)	(69,394)	(11.8)	10,052	1.3
Unrealized gain (loss)	(14,935)	(2.5)	56,264	7.3
Other income	52,546	9.0	56,550	7.4
Total revenues	\$ 587,005	100.1	\$ 768,683	100.0
Expenditures				
General government	\$ 353,120	64.6	\$ 367,056	63.7
Public Safety	69,186	12.7	58,670	10.2
Public Works	103,298	18.9	120,717	21.0
Recreation and culture	19,992	3.7	29,369	5.1
Total expenditures	\$ 545,596	99.9	\$ 575,812	100.0

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

ENTERPRISE FUNDS	2018	2017	Change
PORTAGE SEWER			
Revenues/Transfers	\$ 195,523	\$ 196,792	\$ (1,269)
Expenditures/Transfers	\$ 334,498	\$ 234,966	\$ 99,532
Net Position	\$ 833,712	\$ 972,687	\$ (138,975)
DAKOTA SEWER			
Revenues/Transfers	\$ 36,206	\$ 39,130	\$ (2,924)
Expenditures/Transfers	\$ 48,370	\$ 46,246	\$ 2,124
Net Position	\$ 594,657	\$ 606,821	\$ (12,164)
PORTAGE WATER			
Revenues/Transfers	\$ 163,283	\$ 174,146	\$ (10,863)
Expenditures/Transfers	\$ 176,387	\$ 165,245	\$ 11,142
Net Position	\$ 622,244	\$ 635,348	\$ (13,104)
DAKOTA HEIGHTS WATER			
Revenues/Transfers	\$ 23,606	\$ 24,978	\$ (1,372)
Expenditures/Transfers	\$ 33,924	\$ 32,803	\$ 1,121
Net Position	\$ 322,581	\$ 332,899	\$ (10,318)
WOODLAND ROAD WATER			
Revenues/Transfers	\$ 39,772	\$ 37,278	\$ 2,494
Expenditures/Transfers	\$ 36,206	\$ 32,398	\$ 3,808
Net Position	\$ 273,145	\$ 269,579	\$ 3,566

**CHARTER TOWNSHIP OF PORTAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018**

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 fund balance of the General Fund was \$723,040. 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 176% of the total General Fund expenditures.

The fund balance of the Township's General Fund increased by \$102,461 during the fiscal year. Revenues decreased by \$34,692 and expenditures decreased by \$15,979 overall. Major decreases occurred in general services for professional fees and recreation. Major increases in the areas of town hall, other activities for insurance, 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 \$2,646,339.

Budgetary Highlights

During the year ended December 31, 2018, there were two budget amendments.

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, 2018, amounts to \$4,470,230. The investment in capital assets includes land, buildings, system improvements, machinery, and equipment.

Additional information on the Township's capital assets can be found on page 30 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 \$1,270,000. This total amount is backed by the full faith and credit of the Township. The Township's overall debt decreased by \$25,000 during the fiscal year.

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

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances. If you have questions about this report or need additional information, contact the Township Supervisor at the Portage Township, 47420 Green Acres Road, Houghton, Michigan 49931 or call (906) 482-4310 and e-mail address supervisor@charterportagetwp.org.

CHARTER TOWNSHIP OF PORTAGE
STATEMENT OF NET POSITION
December 31, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 798,349	\$ 312,488	\$ 1,110,837
Accounts receivable	-	10,017	10,017
Inventory	-	58,844	58,844
Internal balances	73,149	(73,149)	-
Due from fiduciary fund	72,874	-	72,874
Due from other governmental units	48,992	-	48,992
Prepays	7,508	1,916	9,424
Restricted cash	14,079	178,264	192,343
Restricted investment	1,027,147	-	1,027,147
Capital assets - net	<u>1,033,475</u>	<u>3,436,755</u>	<u>4,470,230</u>
Total assets	<u>3,075,573</u>	<u>3,925,135</u>	<u>7,000,708</u>
Liabilities			
Accounts payable	-	7,034	7,034
Accrued expenses	11,297	1,592	12,889
Bonds, due within one year	-	25,000	25,000
Bonds, due in more than one year	-	1,245,000	1,245,000
Accrued vacation and sick payable	3,779	-	3,779
User deposits	-	170	170
Total liabilities	<u>15,076</u>	<u>1,278,796</u>	<u>1,293,872</u>
Deferred inflow of resources			
Property taxes levied for the following year	<u>55,280</u>	<u>-</u>	<u>55,280</u>
Net position			
Net investment in capital assets	1,033,475	2,166,755	3,200,230
Restricted			
Fire Protection Fund	194,132	-	194,132
Liquor Law Fund	59	-	59
Cemetery Operating Fund	10,634	-	10,634
Cemetery Perpetual Care	1,054,537	-	1,054,537
Unrestricted	<u>712,380</u>	<u>479,584</u>	<u>1,191,964</u>
Total net position	<u>\$ 3,005,217</u>	<u>\$ 2,646,339</u>	<u>\$ 5,651,556</u>

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

CHARTER TOWNSHIP OF PORTAGE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Contributions</u>		<u>Primary Government</u>		
			<u>Operating</u>	<u>Capital</u>	<u>Governmental</u>	<u>Business- Type</u>	<u>Total</u>
Government Activities							
General government	\$ 353,120	\$ 83,472	\$ -	\$ -	\$ (269,648)	\$ -	\$ (269,648)
Public safety	69,186	-	-	-	(69,186)	-	(69,186)
Public works	103,298	-	-	-	(103,298)	-	(103,298)
Recreation	19,992	-	-	-	(19,992)	-	(19,992)
Total governmental activities	<u>545,596</u>	<u>83,472</u>	<u>-</u>	<u>-</u>	<u>(462,124)</u>	<u>-</u>	<u>(462,124)</u>
Business-type activities:							
Water	246,517	223,336	-	-	-	(23,181)	(23,181)
Sewer	382,868	228,174	-	-	-	(154,694)	(154,694)
Total business-type activities	<u>629,385</u>	<u>451,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(177,875)</u>	<u>(177,875)</u>
Total primary government	<u>\$ 1,174,981</u>	<u>\$ 534,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(462,124)</u>	<u>(177,875)</u>	<u>(639,999)</u>
General revenues:							
Taxes, levied for general operations					261,804	-	261,804
State shared revenue					273,512	-	273,512
Interest income and investment earnings					38,998	4,821	43,819
Realized gain (loss)					(69,394)	-	(69,394)
Unrealized gain (loss)					(14,935)	-	(14,935)
Other income					13,548	2,059	15,607
Total general revenues, transfers, and special items					<u>503,533</u>	<u>6,880</u>	<u>510,413</u>
Change in net position					41,409	(170,995)	(129,586)
Net position - Beginning of year					2,963,808	2,817,334	5,781,142
Net position - End of year					<u>\$ 3,005,217</u>	<u>\$ 2,646,339</u>	<u>\$ 5,651,556</u>

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

CHARTER TOWNSHIP OF PORTAGE
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2018

	<u>Major Governmental Funds</u>				Total Governmental Funds
	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Non-Major Funds</u>	
Assets					
Cash and cash equivalents	\$ 588,428	\$ 192,897	\$ -	\$ 17,024	\$ 798,349
Due from other funds	75,230	-	13,311	-	88,541
Due from fiduciary fund	50,582	22,292	-	-	72,874
Due from other governmental units	48,992	-	-	-	48,992
Prepays	3,437	1,612	-	2,459	7,508
Restricted cash	-	-	14,079	-	14,079
Restricted investment	-	-	1,027,147	-	1,027,147
Total assets	<u>\$ 766,669</u>	<u>\$ 216,801</u>	<u>\$ 1,054,537</u>	<u>\$ 19,483</u>	<u>\$ 2,057,490</u>
Liabilities					
Accrued expenses	\$ 10,641	\$ 377	\$ -	\$ 279	\$ 11,297
Due to other funds	-	-	-	15,392	15,392
Total liabilities	<u>10,641</u>	<u>377</u>	<u>-</u>	<u>15,671</u>	<u>26,689</u>
Deferred Inflows of Resources					
Property taxes levied for the following year	32,988	22,292	-	-	55,280
Fund balances					
Nonspendable:					
Prepays	3,437	1,612	-	2,459	7,508
Restricted	-	192,520	1,054,537	1,353	1,248,410
Unrestricted	719,603	-	-	-	719,603
Total fund balances	<u>723,040</u>	<u>194,132</u>	<u>1,054,537</u>	<u>3,812</u>	<u>1,975,521</u>
Total liabilities and fund balances	<u>\$ 766,669</u>	<u>\$ 216,801</u>	<u>\$ 1,054,537</u>	<u>\$ 19,483</u>	<u>\$ 2,057,490</u>

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

CHARTER TOWNSHIP OF PORTAGE
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2018

Fund Balance Reported in Governmental Funds	\$ 1,975,521
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.	1,033,475
Long-term liabilities of accrued vacation payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,779)</u>
Net position of governmental activities	<u><u>\$ 3,005,217</u></u>

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

CHARTER TOWNSHIP OF PORTAGE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended December 31, 2018

	<u>Major Funds</u>			<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Permanent Cemetery Perpetual Care</u>		
Revenues					
Taxes	\$ 140,774	\$ 95,788	\$ -	\$ -	\$ 236,562
Commercial Forest	25,242	-	-	-	25,242
State Revenue	271,249	-	-	2,263	273,512
Charges for services	62,202	-	-	21,270	83,472
Interest income	4,783	4,367	29,611	237	38,998
Other income	6,198	-	4,550	2,800	13,548
Total revenues	<u>510,448</u>	<u>100,155</u>	<u>34,161</u>	<u>26,570</u>	<u>671,334</u>
Expenditures					
General government	328,866	-	-	-	328,866
Public Safety	3,632	224,986	-	2,302	230,920
Public Works	55,497	-	-	71,188	126,685
Recreation and culture	19,992	-	-	-	19,992
Total expenditures	<u>407,987</u>	<u>224,986</u>	<u>-</u>	<u>73,490</u>	<u>706,463</u>
Excess (deficiency) of revenues over expenditures	<u>102,461</u>	<u>(124,831)</u>	<u>34,161</u>	<u>(46,920)</u>	<u>(35,129)</u>
Other financing sources (uses)					
Realized gain (loss)	-	-	(69,394)	-	(69,394)
Unrealized gain (loss)	-	-	(14,935)	-	(14,935)
Operating transfers in/out	-	-	(40,000)	40,000	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(124,329)</u>	<u>(40,000)</u>	<u>(84,329)</u>
Net change in fund balances	102,461	(124,831)	(90,168)	(6,920)	(119,458)
Fund balances - Beginning of year	620,579	318,963	1,144,705	10,732	2,094,979
Fund balances - End of year	<u>\$ 723,040</u>	<u>\$ 194,132</u>	<u>\$ 1,054,537</u>	<u>\$ 3,812</u>	<u>\$ 1,975,521</u>

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

CHARTER TOWNSHIP OF PORTAGE
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ (119,458)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation.	158,413
Accrued vacation pay recorded in the statement of activities is not recorded as expenditures in the governmental funds until they are incurred.	<u>2,454</u>
Change in net position of governmental activities	<u><u>\$ 41,409</u></u>

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

CHARTER TOWNSHIP OF PORTAGE
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2018

	Business-Type Activities Enterprise Funds		
	Sewer System	Water System	Total
Assets			
Cash and cash equivalents	\$ 14,988	\$ 297,500	\$ 312,488
Accounts receivable	6,683	3,334	10,017
Inventory	12,286	46,558	58,844
Due from other funds	740	-	740
Prepays	504	1,412	1,916
Restricted cash	40,331	137,933	178,264
Capital assets - net	1,912,123	1,524,632	3,436,755
Total assets	<u>1,987,655</u>	<u>2,011,369</u>	<u>3,999,024</u>
Liabilities			
Accounts payable	-	7,034	7,034
Due to other funds	34,653	39,236	73,889
Accrued expenses	633	959	1,592
Bonds, due within one year	10,000	15,000	25,000
Bonds, due in more than one year	514,000	731,000	1,245,000
User deposits	-	170	170
Total liabilities	<u>559,286</u>	<u>793,399</u>	<u>1,352,685</u>
Net Position			
Restricted	40,331	137,933	178,264
Unrestricted	1,388,038	1,080,037	2,468,075
Total net position	<u>\$ 1,428,369</u>	<u>\$ 1,217,970</u>	<u>\$ 2,646,339</u>

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

CHARTER TOWNSHIP OF PORTAGE
PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
Year Ended December 31, 2018

	Business-Type Activities		
	Enterprise Funds		
	Sewer System	Water System	Total
Operating revenues			
Charges for services	\$ 224,947	\$ 220,539	\$ 445,486
Parts, meters, hook-up fees	3,227	2,797	6,024
Other income	1,620	439	2,059
Total operating revenues	<u>229,794</u>	<u>223,775</u>	<u>453,569</u>
Operating expenses			
Salaries	18,022	30,409	48,431
Payroll taxes	1,324	2,278	3,602
Employee benefits	6,181	11,527	17,708
Supplies	2,785	12,253	15,038
Utilities	7,248	5,103	12,351
Insurance	1,442	2,382	3,824
Repairs and maintenance	46,521	2,711	49,232
Professional services	678	1,783	2,461
Printing and publishing	60	510	570
Dues and membership	-	455	455
Depreciation	95,481	81,621	177,102
Purchase services	190,157	62,252	252,409
Miscellaneous	-	1,294	1,294
Total operating expenses	<u>369,899</u>	<u>214,578</u>	<u>584,477</u>
Operating income (loss)	(140,105)	9,197	(130,908)
Non-operating revenues (expenses)			
Interest income	1,935	2,886	4,821
Interest expense	(12,969)	(31,939)	(44,908)
Total non-operating revenues (expenses)	<u>(11,034)</u>	<u>(29,053)</u>	<u>(40,087)</u>
Net income (loss)	(151,139)	(19,856)	(170,995)
Net position, beginning of the year	<u>1,579,508</u>	<u>1,237,826</u>	<u>2,817,334</u>
Net position, end of year	<u>\$ 1,428,369</u>	<u>\$ 1,217,970</u>	<u>\$ 2,646,339</u>

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

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2018

	<u>Sewer System</u>	<u>Water System</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 229,938	\$ 224,769	\$ 454,707
Payments to suppliers	(258,430)	(88,389)	(346,819)
Payments to employees	(25,571)	(43,879)	(69,450)
Net cash provided by operating activities	<u>(54,063)</u>	<u>92,501</u>	<u>38,438</u>
Cash flows from noncapital financing activities			
Operating subsidies and transfers to other funds	<u>13,201</u>	<u>22,625</u>	<u>35,826</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	(15,235)	(20,119)	(35,354)
Principal paid on capital debt	(10,000)	(15,000)	(25,000)
Interest paid on capital debt	(12,969)	(31,939)	(44,908)
Net cash (used) by capital and related financing activities	<u>(38,204)</u>	<u>(67,058)</u>	<u>(105,262)</u>
Cash flows from investing activities			
Interest	<u>1,935</u>	<u>2,886</u>	<u>4,821</u>
Net (decrease) in cash	(77,131)	50,954	(26,177)
Balances - beginning of the year	<u>132,450</u>	<u>384,479</u>	<u>516,929</u>
Balances - end of the year	<u>\$ 55,319</u>	<u>\$ 435,433</u>	<u>\$ 490,752</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (140,105)	\$ 9,197	\$ (130,908)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	95,481	81,621	177,102
Change in assets and liabilities			
Receivables, net	144	994	1,138
Inventory	295	(467)	(172)
Prepaid expenses	907	2,042	2,949
Accounts and other payables	(10,739)	(1,218)	(11,957)
Accrued expenses	(46)	332	286
Net cash provided by operating activities	<u>\$ (54,063)</u>	<u>\$ 92,501</u>	<u>\$ 38,438</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, 2018

	<u>Tax Collection Fund</u>
Assets	
Cash and cash equivalents	\$ 425,182
Net Position	
Due to other funds	\$ 72,874
Due to other governmental units	352,308
Total liabilities	<u>\$ 425,182</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, 2018

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, 2018

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 Protection Fund accounts for fire protection operations.

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

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

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

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

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

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

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

The following is a description of the fiduciary fund:

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

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS - December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 Sewer and Water Funds. 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.

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.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS - December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended December 31, 2018, the Township levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
Township Operating	1.2953
Fire Operating	.9832

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 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 & 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:

System lines	40-50 years
Buildings and additions	20-50 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 - Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited. In the Enterprise Fund, the “Bond Requirements” accounts are used for the payment of current debt obligations. Cemetery Perpetual Care Fund cash accounts have been reserved for the principal portion of the 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.

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.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS - December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences - The Township’s policies regarding vacation and sick time permit employees to accumulate vacation and sick time. The liability for vacation compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated 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 \$55,280 in property taxes 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 Taxes
General	\$ 32,988
Fire Protection	22,292
Totals	<u>\$ 55,280</u>

Equity Classification

Government-Wide Statements

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

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

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

Revenues

Government-Wide Statements

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

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS - December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Statements

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

Expenses/Expenditures

Government-Wide Statements

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

Fund Statements

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

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

Operating Revenues and Expenses

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

Other Financing Sources (Uses)

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

Interfund Activity

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

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

Interfund receivables and payables have been eliminated from the statement of net position, except for the residual amounts due between governmental and business-type activities.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS - December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- 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.
- The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- 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.
- The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- Budget appropriation's lapse at the end of the fiscal year.

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

In accordance with the State of Michigan Budgeting and Accounting Act, the Township must adopt an annual operating budget for the General and Special Revenue. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the General and Fire Protection Funds are noted in the required supplementary information section.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS - December 31, 2018

NOTE C - CASH

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

	Governmental Activities	Enterprise Funds	Total Government	Fiduciary Funds
Unrestricted Cash	\$ 798,349	\$ 312,488	\$ 1,110,837	\$ -
Restricted cash	14,079	178,264	192,343	425,182
Total cash	<u>\$ 812,428</u>	<u>\$ 490,752</u>	<u>\$ 1,303,180</u>	<u>\$ 425,182</u>

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, 2018, \$353 of the Township’s bank balance of \$1,764,386 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.

NOTE D - INVESTMENTS

The cost, market value, and unrealized appreciation (depreciation) of investment securities are as follows:

Description	December 31, 2018			December 31, 2017		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Short-term investment	\$ 61,567	\$ 61,567	\$ -	\$ 31,996	\$ 31,996	\$ -
U.S. Government and Agencies	445,845	432,087	(13,758)	445,845	447,022	1,177
Mutual funds	524,512	533,493	8,981	524,512	602,888	78,376
Total Investments	<u>\$ 1,031,924</u>	<u>\$ 1,027,147</u>	<u>\$ (4,777)</u>	<u>\$ 1,002,353</u>	<u>\$ 1,081,906</u>	<u>\$ 79,553</u>

The following table presents information about the Township’s investments measured at fair value on a recurring basis and the valuation techniques used by the Township to determine those fair values. The FASB ASC 820 Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; Level 3 inputs consist of unobservable inputs and have the lowest priority. The Township uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

Description	December 31, 2018	Fair Value	Fair Value Measurements at Reporting Date Using:		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investment	\$ 61,567	\$ 61,567	\$ 61,567	\$ -	\$ -
U.S. Government and Agencies	432,087	432,087	-	432,087	-
Mutual funds	533,493	533,493	533,493	-	-
Total Investments	<u>\$ 1,027,147</u>	<u>\$ 595,060</u>	<u>\$ 595,060</u>	<u>\$ 432,087</u>	<u>\$ -</u>
	<u>December 31, 2017</u>				
Short-term investment	\$ 31,996	\$ 31,996	\$ 31,996	\$ -	\$ -
U.S. Government and Agencies	447,022	447,022	-	447,022	-
Mutual funds	602,888	602,888	602,888	-	-
Total Investments	<u>\$ 1,081,906</u>	<u>\$ 634,884</u>	<u>\$ 634,884</u>	<u>\$ 447,022</u>	<u>\$ -</u>

**CHARTER TOWNSHIP OF PORTAGE
 NOTES TO FINANCIAL STATEMENTS - December 31, 2018**

NOTE D - INVESTMENTS (Continued)

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 - 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.

NOTE E - INTER-FUND RECEIVABLES AND PAYABLES/TRANSFERS

The amounts of inter-fund receivables and payables at December 31, 2018 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable	Not expected to be paid back within one year
General Fund	\$ 75,230	General Fund	\$ -	\$ -
Water Funds	-	Water Funds	39,236	-
Sewer Funds	740	Sewer Funds	34,653	30,283
Perpetual Care Fund	13,311	Non-Major Funds	15,392	-
Total	<u>\$ 89,281</u>	Total	<u>\$ 89,281</u>	<u>\$ 30,283</u>

- The tax collection fund owed the General Fund \$50,582 and Fire Fund \$22,292 at December 31, 2018.
- Perpetual Care Fund transferred \$40,000 to the Cemetery Fund.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS - December 31, 2018

NOTE F - CAPITAL ASSETS

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

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Capital assets, not being depreciated				
Land	\$ 584,554	\$ -	\$ -	\$ 584,554
Capital assets, being depreciated				
Buildings	634,652	\$ 170,651	\$ -	805,303
Equipment	123,642	-	-	123,642
Machinery	91,614	-	-	91,614
Office equipment	21,642	-	-	21,642
Street signs	2,598	-	-	2,598
Vehicles	515,260	23,517	-	538,777
Subtotal	<u>1,389,408</u>	<u>\$ 194,168</u>	<u>\$ -</u>	<u>1,583,576</u>
Accumulated depreciation				
Building	390,122	\$ 19,089	\$ -	409,211
Equipment	104,617	4,795	-	109,412
Machinery	91,615	-	-	91,615
Office equipment	18,037	995	-	19,032
Street signs	2,598	-	-	2,598
Vehicles	491,909	10,878	-	502,787
Subtotal	<u>1,098,898</u>	<u>\$ 35,757</u>	<u>\$ -</u>	<u>1,134,655</u>
Net capital assets being depreciated	<u>290,510</u>			<u>448,921</u>
Net capital assets	<u>\$ 875,064</u>			<u>\$ 1,033,475</u>

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

General government	\$ 24,255
Public safety	8,917
Public works	2,585
Total governmental activities	<u>\$ 35,757</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS - December 31, 2018

NOTE F - CAPITAL ASSETS (Continued)

The property, plant, and equipment in Township business-type funds at December 31, 2018 are summarized as follows:

SEWER FUNDS

Portage Sewer	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Capital assets, being depreciated				
Utility system	\$ 2,611,618	\$ 11,835	\$ -	\$ 2,623,453
Equipment/Vehicles/Machinery	52,846	2,875	-	55,721
Subtotal	2,664,464	\$ 14,710	\$ -	2,679,174
Less accumulated depreciation	1,474,441	\$ 70,569	\$ -	1,545,010
Net capital assets	\$ -			\$ 1,134,164
<u>Dakota Heights Sewer</u>				
Dakota Heights Sewer	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Capital assets, being depreciated				
Utility system	\$ 930,019	\$ -	\$ -	\$ 930,019
Equipment/Vehicles/Machinery	15,855	525	-	16,380
Subtotal	945,874	\$ 525	\$ -	946,399
Less accumulated depreciation	143,529	\$ 24,911	\$ -	168,440
Net capital assets	\$ 802,345			\$ 777,959

WATER FUNDS

Portage Water	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Capital assets, being depreciated				
Utility system	\$ 2,224,491	\$ -	\$ -	\$ 2,224,491
Equipment/Vehicles/Machinery	120,508	11,497	-	132,005
Subtotal	2,344,999	\$ 11,497	\$ -	2,356,496
Less accumulated depreciation	1,252,883	\$ 57,221	\$ -	1,310,104
Net capital assets	\$ 1,092,116			\$ 1,046,392

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS - December 31, 2018

NOTE F - CAPITAL ASSETS (Continued)

Dakota Heights Water	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Capital assets, being depreciated				
Utility system	\$ 668,918	\$ -	\$ -	\$ 668,918
Equipment/Vehicles/Machinery	23,063	4,311	-	27,374
Subtotal	691,981	\$ 4,311	\$ -	696,292
Less accumulated depreciation	294,560	\$ 18,456	\$ -	313,016
Net capital assets	\$ 397,421			\$ 383,276
Woodland Road Water	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Capital assets, being depreciated				
Utility system	\$ 133,312	\$ -	\$ -	\$ 133,312
Equipment/Vehicles/Machinery	29,842	4,311	-	34,153
Subtotal	163,154	\$ 4,311	\$ -	167,465
Less accumulated depreciation	66,556	\$ 5,945	\$ -	72,501
Net capital assets	\$ 96,598			\$ 94,964

NOTE G - 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:

Years of Employment	Vacation Days
One year	1/2
Two through seven	1
Eight through ten	1 1/4
Eleven or more	1 1/2

Accumulated unpaid vacation at December 31, 2018 was \$3,779.

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. During the year the Township utilized funds from this account for pump repairs and replacements in the amount of \$15,622.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS - December 31, 2018

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

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 $\frac{1}{2}$ of the amount of interest due on the next interest payment and $\frac{1}{4}$ 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 $\frac{1}{2}$ of the amount of interest due on the next interest payment and $\frac{1}{4}$ 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 $\frac{1}{2}$ of the amount of interest due on the next interest payment and $\frac{1}{4}$ 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, 2018

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

At December 31, 2018, the Township had established these accounts and had restricted cash, as required, as follows:

	<u>Required</u>	<u>Amount Funded</u>
<u>Portage Sewer Fund</u>		
Bond Reserve	\$ 10,875	\$ 2,956
Repair and Replacement	-	-
Bond and Interest	7,111	7,111
	<u>\$ 17,986</u>	<u>\$ 10,067</u>
<u>Dakota Heights Sewer Fund</u>		
Bond Reserve	\$ 7,975	\$ 10,725
Repair and Replacement	14,500	14,500
Bond and Interest	5,039	5,039
	<u>\$ 27,514</u>	<u>\$ 30,264</u>
<u>Portage Water Fund</u>		
Bond Reserve	\$ 36,500	\$ 36,500
Repair and Replacement	38,780	38,780
Bond and Interest	17,958	18,445
	<u>\$ 93,238</u>	<u>\$ 93,725</u>
<u>Dakota Heights Water Fund</u>		
Bond Reserve	\$ 11,000	\$ 11,000
Repair and Replacement	27,325	27,325
Bond and Interest	2,597	5,883
	<u>\$ 40,922</u>	<u>\$ 44,208</u>

NOTE I - LONG TERM DEBT

PORTAGE WATER FUND

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, 2018

NOTE I - LONG TERM DEBT (Continued)

PORTAGE WATER FUND (Continued)

Year	January 1	July 1		Total
	Interest	Interest	Principal	
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	11,468	11,468	13,000	35,936
2024	11,199	11,199	14,000	36,398
2025	10,911	10,911	14,000	35,822
2026	10,622	10,622	15,000	36,244
2027	10,313	10,313	15,000	35,626
2028-2032	46,571	46,571	87,000	180,142
2033-2037	36,836	36,836	106,000	179,672
2038-2042	24,956	24,956	130,000	179,912
2043-2047	10,395	10,395	162,000	182,790
Totals	<u>\$ 221,679</u>	<u>\$ 221,679</u>	<u>\$ 604,000</u>	<u>\$ 1,047,358</u>

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	
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	2,835	2,835	5,000	10,670
2024	2,723	2,723	5,000	10,446
2025	2,610	2,610	5,000	10,220
2026	2,498	2,498	5,000	9,996
2027	2,385	2,385	6,000	10,770
2028-2032	9,878	9,878	32,000	51,756
2033-2037	5,940	5,940	40,000	51,880
2038-2040	1,283	1,283	28,000	30,566
Totals	<u>\$ 42,392</u>	<u>\$ 42,392</u>	<u>\$ 142,000</u>	<u>\$ 226,784</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS - December 31, 2018

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	
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	3,781	3,781	7,000	14,562
2024	3,685	3,685	7,000	14,370
2025	3,589	3,589	7,000	14,178
2026	3,493	3,493	7,000	13,986
2027	3,396	3,396	7,000	13,792
2028-2032	15,400	15,400	40,000	70,800
2033-2037	12,513	12,513	46,000	71,026
2038-2042	9,200	9,200	52,000	70,400
2043-2047	5,417	5,417	60,000	70,834
2048-2050	1,197	1,197	42,000	44,394
Totals	<u>\$ 77,621</u>	<u>\$ 77,621</u>	<u>\$ 299,000</u>	<u>\$ 454,242</u>

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	
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	2,846	2,846	5,000	10,692
2024	2,778	2,778	5,000	10,556
2025	2,709	2,709	5,000	10,418
2026	2,640	2,640	5,000	10,280
2027	2,571	2,571	5,000	10,142
2028-2032	11,743	11,743	29,000	52,486
2033-2037	9,653	9,653	33,000	52,306
2038-2042	7,248	7,248	38,000	52,496
2043-2047	4,498	4,498	43,000	51,996
2048-2050	1,362	1,362	39,000	41,724
Totals	<u>\$ 60,080</u>	<u>\$ 60,080</u>	<u>\$ 225,000</u>	<u>\$ 345,160</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS - December 31, 2018

NOTE I - LONG TERM DEBT (Continued)

Long-term liabilities activity, as reported in and liquidated through the each of the following funds for the fiscal year ended December 31, 2018, was as follows:

	Balance 1/1/2018	Increase	Decrease	Balance 12/31/2018	Current Portion
<i>Enterprise</i>					
Portage Water Supply Bond 2007	\$ 615,000	\$ -	\$ 11,000	\$ 604,000	\$ 11,000
Portage Sewer 2010 Bond	305,000	-	6,000	299,000	6,000
Dakota Heights Sewer 2011 Bond	229,000	-	4,000	225,000	4,000
Dakota Heights Water 2000 Bond	146,000	-	4,000	142,000	4,000
Sub-total	1,295,000	-	25,000	1,270,000	25,000
Accrued compensated absences	6,235	-	2,456	3,779	-
Totals	<u>\$ 1,301,235</u>	<u>\$ -</u>	<u>\$ 27,456</u>	<u>\$ 1,273,779</u>	<u>\$ 25,000</u>

SUMMARY SCHEDULE OF LONG-TERM DEBT

Year	Interest	Principal	Total
2019	45,716	25,000	70,716
2020	44,808	26,000	70,808
2021	43,856	27,000	70,856
2022	42,880	28,000	70,880
2023	41,860	30,000	71,860
2024	40,770	31,000	71,770
2025	39,638	31,000	70,638
2026	38,506	32,000	70,506
2027	37,330	33,000	70,330
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
2048-2050	5,118	81,000	86,118
Totals	<u>\$ 803,544</u>	<u>\$ 1,270,000</u>	<u>\$ 2,073,544</u>

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 \$255,789. The Township made the required 5% contribution amounting to \$12,789.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS - December 31, 2018

NOTE K - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains five Enterprise Funds which provide water and sewer services. Segment information for the year ended December 31, 2018 is as follows:

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water
Operating revenues	\$ 193,997	\$ 35,797	\$ 162,411	\$ 22,614	\$ 38,750
Depreciation	\$ 70,570	\$ 24,911	\$ 57,221	\$ 18,455	\$ 5,945
Operating income (loss)	\$ (133,257)	\$ (6,848)	\$ 11,393	\$ (4,740)	\$ 2,544
Non-operating revenues (expenses)	\$ (5,718)	\$ (5,316)	\$ (24,497)	\$ (5,578)	\$ 1,022
Net income (loss)	\$ (138,975)	\$ (12,164)	\$ (13,104)	\$ (10,318)	\$ 3,566
Property, plant & equipment additions	\$ 14,710	\$ 525	\$ 11,497	\$ 4,311	\$ 4,311
Net working capital (deficit)	\$ (17,519)	\$ 7,434	\$ 75,127	\$ 33,097	\$ 178,181
Total Assets	\$ 1,163,562	\$ 824,093	\$ 1,262,240	\$ 470,334	\$ 278,795
Total Equity	\$ 833,712	\$ 594,657	\$ 622,244	\$ 322,581	\$ 273,145

NOTE L - CONTINGENT LIABILITY

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, 2018.

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.

- On May 27, 2019 the Township approved the purchase of wireless meters for all water funds in the amount of \$141,450.

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final to <u>Actual</u>
Revenues				
Local sources	\$ 223,620	\$ 242,820	\$ 239,199	\$ (3,621)
State and federal sources	260,900	260,900	271,249	10,349
Total revenues	<u>484,520</u>	<u>503,720</u>	<u>510,448</u>	<u>6,728</u>
Expenditures				
Assessor	35,400	47,400	46,738	662
Supervisor	23,200	24,250	23,966	284
Clerk	29,900	30,750	28,622	2,128
Treasurer	30,100	32,445	30,689	1,756
Zoning and planning	4,700	4,500	4,381	119
General services	38,500	38,650	26,761	11,889
Township board	8,450	9,850	9,097	753
Town hall	26,350	26,350	24,572	1,778
Other activities	128,000	139,650	127,591	12,059
Recreation	29,750	27,200	19,992	7,208
Motor vehicle pool	37,150	48,950	23,670	25,280
Constable	3,250	3,300	3,377	(77)
Elections	10,800	10,800	10,830	(30)
Maintenance building	26,100	28,400	25,605	2,795
Medical Marihuana	-	255	255	-
Roads and repairs	8,100	2,300	1,841	459
Total expenditures	<u>439,750</u>	<u>475,050</u>	<u>407,987</u>	<u>67,063</u>
Net change in fund balance	<u>\$ 44,770</u>	<u>\$ 28,670</u>	102,461	<u>\$ 73,791</u>
Fund balances - Beginning of year			<u>620,579</u>	
Fund balances - End of year			<u>\$ 723,040</u>	

CHARTER TOWNSHIP OF PORTAGE
FIRE PROTECTION FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 98,100	\$ 93,100	\$ 100,155	\$ 7,055
Expenditures				
Hurontown Fire Department	50,625	35,115	26,414	8,701
Otter Lake Fire Department	22,350	30,908	198,572	(167,664)
Total expenditures	<u>72,975</u>	<u>66,023</u>	<u>224,986</u>	<u>(158,963)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 25,125</u>	<u>\$ 27,077</u>	(124,831)	<u>\$ (151,908)</u>
Fund balances - Beginning of year			<u>318,963</u>	
Fund balances - End of year			<u>\$ 194,132</u>	

SUPPLEMENTAL FINANCIAL INFORMATION

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENT OF EXPENDITURES
Year Ended December 31, 2018

Expenditures	
Assessor	
Salaries	\$ 40,327
Fringe benefits	1,874
Supplies	1,283
Contract services	1,274
Repairs and maintenance	885
Travel	640
Miscellaneous	455
Total Assessor	<u>46,738</u>
Supervisor	
Salaries	21,800
Communications	954
Travel	224
Repairs and maintenance	795
Conferences/workshops	193
Total supervisor	<u>23,966</u>
Clerk	
Salaries	26,780
Supplies	303
Travel	1,129
Equipment	112
Conferences/workshops	298
Total clerk	<u>28,622</u>
Treasurer	
Salaries	27,659
Supplies	377
Tax supplies	1,482
Miscellaneous	1,058
Conferences/workshops	113
Total treasurer	<u>30,689</u>
Zoning and Planning	
Salaries	3,330
Supplies	370
Printing and publishing	285
Travel expenses	396
Total zoning and planning	<u>4,381</u>
General Services	
Professional services	20,620
Tower Rent and expenses	1,833
Miscellaneous	4,308
Total zoning and planning	<u>26,761</u>

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENT OF EXPENDITURES (CONTINUED)
Year Ended December 31, 2018

Township Board	
Salaries	7,975
Supplies	3
Contributions	700
Conferences/workshops	419
Total township board	<u>9,097</u>
Town Hall	
Salaries	14,828
Supplies	4,152
Contract services	1,210
Utilities	3,260
Repairs and maintenance	1,122
Total town hall	<u>24,572</u>
Other Activities	
Salaries	22,403
Payroll taxes	19,188
Employee benefits	43,352
Printing and publishing	1,799
Insurance	14,973
Board of review	1,662
Street lights	21,826
Miscellaneous	2,388
Total other activities	<u>127,591</u>
Recreation	
Salaries	12,888
Supplies	636
Professional services	2,642
Utilities	3,491
Repairs and maintenance	335
Total recreation	<u>19,992</u>
Motor vehicle pool	
Salaries	2,592
Repairs and maintenance	11,303
Fuel	9,775
Total recreation	<u>23,670</u>
Constable	
Salaries	3,276
Insurance	101
Total constable	<u>3,377</u>

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENT OF EXPENDITURES (CONTINUED)
Year Ended December 31, 2018

Elections	
Salaries	5,668
Supplies	4,041
Printing and publishing	293
Travel	608
Miscellaneous	220
Total elections	<u>10,830</u>
Roads and Streets	
Salaries	31
Paving	1,810
Total elections	<u>1,841</u>
Maintenance building	
Salaries	14,332
Supplies	5,762
Utilities	3,565
Repairs and maintenance	1,143
Miscellaneous	803
Total maintenance building	<u>25,605</u>
Medical Marihuana	
Printing and publishing	<u>255</u>
Total expenditures	<u>\$ 407,987</u>

CHARTER TOWNSHIP OF PORTAGE
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2018

	<u>Fire Protection Fund</u>	<u>Cemetery Operating Fund</u>	<u>Liquor Law Fund</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 192,897	\$ 17,005	\$ 19	\$ 209,921
Prepays	1,612	2,419	40	4,071
Due from fiduciary fund	22,292	-	-	22,292
Total assets	<u>\$ 216,801</u>	<u>\$ 19,424</u>	<u>\$ 59</u>	<u>\$ 236,284</u>
Liabilities				
Accrued expenses	\$ 377	\$ 279	\$ -	\$ 656
Due to other funds	-	15,392	-	15,392
Deferred Revenue	22,292	-	-	22,292
Total liabilities	<u>22,669</u>	<u>15,671</u>	<u>-</u>	<u>38,340</u>
Fund balance				
Restricted	<u>194,132</u>	<u>3,753</u>	<u>59</u>	<u>197,944</u>
Total fund balance	<u>194,132</u>	<u>3,753</u>	<u>59</u>	<u>197,944</u>
Total liabilities and fund balances	<u>\$ 216,801</u>	<u>\$ 19,424</u>	<u>\$ 59</u>	<u>\$ 236,284</u>

CHARTER TOWNSHIP OF PORTAGE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended December 31, 2018

	<u>Fire Protection Fund</u>	<u>Cemetery Operating Fund</u>	<u>Liquor Law Fund</u>	<u>Total</u>
Revenues				
Taxes	\$ 95,788	\$ -	\$ -	\$ 95,788
State shared revenue	-	-	2,263	2,263
Charges for services	-	21,270	-	21,270
Interest income	4,367	237	-	4,604
Other income	-	2,800	-	2,800
Total revenues	<u>100,155</u>	<u>24,307</u>	<u>2,263</u>	<u>126,725</u>
Expenditures				
Salaries	5,903	49,914	1,937	57,754
Payroll taxes	452	3,458	136	4,046
Employee benefits	-	4,714	-	4,714
Contract labor	7,253	800	-	8,053
Supplies	7,148	3,993	188	11,329
Utilities	14,769	3,749	-	18,518
Insurance	5,445	2,269	41	7,755
Professional services	-	25	-	25
Education	2,883	-	-	2,883
Printing and publishing	-	60	-	60
Repairs and maintenance	7,972	880	-	8,852
Fuel	1,428	1,326	-	2,754
Capital outlay	170,651	-	-	170,651
Miscellaneous	1,082	-	-	1,082
Total expenditures	<u>224,986</u>	<u>71,188</u>	<u>2,302</u>	<u>298,476</u>
Excess (deficiency) of revenues over expenditures	<u>(124,831)</u>	<u>(46,881)</u>	<u>(39)</u>	<u>(171,751)</u>
Other financing sources (uses)				
Operating transfers in/out	-	40,000	-	40,000
Total other financing sources (uses)	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Net change in fund balance	(124,831)	(6,881)	(39)	(131,751)
Fund balance - Beginning of year	<u>318,963</u>	<u>10,634</u>	<u>98</u>	<u>329,695</u>
Fund balance - End of year	<u>\$ 194,132</u>	<u>\$ 3,753</u>	<u>\$ 59</u>	<u>\$ 197,944</u>

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
December 31, 2018

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Total
Assets						
Cash and cash equivalents	\$ -	\$ 14,988	\$ 71,394	\$ 42,399	\$ 183,707	\$ 312,488
Accounts receivable	6,057	626	3,062	350	(78)	10,017
Inventory	12,286	-	46,558	-	-	58,844
Due from other funds	585	155	-	-	-	740
Prepays	403	101	1,109	101	202	1,916
Restricted cash	10,067	30,264	93,725	44,208	-	178,264
Capital assets - net	1,134,164	777,959	1,046,392	383,276	94,964	3,436,755
Total assets	<u>\$ 1,163,562</u>	<u>\$ 824,093</u>	<u>\$ 1,262,240</u>	<u>\$ 470,334</u>	<u>\$ 278,795</u>	<u>\$ 3,999,024</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ 4,910	\$ 1,062	\$ 1,062	\$ 7,034
Due to other funds	30,283	4,370	30,141	4,625	4,470	73,889
Current maturities	6,000	4,000	11,000	4,000	-	25,000
User deposits	-	-	170	-	-	170
Accrued expenses	567	66	775	66	118	1,592
Bonds payable	293,000	221,000	593,000	138,000	-	1,245,000
Total liabilities	<u>329,850</u>	<u>229,436</u>	<u>639,996</u>	<u>147,753</u>	<u>5,650</u>	<u>1,352,685</u>
Retained earnings						
Restricted	10,067	30,264	93,725	44,208	-	178,264
Unrestricted	823,645	564,393	528,519	278,373	273,145	2,468,075
Total retained earnings	<u>833,712</u>	<u>594,657</u>	<u>622,244</u>	<u>322,581</u>	<u>273,145</u>	<u>2,646,339</u>
Total liabilities and retained earnings	<u>\$ 1,163,562</u>	<u>\$ 824,093</u>	<u>\$ 1,262,240</u>	<u>\$ 470,334</u>	<u>\$ 278,795</u>	<u>\$ 3,999,024</u>

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN RETAINED EARNINGS
Year Ended December 31, 2018

	<u>Portage Sewer</u>	<u>Dakota Heights Sewer</u>	<u>Portage Water</u>	<u>Dakota Heights Water</u>	<u>Woodland Road Water</u>	<u>Total</u>
Revenues						
Charges for services	\$ 189,435	\$ 35,512	\$ 159,624	\$ 22,364	\$ 38,551	\$ 445,486
Parts, meters, hook-up fees	2,942	285	2,348	250	199	6,024
Other income	1,620	-	439	-	-	2,059
Total revenues	<u>193,997</u>	<u>35,797</u>	<u>162,411</u>	<u>22,614</u>	<u>38,750</u>	<u>453,569</u>
Expenses						
Salaries	15,886	2,136	24,373	2,660	3,376	48,431
Payroll taxes	1,167	157	1,834	198	246	3,602
Employee benefits	5,642	539	10,286	555	686	17,708
Supplies	2,453	332	11,385	291	577	15,038
Utilities	6,655	593	5,103	-	-	12,351
Insurance	1,269	173	1,853	302	227	3,824
Repairs and maintenance	44,766	1,755	-	1,085	1,626	49,232
Professional services	389	289	965	387	431	2,461
Printing and publishing	50	10	494	6	10	570
Dues and membership	-	-	455	-	-	455
Depreciation	70,570	24,911	57,221	18,455	5,945	177,102
Purchase services	178,407	11,750	36,387	2,783	23,082	252,409
Miscellaneous	-	-	662	632	-	1,294
Total expenditures	<u>327,254</u>	<u>42,645</u>	<u>151,018</u>	<u>27,354</u>	<u>36,206</u>	<u>584,477</u>
Operating income (loss)	<u>(133,257)</u>	<u>(6,848)</u>	<u>11,393</u>	<u>(4,740)</u>	<u>2,544</u>	<u>(130,908)</u>
Non-operating revenues (expenses)						
Interest income	1,526	409	872	992	1,022	4,821
Interest expense	(7,244)	(5,725)	(25,369)	(6,570)	-	(44,908)
Total non-operating revenues (expenses)	<u>(5,718)</u>	<u>(5,316)</u>	<u>(24,497)</u>	<u>(5,578)</u>	<u>(1,022)</u>	<u>(40,087)</u>
Net income (loss)	(138,975)	(12,164)	(13,104)	(10,318)	3,566	(170,995)
Retained earnings, beginning of year	<u>972,687</u>	<u>606,821</u>	<u>635,348</u>	<u>332,899</u>	<u>269,579</u>	<u>2,817,334</u>
Retained earnings, end of year	<u>\$ 833,712</u>	<u>\$ 594,657</u>	<u>\$ 622,244</u>	<u>\$ 322,581</u>	<u>\$ 273,145</u>	<u>\$ 2,646,339</u>

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2018

	<u>Portage Sewer</u>	<u>Dakota Heights Sewer</u>	<u>Portage Water</u>	<u>Dakota Heights Water</u>	<u>Woodland Road Water</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities						
Operating Income (Loss)	\$ (133,257)	\$ (6,848)	\$ 11,393	\$ (4,740)	\$ 2,544	\$ (130,908)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	70,570	24,911	57,221	18,455	5,945	177,102
(Increase) Decrease in accounts receivable	207	(63)	1,163	(89)	(80)	1,138
(Increase) Decrease in inventory	295	-	(467)	-	-	(172)
(Increase) Decrease in prepaid expenses	794	113	1,588	227	227	2,949
Increase (Decrease) in accounts payable	(9,553)	(1,187)	(204)	465	(1,481)	(11,960)
Increase (Decrease) in due to other funds	12,833	384	13,531	4,611	4,470	35,829
Increase (Decrease) in accrued expenses	(35)	(11)	380	(11)	(37)	286
Net cash provided by operating activities	<u>(58,146)</u>	<u>17,299</u>	<u>84,605</u>	<u>18,918</u>	<u>11,588</u>	<u>74,264</u>
Cash flows from capital and related financing activities						
Purchase of capital assets	(14,710)	(525)	(11,497)	(4,311)	(4,311)	(35,354)
Reductions of long-term debt	(6,000)	(4,000)	(11,000)	(4,000)	-	(25,000)
Interest paid on long-term debt	(7,244)	(5,725)	(25,369)	(6,570)	-	(44,908)
Net cash (used) by capital and related financing activities	<u>(27,954)</u>	<u>(10,250)</u>	<u>(47,866)</u>	<u>(14,881)</u>	<u>(4,311)</u>	<u>(105,262)</u>
Cash flows from investing activities						
Interest	<u>1,526</u>	<u>409</u>	<u>872</u>	<u>992</u>	<u>1,022</u>	<u>4,821</u>
Net increase (decrease) in cash and restricted cash	(84,574)	7,458	37,611	5,029	8,299	(26,177)
Cash and restricted cash - beginning of the year	<u>94,641</u>	<u>37,794</u>	<u>127,508</u>	<u>81,578</u>	<u>175,408</u>	<u>516,929</u>
Cash and restricted cash - end of the year	<u>\$ 10,067</u>	<u>\$ 45,252</u>	<u>\$ 165,119</u>	<u>\$ 86,607</u>	<u>\$ 183,707</u>	<u>\$ 490,752</u>

COMMUNICATIONS SECTION

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931
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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, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 27, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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, 2018. 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 estimate affecting the Charter Township of Portage's financial statements is current depreciation.

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 in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 27, 2019.

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 Charter Township of Portage'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 and pension requirements 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 for anyone other than these specified parties.

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

June 27, 2019

CHARTER TOWNSHIP OF PORTAGE
COMMENTS AND RECOMMENDATIONS

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

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

2018-001 BUDGETING ISSUES

Condition: The Township's General Appropriations Act (budget) provided for expenditures of the General Fund and the Special Revenue Funds to be controlled at the activity level by the Township.

During the fiscal year, expenditures were incurred in excess of amounts appropriated in the amended budgets for the major funds as reported in the required supplemental information on pages 40 and 41.

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of 1968 PA 2.

Cause: Two areas in the general fund had unexpected expenditures after the budget was approved. The board had not anticipated the purchase of the Otter Lake Fire building in the amount of \$170,651 to close on December 31, 2018.

Effect: The Township is in violation of the Act.

Directive: We direct that the Township develop budgetary control procedures for the General Fund and the Special Revenue Funds which will ensure that expenditures do not exceed amounts authorized in the budget or amendments thereof.

2018-002 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.

2018-003 REQUIRED RESERVE ACCOUNTS

As of December 31, 2018, there was a shortage of funds deposited to meet the requirements of the Portage Sewer Fund on page 34. The Township needs to deposit additional funds totaling \$7,919 into the required accounts and review the schedules and deposit/transfer funds on a quarterly basis to meet the requirements.