

**CHARTER TOWNSHIP OF PORTAGE**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED DECEMBER 31, 2020**

**CHARTER TOWNSHIP OF PORTAGE**

**December 31, 2020**

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**ELECTED OFFICIALS**

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

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# **RUKKILA | NEGRO AND ASSOCIATES**

*Certified Public Accountants, PC*

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage as of and for the year then ended December 31, 2020, 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, 2020, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 6 through 12 and 44 through 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 48 to 55 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information on pages 48 to 55 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 16, 2021

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

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This section of the Charter Township of Portage's annual financial report presents management's discussion and analysis of the Township's financial activities during the fiscal year ended December 31, 2020. 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**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

*Government-Wide Financial Statements:* The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, and recreation. The business-type activities of the Township include water and sewer operations.

*Fund Financial Statements:* A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds:* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

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**Overview of the Financial Statements (Continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered a major fund. Data is combined into a single aggregated presentation for the other governmental funds (non-major governmental funds). Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison schedules have been provided for the general and special revenue funds to demonstrate legal compliance.

*Proprietary Funds:* The Township maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water funds, both of which are considered to be major funds of the Township.

*Fiduciary funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Township is the trustee, or fiduciary, for assets that belong to others for the benefit of individuals and other agencies outside the government such as members of the public, and other governments. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The Township maintains one type of fiduciary fund. Custodial funds are used to account for and report fiduciary activities that are not required to be reported as another fiduciary fund type.

*Notes to the Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

*Other Information:* In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this discussion and analysis, required pension schedules and the general fund budget and actual presentation. Supplemental information follows the required pension schedules and includes combining and individual fund statements and schedules.

Government-Wide Financial Analysis

Net position serves as an indicator of the Township's financial position and overall performance. As shown on page 13, total assets exceeded liabilities by \$5,640,107 for the Township's primary government.

Net investment in capital assets (land, building, and equipment) make up the largest portion of the Township's total net position. These capital assets are used to provide services to the general public and are not available for future spending. Even though net investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

**Overview of the Financial Statements - (Continued)**

**Net Position**

	Governmental Activities		Business-Type Activities	
	2020	2019	2020	2019
<b>Assets</b>				
Current and other assets	\$ 2,339,449	\$ 2,261,238	\$ 168,313	\$ 186,230
Capital assets - net	1,204,397	1,169,138	3,327,817	3,421,492
<b>Total assets</b>	<b>3,543,846</b>	<b>3,430,376</b>	<b>3,496,130</b>	<b>3,607,722</b>
<b>Liabilities</b>				
Current liabilities	8,194	12,658	24,250	29,766
Non-current liabilities	6,769	6,472	1,219,000	1,245,170
<b>Total liabilities</b>	<b>14,963</b>	<b>19,130</b>	<b>1,243,250</b>	<b>1,274,936</b>
Deferred inflow of resources	78,151	90,376	-	-
<b>Net position</b>				
Net investment in capital assets	1,204,397	1,169,138	2,108,817	2,176,492
Restricted	1,349,341	1,346,123	-	-
Unrestricted	896,994	805,609	80,558	82,238
<b>Total net position</b>	<b>\$ 3,450,732</b>	<b>\$ 3,320,870</b>	<b>\$ 2,189,375</b>	<b>\$ 2,258,730</b>

Governmental Activities

As shown on the following table, governmental activities increased the Township's net position by \$129,862. In prior year, the net position of governmental activities increased by \$315,653. The current to prior year change in governmental activities is due to a decrease in overall revenues of \$139,507 and an increase in overall expenditures of \$46,284. The increases in overall revenue were mainly due to increases in charges for services and other income. The increase in expenditures was due to an increase in general government, public safety, and recreation.

Business-type Activities

As shown below on the following table, business-type activities decreased the Township's net position by \$69,355. In prior year, the net position of business-type activities decreased by \$387,609. The current to prior year change in business-type activities is due to an increase in overall revenues of \$29,825 and a decrease in overall expenses of \$288,429. The increase in revenue is due to an increase in charges for services. The decrease in expenses is mainly due to a decrease in supplies and purchased services.



**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

**Changes in Net Position**

	Governmental Activities		Business-Type Activities	
	2020	2019	2020	2019
Program Revenue:				
Charges for services	\$ 118,174	\$ 97,929	\$ 534,604	\$ 468,919
Capital grants and contributions	-	39,700	-	-
General Revenue:				
Taxes	279,642	277,014	-	-
State shared revenue	297,765	291,770	-	-
Realized gain (loss)	32,250	111,968	-	-
Unrealized gain (loss)	(11,453)	16,539	-	-
Other income	49,319	70,284	8,325	44,185
Total revenues	<u>765,697</u>	<u>905,204</u>	<u>542,929</u>	<u>513,104</u>
Functions/program expenses				
General government	384,967	343,776	-	-
Public Safety	122,986	76,764	-	-
Public Works	98,408	151,312	612,284	900,713
Recreation and culture	29,474	17,699	-	-
Total expenses	<u>635,835</u>	<u>589,551</u>	<u>612,284</u>	<u>900,713</u>
Change in net position	129,862	315,653	(69,355)	(387,609)
Net position - Beginning	<u>3,320,870</u>	<u>3,005,217</u>	<u>2,258,730</u>	<u>2,646,339</u>
Net position - Ending	<u>\$ 3,450,732</u>	<u>\$ 3,320,870</u>	<u>\$ 2,189,375</u>	<u>\$ 2,258,730</u>

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

	2020	% of total	2019	% of total
Revenues				
Charges for services	\$ 118,174	15.4	\$ 97,929	10.8
Taxes	279,642	36.5	277,014	30.6
State shared revenue	297,765	38.9	291,770	32.2
Contributions	-	-	39,700	4.4
Realized gain (loss)	32,250	4.2	111,968	12.4
Unrealized gain (loss)	(11,453)	(1.5)	16,539	1.8
Other income	49,319	6.4	70,284	7.8
Total revenues	<u>\$ 765,697</u>	<u>99.9</u>	<u>\$ 905,204</u>	<u>100.0</u>
Expenditures				
General government	\$ 384,967	60.6	\$ 343,776	58.3
Public Safety	122,986	19.3	76,764	13.0
Public Works	98,408	15.5	151,312	25.7
Recreation and culture	29,474	4.6	17,699	3.0
Total expenditures	<u>\$ 635,835</u>	<u>100.0</u>	<u>\$ 589,551</u>	<u>100.0</u>

As of the end of the current fiscal year, the Township’s governmental activities reported combined unrestricted fund balances of \$897,153, which is available for spending to meet current and future obligations of the Township.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

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The General Fund is the main operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$897,153. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures. Unassigned fund balance represents \$449,380 of total General Fund expenditures.

The fund balance of the Township's General Fund increased by \$103,252 during the fiscal year.

GOVERNMENTAL FUNDS	2020	2019	Change
<b>GENERAL FUND</b>			
Revenues/Transfers	\$ 570,934	\$ 591,457	\$ (20,523)
Expenditures/Transfers	\$ 467,682	\$ 502,416	\$ (34,734)
Fund Balance	\$ 915,333	\$ 812,081	\$ 103,252
<b>FIRE FUND</b>			
Revenues/Transfers	\$ 113,854	\$ 114,826	\$ (972)
Expenditures/Transfers	\$ 145,711	\$ 109,334	\$ 36,377
Fund Balance	\$ 137,767	\$ 169,624	\$ (31,857)
<b>CEMETERY PERPETUAL CARE FUND</b>			
Revenues/Transfers	\$ 72,595	\$ 171,029	\$ (98,434)
Expenditures/Transfers	\$ 50,453	\$ 50,000	\$ 453
Fund Balance	\$ 1,197,708	\$ 1,175,566	\$ 22,142
<b>CEMETERY OPERATIONS FUND</b>			
Revenues/Transfers	\$ 74,932	\$ 80,783	\$ (5,851)
Expenditures/Transfers	\$ 73,688	\$ 83,691	\$ (10,003)
Fund Balance	\$ 2,089	\$ 845	\$ 1,244
<b>LIQUOR FUND</b>			
Revenues/Transfers	\$ 2,137	\$ 2,109	\$ 28
Expenditures/Transfers	\$ 2,018	\$ 2,080	\$ (62)
Fund Balance	\$ 207	\$ 88	\$ 119

General Fund - The decrease in revenue is due to a combination of an increase in state shared revenue and a decrease in charges for services. The decrease in expenditures is mainly due to a decrease in general government and public works expenditures.

Fire Fund - There was no significant decrease in revenue. The increase in expenditures is due to the combination of an increase in supplies and a decrease in capital outlay.

Cemetery Perpetual Care Fund - The changes in revenues and expenses are related to changes in investment activity with Edward Jones.

Cemetery Operations Fund - The decrease in revenue is due to a decrease in charges for services and other income. The decrease in expenditures is mainly due to a decrease in professional services, insurance, supplies and utilities.

Liquor Fund - There were no significant changes in revenues or expenditures.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

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

ENTERPRISE FUNDS	2020	2019	Change
<b>PORTAGE SEWER</b>			
Revenues/Transfers	\$ 237,904	\$ 224,243	\$ 13,661
Expenditures/Transfers	\$ 258,470	\$ 385,640	\$ (127,170)
Net Position	\$ 651,749	\$ 672,315	\$ (20,566)
<b>DAKOTA SEWER</b>			
Revenues/Transfers	\$ 37,100	\$ 41,823	\$ (4,723)
Expenditures/Transfers	\$ 62,676	\$ 56,606	\$ 6,070
Net Position	\$ 554,298	\$ 579,874	\$ (25,576)
<b>PORTAGE WATER</b>			
Revenues/Transfers	\$ 198,328	\$ 178,682	\$ 19,646
Expenditures/Transfers	\$ 205,091	\$ 324,664	\$ (119,573)
Net Position	\$ 469,499	\$ 476,262	\$ (6,763)
<b>DAKOTA HEIGHTS WATER</b>			
Revenues/Transfers	\$ 26,159	\$ 25,190	\$ 969
Expenditures/Transfers	\$ 35,269	\$ 63,538	\$ (28,269)
Net Position	\$ 275,123	\$ 284,233	\$ (9,110)
<b>WOODLAND ROAD WATER</b>			
Revenues/Transfers	\$ 43,438	\$ 43,166	\$ 272
Expenditures/Transfers	\$ 50,778	\$ 70,265	\$ (19,487)
Net Position	\$ 238,706	\$ 246,046	\$ (7,340)

Portage Sewer Fund - The increase in revenues is due to an increase in charges for services. Expenses decreased due to a decrease in purchased services.

Dakota Sewer Fund - There was no significant change in revenues or expenses.

Portage Water Fund - The increase in revenues is due to an increase in charges for services. Expenses decreased due to a decrease in supplies.

Dakota Water Heights Fund - There was no significant change in revenues. The decrease in expenses is due to a decrease in supplies.

Woodland Road Water Fund - There was no significant change in revenues. The decrease in expenses is due to a decrease in supplies.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

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**Financial Analysis**

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

The General Fund is the main operating fund of the Township. At the end of the current fiscal year fund balance of the General Fund was \$915,333. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 200% of the total General Fund expenditures.

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 \$2,189,375.

**Budgetary Highlights**

During the year ended December 31, 2020, 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, 2020, amounts to \$4,532,214. 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 33 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 \$1,219,000. This total amount is backed by the full faith and credit of the Township. The Township's overall debt decreased by \$26,000 during the fiscal year.

Additional information on the Township's long-term debt can be found starting on page 37 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](mailto:supervisor@charterportagetwp.org).

**CHARTER TOWNSHIP OF PORTAGE**  
**STATEMENT OF NET POSITION**  
**December 31, 2020**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 687,240	\$ 219,063	\$ 906,303
Investments	-	-	-
Accounts receivable	-	19,292	19,292
Inventory	-	88,632	88,632
Internal balances	300,702	(300,702)	-
Due from fiduciary fund	92,527	-	92,527
Due from other governmental units	54,128	-	54,128
Prepays	9,885	1,522	11,407
Restricted cash	43,938	140,506	184,444
Restricted investment	1,151,029	-	1,151,029
Capital assets - net	1,204,397	3,327,817	4,532,214
<b>Total assets</b>	<b>3,543,846</b>	<b>3,496,130</b>	<b>7,039,976</b>
<b>Liabilities</b>			
Accounts payable	6,726	23,005	29,731
Accrued expenses	1,468	1,245	2,713
Checks written in excess of cash balance	-	63,505	63,505
Bonds, due within one year	-	27,000	27,000
Bonds, due in more than one year	-	1,192,000	1,192,000
Accrued vacation and sick payable	6,769	-	6,769
User deposits	-	-	-
<b>Total liabilities</b>	<b>14,963</b>	<b>1,306,755</b>	<b>1,321,718</b>
<b>Deferred inflow of resources</b>			
Property taxes levied for the following year	78,151	-	78,151
<b>Net position</b>			
Net investment in capital assets	1,204,397	2,108,817	3,313,214
Restricted			
Fire Protection Fund	137,767	-	137,767
Liquor Law Fund	207	-	207
Cemetery Operating Fund	2,089	-	2,089
Cemetery Perpetual Care	1,197,708	-	1,197,708
General Fund	11,570	-	11,570
Unrestricted	896,994	80,558	977,552
<b>Total net position</b>	<b>\$ 3,450,732</b>	<b>\$ 2,189,375</b>	<b>\$ 5,640,107</b>

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, 2020**

<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	\$ 384,967	\$ 118,174	\$ -	\$ -	\$ (266,793)	\$ -	\$ (266,793)
Public safety	122,986	-	-	-	(122,986)	-	(122,986)
Public works	98,408	-	-	-	(98,408)	-	(98,408)
Recreation	29,474	-	-	-	(29,474)	-	(29,474)
Total governmental activities	<u>635,835</u>	<u>118,174</u>	<u>-</u>	<u>-</u>	<u>(517,661)</u>	<u>-</u>	<u>(517,661)</u>
Business-type activities:							
Water	291,138	261,087	-	-	-	(30,051)	(30,051)
Sewer	321,146	273,517	-	-	-	(47,629)	(47,629)
Total business-type activities	<u>612,284</u>	<u>534,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(77,680)</u>	<u>(77,680)</u>
Total primary government	<u>\$ 1,248,119</u>	<u>\$ 652,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(517,661)</u>	<u>(77,680)</u>	<u>(595,341)</u>
General revenues:							
					279,642	-	279,642
					297,765	-	297,765
					34,422	1,656	36,078
					32,250	-	32,250
					(11,453)	-	(11,453)
					14,897	6,669	21,566
					<u>647,523</u>	<u>8,325</u>	<u>655,848</u>
					129,862	(69,355)	60,507
					<u>3,320,870</u>	<u>2,258,730</u>	<u>5,579,600</u>
					<u>\$ 3,450,732</u>	<u>\$ 2,189,375</u>	<u>\$ 5,640,107</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, 2020**

	Major Governmental Funds					Total Governmental Funds
	General Fund	Fire Protection Fund	Cemetery Operating Fund	Permanent Cemetery Perpetual Care	Non-Major Fund	
<b>Assets</b>						
Cash and cash equivalents	\$ 516,279	\$ 156,249	\$ 14,505	\$ -	\$ 207	\$ 687,240
Due from other funds	306,002	-	-	14,311	-	320,313
Due from fiduciary fund	70,085	22,442	-	-	-	92,527
Due from other governmental units	54,128	-	-	-	-	54,128
Prepays	6,610	1,294	1,981	-	-	9,885
Restricted cash	11,570	-	-	32,368	-	43,938
Restricted investment	-	-	-	1,151,029	-	1,151,029
<b>Total assets</b>	<b><u>\$ 964,674</u></b>	<b><u>\$ 179,985</u></b>	<b><u>\$ 16,486</u></b>	<b><u>\$ 1,197,708</u></b>	<b><u>\$ 207</u></b>	<b><u>\$ 2,359,060</u></b>
<b>Liabilities</b>						
Accounts payable	\$ 1,910	\$ 4,799	\$ 17	\$ -	\$ -	\$ 6,726
Accrued expenses	1,399	-	69	-	-	1,468
Due to other funds	-	5,300	14,311	-	-	19,611
<b>Total liabilities</b>	<b><u>3,309</u></b>	<b><u>10,099</u></b>	<b><u>14,397</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>27,805</u></b>
<b>Deferred Inflows of Resources</b>						
Property taxes levied for the following year	46,032	32,119	-	-	-	78,151
<b>Fund balances</b>						
Nonspendable:						
Prepays	6,610	1,294	1,981	-	-	9,885
Restricted	11,570	136,473	108	1,197,708	207	1,346,066
Unrestricted	897,153	-	-	-	-	897,153
<b>Total fund balances</b>	<b><u>915,333</u></b>	<b><u>137,767</u></b>	<b><u>2,089</u></b>	<b><u>1,197,708</u></b>	<b><u>207</u></b>	<b><u>2,253,104</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 964,674</u></b>	<b><u>\$ 179,985</u></b>	<b><u>\$ 16,486</u></b>	<b><u>\$ 1,197,708</u></b>	<b><u>\$ 207</u></b>	<b><u>\$ 2,359,060</u></b>

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, 2020**

Fund Balance Reported in Governmental Funds	\$ 2,253,104
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.	1,204,397
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>(6,769)</u>
Net position of governmental activities	<u><u>\$ 3,450,732</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, 2020**

	Major Funds					Total Governmental Fund
	General Fund	Fire Protection Fund	Cemetery Operating Fund	Permanent Cemetery Perpetual Care	Non-Major Fund	
Revenues						
Taxes	\$ 145,901	\$ 108,484	\$ -	\$ -	\$ -	\$ 254,385
Commercial Forest	25,257	-	-	-	-	25,257
State Revenue	295,628	-	-	-	2,137	297,765
Charges for services	97,044	-	21,130	-	-	118,174
Interest income	1,802	370	-	32,250	-	34,422
Other income	5,302	-	1,500	8,095	-	14,897
Total revenues	<u>570,934</u>	<u>108,854</u>	<u>22,630</u>	<u>40,345</u>	<u>2,137</u>	<u>744,900</u>
Expenditures						
General government	364,757	-	-	-	-	364,757
Public Safety	4,214	145,711	-	-	2,018	151,943
Public Works	56,832	-	73,688	-	-	130,520
Recreation and culture	23,577	-	-	-	-	23,577
Total expenditures	<u>449,380</u>	<u>145,711</u>	<u>73,688</u>	<u>-</u>	<u>2,018</u>	<u>670,797</u>
Excess (deficiency) of revenues over expenditures	<u>121,554</u>	<u>(36,857)</u>	<u>(51,058)</u>	<u>40,345</u>	<u>119</u>	<u>74,103</u>
Other financing sources (uses)						
Realized gain (loss)	-	-	-	32,250	-	32,250
Unrealized gain (loss)	-	-	-	(11,453)	-	(11,453)
Operating transfers in/out	(18,302)	5,000	52,302	(39,000)	-	-
Total other financing sources (uses)	<u>(18,302)</u>	<u>5,000</u>	<u>52,302</u>	<u>(18,203)</u>	<u>-</u>	<u>20,797</u>
Net change in fund balances	103,252	(31,857)	1,244	22,142	119	94,900
Fund balances - Beginning of year	812,081	169,624	845	1,175,566	88	2,158,204
Fund balances - End of year	<u>\$ 915,333</u>	<u>\$ 137,767</u>	<u>\$ 2,089</u>	<u>\$ 1,197,708</u>	<u>\$ 207</u>	<u>\$ 2,253,104</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, 2020**

Net Change in Fund Balances - Total Governmental Funds	\$ 94,900
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.	35,259
Accrued vacation pay recorded in the statement of activities is not recorded as expenditures in the governmental funds until they are incurred.	<u>(297)</u>
Change in net position of governmental activities	<u><u>\$ 129,862</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, 2020**

	Business-Type Activities		
	Enterprise Funds		
	Sewer System	Water System	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 12,465	\$ 206,598	\$ 219,063
Accounts receivable	12,162	7,130	19,292
Inventory	18,627	70,005	88,632
Prepays	394	1,128	1,522
Restricted cash	34,090	106,416	140,506
Capital assets - net	1,968,802	1,359,015	3,327,817
Total assets	2,046,540	1,750,292	3,796,832
<b>Liabilities</b>			
Accounts payable	11,321	11,684	23,005
Checks written in excess of cash balance	63,505	-	63,505
Due to other funds	261,207	39,495	300,702
Accrued expenses	460	785	1,245
Bonds, due within one year	11,000	16,000	27,000
Bonds, due in more than one year	493,000	699,000	1,192,000
Total liabilities	840,493	766,964	1,607,457
<b>Net Position</b>			
Restricted	34,090	106,416	140,506
Unrestricted	1,171,957	876,912	2,048,869
Total net position	\$ 1,206,047	\$ 983,328	\$ 2,189,375

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, 2020**

	Business-Type Activities Enterprise Funds		
	Sewer System	Water System	Total
Operating revenues			
Charges for services	\$ 268,823	\$ 257,052	\$ 525,875
Parts, meters, hook-up fees	4,694	4,035	8,729
Other income	1,305	5,364	6,669
Total operating revenues	<u>274,822</u>	<u>266,451</u>	<u>541,273</u>
Operating expenses			
Salaries	27,676	33,237	60,913
Payroll taxes	2,117	2,550	4,667
Employee benefits	8,529	15,774	24,303
Supplies	1,426	4,259	5,685
Utilities	8,731	2,387	11,118
Insurance	1,541	3,714	5,255
Repairs and maintenance	6,070	12,008	18,078
Professional services	6,196	8,614	14,810
Printing and publishing	-	1,121	1,121
Dues and membership	-	485	485
Depreciation	79,790	82,228	162,018
Purchase services	166,586	90,219	256,805
Miscellaneous	-	3,871	3,871
Total operating expenses	<u>308,662</u>	<u>260,467</u>	<u>569,129</u>
Operating income (loss)	(33,840)	5,984	(27,856)
Non-operating revenues (expenses)			
Interest income	182	1,474	1,656
Interest expense	<u>(12,484)</u>	<u>(30,671)</u>	<u>(43,155)</u>
Total non-operating revenues (expenses)	<u>(12,302)</u>	<u>(29,197)</u>	<u>(41,499)</u>
Net income (loss)	(46,142)	(23,213)	(69,355)
Net position, beginning of the year	<u>1,252,189</u>	<u>1,006,541</u>	<u>2,258,730</u>
Net position, end of year	<u>\$ 1,206,047</u>	<u>\$ 983,328</u>	<u>\$ 2,189,375</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, 2020**

	<u>Sewer System</u>	<u>Water System</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 271,942	\$ 264,888	\$ 536,830
Payments to suppliers	(213,810)	(132,955)	(346,765)
Payments to employees	(38,645)	(52,074)	(90,719)
Net cash provided by operating activities	<u>19,487</u>	<u>79,859</u>	<u>99,346</u>
Cash flows from noncapital financing activities			
Operating subsidies and transfers to other funds	<u>69,082</u>	<u>7,315</u>	<u>76,397</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	(68,343)	-	(68,343)
Principal paid on capital debt	(10,000)	(16,000)	(26,000)
Interest paid on capital debt	(12,484)	(30,671)	(43,155)
Net cash (used) by capital and related financing activities	<u>(90,827)</u>	<u>(46,671)</u>	<u>(137,498)</u>
Cash flows from investing activities			
Interest	<u>182</u>	<u>1,474</u>	<u>1,656</u>
Net cash flows from investing activities	<u>182</u>	<u>1,474</u>	<u>1,656</u>
Net (decrease) in cash	(2,076)	41,977	39,901
Balances - beginning of the year	48,631	271,037	319,668
Balances - end of the year	<u>\$ 46,555</u>	<u>\$ 313,014</u>	<u>\$ 359,569</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (33,840)	\$ 5,984	\$ (27,856)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	79,790	82,228	162,018
Change in assets and liabilities			
Receivables, net	(2,880)	(1,563)	(4,443)
Inventory	(5,516)	(12,220)	(17,736)
Prepaid expenses	1,092	2,508	3,600
Accounts and other payables	(18,836)	3,435	(15,401)
Accrued expenses	(323)	(513)	(836)
Net cash provided by operating activities	<u>\$ 19,487</u>	<u>\$ 79,859</u>	<u>\$ 99,346</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, 2020**

	<u>Custodial Fund</u>
Assets	
Cash and equivalents	<u>\$ 486,851</u>
Liabilities	
Due to other funds	486,851
Due to other governmental units	<u>-</u>
Total liabilities	<u>486,851</u>
Net position-restricted for	
Individuals, organizations, and other governments	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

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

**CHARTER TOWNSHIP OF PORTAGE**  
**FIDUCIARY FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Year Ended December 31, 2020**

	Custodial Fund
Additions	
Property taxes collected for other governments	\$ 4,177,984
Deductions	
Property taxes distributed to other governments	4,177,984
Net increase (decrease) in fiduciary net position	-
Net position - beginning	-
Net position - ending	\$ -

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

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2020**

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

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

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

REPORTING ENTITY

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. The Statement of Net Position and Statement of Activities report information on all of the non-fiduciary activities of the primary government and its component unit. These statements exclude fiduciary activities such as trust and agency funds.

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

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

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



**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2020**

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

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

The following fund types are used by the Township:

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

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

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

Fire Protection Fund - The Fire Protection Fund accounts for fire protection operations.

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

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 funds of the Township:

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 - The Fiduciary Fund is used to account for the assets held by the township in a trustee capacity or as an agent for individual, private organizations, other governments and/or other funds. This type of fund includes the Custodial Fund and is reported within the basic financial statements. The Custodial fund accounts for collection and disbursement of property tax collections and is the only fiduciary fund. Fiduciary funds are excluded from the Government-wide statements because the Township cannot use these assets to finance its operations.

The Township does not report any Fiduciary funds as a major fund.

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2020**

---

**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.
- Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

*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, 2020**

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

For the year ended December 31, 2020, 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, 2020**

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**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 \$78,151 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	Deferred Property Taxes
General	\$ 46,032
Fire Protection	32,119
Totals	\$ 78,151

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 30. 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, 2020**

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**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, 2020**

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**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, 2020**

**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	\$ 687,240	\$ 219,063	\$ 906,303	\$ -
Restricted cash	43,938	140,506	184,444	486,851
Total cash	<u>\$ 731,178</u>	<u>\$ 359,569</u>	<u>\$ 1,090,747</u>	<u>\$ 486,851</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. State law does not require, and the Township does not have, a policy for deposit custodial credit risk. As of December 31, 2020, \$291,273 of the Township’s bank balance of \$1,797,863 was exposed to custodial credit risk because it was uninsured and uncollateralized.

All deposits for the Township are in accordance with statutory authority.

**NOTE D - INVESTMENTS**

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

Description	December 31, 2020			December 31, 2019		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Short-term investment	\$ 12,765	\$ 12,765	\$ -	\$ 143,043	\$ 143,043	\$ -
U.S. Government and Agencies	-	-	-	415,867	385,322	(30,545)
Mutual funds	1,087,332	1,138,264	50,932	594,482	658,765	64,283
Total Investments	<u>\$ 1,100,097</u>	<u>\$ 1,151,029</u>	<u>\$ 50,932</u>	<u>\$ 1,153,392</u>	<u>\$ 1,187,130</u>	<u>\$ 33,738</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.

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2020**

**NOTE D - INVESTMENTS (Continued)**

	December 31, 2020	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	\$	12,765	\$	12,765	\$	-	\$	-	
U.S. Government and Agencies		-		-		-		-	
Mutual funds		1,138,264		1,138,264		-		-	
Total Investments	\$	1,151,029	\$	1,151,029	\$	-	\$	-	
<b>December 31, 2019</b>									
Short-term investment	\$	143,043	\$	143,043	\$	-	\$	-	
U.S. Government and Agencies		385,322		-		385,322		-	
Mutual funds		658,765		658,765		-		-	
Total Investments	\$	1,187,130	\$	801,808	\$	385,322	\$	-	

**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, 2020 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable	Not expected to be paid back within one year
General Fund	\$ 306,002	Water Funds	\$ 39,495	\$ -
Water Funds	-	Fire Funds	5,300	-
Sewer Funds	-	Sewer Funds	261,207	261,207
Perpetual Care Fund	-	Non-Major Funds	-	-
Total	\$ 306,002	Total	\$ 306,002	\$ 261,207



**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2020**

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**NOTE E - INTER-FUND RECEIVABLES AND PAYABLES/TRANSFERS (Continued)**

- The tax collection fund owed the General Fund \$70,085 at December 31, 2020.
- Perpetual Care Fund transferred \$39,000 to the Cemetery Fund.

**NOTE F - CAPITAL ASSETS**

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

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
Capital assets, not being depreciated				
Land	\$ 590,862	\$ -	\$ -	\$ 590,862
Capital assets, being depreciated				
Buildings	976,453	\$ 46,993	\$ -	1,023,446
Equipment	123,642	34,994	-	158,636
Machinery	91,614	-	-	91,614
Office equipment	21,642	-	-	21,642
Street signs	2,598	-	-	2,598
Vehicles	538,777	-	-	538,777
Subtotal	<u>1,754,726</u>	<u>\$ 81,987</u>	<u>\$ -</u>	<u>1,836,713</u>
Accumulated depreciation				
Building	432,316	\$ 30,185	\$ -	462,501
Equipment	114,207	5,670	-	119,877
Machinery	91,615	-	-	91,615
Office equipment	19,890	858	-	20,748
Street signs	2,598	-	-	2,598
Vehicles	515,824	10,015	-	525,839
Subtotal	<u>1,176,450</u>	<u>\$ 46,728</u>	<u>\$ -</u>	<u>1,223,178</u>
Net capital assets being depreciated	<u>578,276</u>			<u>613,535</u>
Net capital assets	<u>\$ 1,169,138</u>			<u>\$ 1,204,397</u>

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

General government	\$ 26,107
Public safety	18,036
Public works	2,585
Total governmental activities	<u>\$ 46,728</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2020**

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

The property, plant, and equipment in Township business-type funds at December 31, 2020 are summarized as follows:

SEWER FUNDS

<u>Portage Sewer</u>	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
Capital assets, being depreciated				
Utility system	\$ 2,787,007	\$ 68,343	\$ -	\$ 2,855,350
Equipment/Vehicles/Machinery	55,721	-	-	55,721
Subtotal	<u>2,842,728</u>	<u>\$ 68,343</u>	<u>\$ -</u>	<u>2,911,071</u>
Less accumulated depreciation	<u>1,615,497</u>	<u>\$ 55,024</u>	<u>\$ -</u>	<u>1,670,521</u>
Net capital assets	<u>\$ 1,227,231</u>			<u>\$ 1,240,550</u>
<u>Dakota Heights Sewer</u>	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
Capital assets, being depreciated				
Utility system	\$ 930,019	\$ -	\$ -	\$ 930,019
Equipment/Vehicles/Machinery	16,380	-	-	16,380
Subtotal	<u>946,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>946,399</u>
Less accumulated depreciation	<u>193,381</u>	<u>\$ 24,766</u>	<u>\$ -</u>	<u>218,147</u>
Net capital assets	<u>\$ 753,018</u>			<u>\$ 728,252</u>

WATER FUNDS

<u>Portage Water</u>	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
Capital assets, being depreciated				
Utility system	\$ 2,224,491	\$ -	\$ -	\$ 2,224,491
Equipment/Vehicles/Machinery	132,005	-	-	132,005
Subtotal	<u>2,356,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,356,496</u>
Less accumulated depreciation	<u>1,368,095</u>	<u>\$ 57,272</u>	<u>\$ -</u>	<u>1,425,367</u>
Net capital assets	<u>\$ 988,401</u>			<u>\$ 931,129</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2020**

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

Dakota Heights Water	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
Capital assets, being depreciated				
Utility system	\$ 668,918	\$ -	\$ -	\$ 668,918
Equipment/Vehicles/Machinery	27,374	-	-	27,374
Subtotal	696,292	\$ -	\$ -	696,292
Less accumulated depreciation	331,958	\$ 18,871	\$ -	350,829
Net capital assets	\$ 364,334			\$ 345,463

  

Woodland Road Water	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
Capital assets, being depreciated				
Utility system	\$ 133,312	\$ -	\$ -	\$ 133,312
Equipment/Vehicles/Machinery	34,153	-	-	34,153
Subtotal	167,465	\$ -	\$ -	167,465
Less accumulated depreciation	78,957	\$ 6,085	\$ -	85,042
Net capital assets	\$ 88,508			\$ 82,423

**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, 2020 was \$6,769.

**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 1/2 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.

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2020**

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**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, 2020**

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

At December 31, 2020, 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	\$ 13,775	\$ -
Repair and Replacement	8,000	-
Bond and Interest	6,946	-
	<u>\$ 28,721</u>	<u>\$ -</u>
<u>Dakota Heights Sewer Fund</u>		
Bond Reserve	\$ 10,175	\$ 10,175
Repair and Replacement	18,500	18,500
Bond and Interest	5,415	5,415
	<u>\$ 34,090</u>	<u>\$ 34,090</u>
<u>Portage Water Fund</u>		
Bond Reserve	\$ 36,500	\$ 36,500
Repair and Replacement	6,900	6,900
Bond and Interest	17,983	17,983
	<u>\$ 61,383</u>	<u>\$ 61,383</u>
<u>Dakota Heights Water Fund</u>		
Bond Reserve	\$ 11,000	\$ 11,000
Repair and Replacement	12,241	31,525
Bond and Interest	2,508	2,508
	<u>\$ 25,749</u>	<u>\$ 45,033</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, 2020**

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

PORTAGE WATER FUND (Continued)

Year	January 1	July 1		Total
	Interest	Interest	Principal	
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>\$ 196,990</u>	<u>\$ 196,990</u>	<u>\$ 581,000</u>	<u>\$ 974,980</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	
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>\$ 36,092</u>	<u>\$ 36,092</u>	<u>\$ 134,000</u>	<u>\$ 206,184</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2020**

**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	
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>\$ 69,481</u>	<u>\$ 69,481</u>	<u>\$ 287,000</u>	<u>\$ 425,962</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	
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>\$ 53,947</u>	<u>\$ 53,947</u>	<u>\$ 217,000</u>	<u>\$ 324,894</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2020**

**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, 2020, was as follows:

	Balance 1/1/2020	Increase	Decrease	Balance 12/31/2020	Current Portion
<i>Enterprise</i>					
Portage Water Supply Bond 2007	\$ 593,000	\$ -	\$ 12,000	\$ 581,000	\$ 12,000
Portage Sewer 2010 Bond	293,000	-	6,000	287,000	6,000
Dakota Heights Sewer 2011 Bond	221,000	-	4,000	217,000	5,000
Dakota Heights Water 2000 Bond	138,000	-	4,000	134,000	4,000
Sub-total	1,245,000	-	26,000	1,219,000	27,000
Accrued compensated absences	6,472	297	-	6,769	-
Totals	<u>\$ 1,251,472</u>	<u>\$ 297</u>	<u>\$ 26,000</u>	<u>\$ 1,225,769</u>	<u>\$ 27,000</u>

**SUMMARY SCHEDULE OF LONG-TERM DEBT**

Year	Interest	Principal	Total
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>\$ 713,020</u>	<u>\$ 1,219,000</u>	<u>\$ 1,932,020</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 \$299,435. The Township made the required 5% contribution amounting to \$14,972.



**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2020**

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**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, 2020 is as follows:

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water
Operating revenues	\$ 237,904	\$ 36,918	\$ 198,207	\$ 25,929	\$ 42,315
Depreciation	\$ 55,024	\$ 24,766	\$ 57,272	\$ 18,871	\$ 6,085
Operating income (loss)	\$ (13,607)	\$ (20,233)	\$ 17,577	\$ (3,130)	\$ (8,463)
Non-operating revenues (expenses)	\$ (6,959)	\$ (5,343)	\$ (24,340)	\$ (5,980)	\$ 1,123
Net income (loss)	\$ (20,566)	\$ (25,576)	\$ (6,763)	\$ (9,110)	\$ (7,340)
Property, plant & equipment additions	\$ 68,343	\$ -	\$ -	\$ -	\$ -
Net working capital (deficit)	\$ (307,801)	\$ 3,956	\$ 45,987	\$ 14,627	\$ 156,283
Total Assets	\$ 1,272,945	\$ 773,595	\$ 1,098,894	\$ 409,840	\$ 241,558
Total Equity	\$ 651,749	\$ 554,298	\$ 469,499	\$ 275,123	\$ 238,706

**NOTE L - UPCOMING ACCOUNTING PRONOUNCEMENT**

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the Township's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lease is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**NOTE M - 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, 2020.

**NOTE N - 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.

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2020**

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**NOTE O - SUBSEQUENT EVENTS**

On March 23, 2021 the Township was awarded American Rescue Plan Act (ARPA) monies, for local governments in the amount of \$308,360. The money can be used to assist businesses, households, employees, and contractors affected by COVID. The money can also be used for water, sewer and broadband infrastructure. The Township has not determined how they will utilize the ARPA money.

On February 14, 2021 the Township signed an agreement with the Houghton County Road Commission to spend no more than \$195,935 to pay for repairs on Boundary and Paradise Roads.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final to Actual
Revenues				
Local sources	\$ 251,350	\$ 271,625	\$ 275,306	\$ 3,681
State and federal sources	282,000	241,000	295,628	54,628
Total revenues	<u>533,350</u>	<u>512,625</u>	<u>570,934</u>	<u>58,309</u>
Expenditures				
Assessor	46,200	46,250	44,268	1,982
Supervisor	31,450	28,900	28,383	517
Clerk	43,010	33,700	32,378	1,322
Treasurer	42,510	38,800	38,191	609
Zoning and planning	7,200	7,100	6,338	762
General services	32,400	35,400	31,319	4,081
Township board	8,300	8,500	7,951	549
Town hall	35,900	30,800	25,712	5,088
Other activities	136,400	146,750	129,956	16,794
Recreation	73,400	40,300	29,474	10,826
Motor vehicle pool	21,900	24,400	17,619	6,781
Constable	3,350	3,350	3,138	212
Elections	11,750	21,400	20,702	698
Maintenance building	70,200	36,200	30,371	5,829
Medical Marihuana	800	2,200	1,076	1,124
Roads and repairs	3,700	3,400	2,504	896
Total expenditures	<u>568,470</u>	<u>507,450</u>	<u>449,380</u>	<u>58,070</u>
Excess (deficiency) of revenues over expenditures	(35,120)	5,175	121,554	116,379
Other financing sources (uses)				
Operating transfers in/out	-	24,300	(18,302)	5,998
Net change in fund balance	<u>\$ (35,120)</u>	<u>\$ 5,175</u>	103,252	<u>\$ 98,077</u>
Fund balances - Beginning of year			<u>812,081</u>	
Fund balances - End of year			<u>\$ 915,333</u>	

**CHARTER TOWNSHIP OF PORTAGE**  
**FIRE PROTECTION FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
Local sources	\$ 107,000	\$ 106,554	\$ 108,854	\$ 2,300
Expenditures				
Hurontown Fire Department	32,675	81,525	83,269	(1,744)
Otter Lake Fire Department	30,570	72,270	62,442	9,828
Total expenditures	<u>63,245</u>	<u>153,795</u>	<u>145,711</u>	<u>8,084</u>
Excess (deficiency) of revenues over expenditure	<u>(30,570)</u>	<u>(72,270)</u>	<u>(36,857)</u>	<u>8,084</u>
Operating financing sources (uses)				
Operating transfers in/out	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total other financing sources (uses) expenditures	<u>\$ (30,570)</u>	<u>\$ (77,270)</u>	<u>(31,857)</u>	<u>\$ 45,413</u>
Fund balances - Beginning of year			<u>169,624</u>	
Fund balances - End of year			<u>\$ 137,767</u>	

**CHARTER TOWNSHIP OF PORTAGE**  
**CEMETERY OPERATING FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final to <u>Actual</u>
Revenues				
Charges for services	\$ 23,800	\$ 20,000	\$ 21,130	\$ 1,130
Other income	2,500	1,500	1,500	-
Total revenues	<u>26,300</u>	<u>21,500</u>	<u>22,630</u>	<u>1,130</u>
Expenditures				
Public Works	<u>79,405</u>	<u>81,375</u>	<u>73,688</u>	<u>7,687</u>
Total expenditures	<u>79,405</u>	<u>81,375</u>	<u>73,688</u>	<u>7,687</u>
Excess (deficiency) of revenues over expenditures	(53,105)	(59,875)	(51,058)	8,817
Other financing sources (uses)				
Operating transfers in/out	<u>-</u>	<u>39,000</u>	<u>52,302</u>	<u>91,302</u>
Net change in fund balance	<u>\$ (53,105)</u>	<u>\$ (20,875)</u>	1,244	<u>\$ 22,119</u>
Fund balances - Beginning of year			<u>845</u>	
Fund balances - End of year			<u>\$ 2,089</u>	

**SUPPLEMENTAL FINANCIAL INFORMATION**

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENT OF EXPENDITURES**  
**Year Ended December 31, 2020**

Expenditures		
Assessor		
Salaries	\$	40,000
Fringe benefits		762
Supplies		2,653
Contract services		761
Travel		92
Total Assessor		<u>44,268</u>
Supervisor		
Salaries		27,000
Supplies		231
Communications		902
Repairs and maintenance		250
Total supervisor		<u>28,383</u>
Clerk		
Salaries		31,172
Supplies		1,206
Total clerk		<u>32,378</u>
Treasurer		
Salaries		33,720
Supplies		1,318
Tax supplies		3,153
Total treasurer		<u>38,191</u>
Zoning and Planning		
Salaries		5,580
Supplies		237
Printing and publishing		64
Travel expenses		457
Total zoning and planning		<u>6,338</u>
General Services		
Professional services		23,584
Supplies		610
Tower Rent and expenses		2,979
Miscellaneous		4,146
Total zoning and planning		<u>31,319</u>



**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENT OF EXPENDITURES (CONTINUED)**  
**Year Ended December 31, 2020**

Township Board	
Salaries	7,140
Supplies	211
Contributions	600
Total township board	<u>7,951</u>
Town Hall	
Salaries	12,968
Supplies	3,156
Contract services	5,018
Utilities	4,348
Repairs and maintenance	222
Total town hall	<u>25,712</u>
Other Activities	
Salaries	19,594
Payroll taxes	24,556
Employee benefits	46,271
Printing and publishing	254
Insurance	15,633
Board of review	1,708
Street lights	20,867
Miscellaneous	1,073
Total other activities	<u>129,956</u>
Recreation	
Salaries	17,396
Supplies	2,542
Printing and publishing	95
Professional services	311
Utilities	3,087
Capital outlay	5,897
Repairs and maintenance	146
Total recreation	<u>29,474</u>
Motor vehicle pool	
Salaries	4,130
Supplies	389
Repairs and maintenance	8,792
Fuel	4,308
Total recreation	<u>17,619</u>
Constable	
Salaries	3,036
Insurance	102
Total constable	<u>3,138</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENT OF EXPENDITURES (CONTINUED)**  
**Year Ended December 31, 2020**

Elections	
Salaries	10,775
Supplies	8,664
Printing and publishing	357
Travel	906
Total elections	<u>20,702</u>
Roads and Streets	
Salaries	504
Supplies	893
Oil	910
Signs	197
Total elections	<u>2,504</u>
Maintenance building	
Salaries	13,760
Supplies	8,869
Utilities	4,405
Repairs and maintenance	2,424
Miscellaneous	913
Total maintenance building	<u>30,371</u>
Medical Marihuana	
Contract services	758
Printing and publishing	318
Total medical marihuana	<u>1,076</u>
Total expenditures	<u>\$ 449,380</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**December 31, 2020**

	<u>Fire Protection Fund</u>	<u>Cemetery Operating Fund</u>	<u>Liquor Law Fund</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 156,249	\$ 14,505	\$ 207	\$ 170,961
Prepays	1,294	1,981	-	3,275
Due from fiduciary fund	22,442	-	-	22,442
<b>Total assets</b>	<b><u>\$ 179,985</u></b>	<b><u>\$ 16,486</u></b>	<b><u>\$ 207</u></b>	<b><u>\$ 196,678</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 4,799	\$ 17	\$ -	\$ 4,816
Accrued expenses	-	69	-	69
Due to other funds	5,300	14,311	-	19,611
Deferred Revenue	32,119	-	-	32,119
<b>Total liabilities</b>	<b><u>42,218</u></b>	<b><u>14,397</u></b>	<b><u>-</u></b>	<b><u>56,615</u></b>
<b>Fund balance</b>				
Restricted	<u>137,767</u>	<u>2,089</u>	<u>207</u>	<u>140,063</u>
<b>Total fund balance</b>	<b><u>137,767</u></b>	<b><u>2,089</u></b>	<b><u>207</u></b>	<b><u>140,063</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 179,985</u></b>	<b><u>\$ 16,486</u></b>	<b><u>\$ 207</u></b>	<b><u>\$ 196,678</u></b>

**CHARTER TOWNSHIP OF PORTAGE**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended December 31, 2020**

	Fire Protection Fund	Cemetery Operating Fund	Liquor Law Fund	Total
Revenues				
Taxes	\$ 108,484	\$ -	\$ -	\$ 108,484
State shared revenue	-	-	2,137	2,137
Charges for services	-	21,130	-	21,130
Interest income	370	-	-	370
Other income	-	1,500	-	1,500
Total revenues	<u>108,854</u>	<u>22,630</u>	<u>2,137</u>	<u>133,621</u>
Expenditures				
Salaries	6,458	53,716	1,944	62,118
Payroll taxes	429	4,109	74	4,612
Employee benefits	-	5,195	-	5,195
Contract labor	6,878	-	-	6,878
Supplies	24,014	2,644	-	26,658
Utilities	20,491	2,469	-	22,960
Insurance	7,007	2,269	-	9,276
Professional services	-	242	-	242
Education	1,091	-	-	1,091
Printing and publishing	-	191	-	191
Repairs and maintenance	5,550	2,060	-	7,610
Fuel	1,051	793	-	1,844
Capital outlay	72,682	-	-	72,682
Miscellaneous	60	-	-	60
Total expenditures	<u>145,711</u>	<u>73,688</u>	<u>2,018</u>	<u>221,417</u>
Excess (deficiency) of revenues over expenditures	<u>(36,857)</u>	<u>(51,058)</u>	<u>119</u>	<u>(87,796)</u>
Other financing sources (uses)				
Operating transfers in/out	<u>5,000</u>	<u>52,302</u>	<u>-</u>	<u>57,302</u>
Total other financing sources (uses)	<u>5,000</u>	<u>52,302</u>	<u>-</u>	<u>57,302</u>
Net change in fund balance	(31,857)	1,244	119	(30,494)
Fund balance - Beginning of year	<u>169,624</u>	<u>845</u>	<u>88</u>	<u>170,557</u>
Fund balance - End of year	<u>\$ 137,767</u>	<u>\$ 2,089</u>	<u>\$ 207</u>	<u>\$ 140,063</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING BALANCE SHEET**  
**December 31, 2020**

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 2,219	\$ 10,246	\$ 28,907	\$ 18,876	\$ 158,815	\$ 219,063
Investments	-	-	-	-	-	-
Accounts receivable	11,226	936	6,575	397	158	19,292
Inventory	18,627	-	70,005	-	-	88,632
Prepays	323	71	895	71	162	1,522
Restricted cash	-	34,090	61,383	45,033	-	140,506
Capital assets - net	1,240,550	728,252	931,129	345,463	82,423	3,327,817
<b>Total assets</b>	<b><u>\$ 1,272,945</u></b>	<b><u>\$ 773,595</u></b>	<b><u>\$ 1,098,894</u></b>	<b><u>\$ 409,840</u></b>	<b><u>\$ 241,558</u></b>	<b><u>\$ 3,796,832</u></b>
<b>Liabilities</b>						
Accounts payable	\$ 9,085	\$ 2,236	\$ 8,272	\$ 639	\$ 2,773	\$ 23,005
Checks written in excess of cash balance	63,505	-	-	-	-	63,505
Due to other funds	261,207	-	39,495	-	-	300,702
Current maturities	6,000	5,000	12,000	4,000	-	27,000
Accrued expenses	399	61	628	78	79	1,245
Bonds payable	281,000	212,000	569,000	130,000	-	1,192,000
<b>Total liabilities</b>	<b><u>621,196</u></b>	<b><u>219,297</u></b>	<b><u>629,395</u></b>	<b><u>134,717</u></b>	<b><u>2,852</u></b>	<b><u>1,607,457</u></b>
<b>Retained earnings</b>						
Restricted	-	34,090	61,383	45,033	-	140,506
Unrestricted	651,749	520,208	408,116	230,090	238,706	2,048,869
<b>Total retained earnings</b>	<b><u>651,749</u></b>	<b><u>554,298</u></b>	<b><u>469,499</u></b>	<b><u>275,123</u></b>	<b><u>238,706</u></b>	<b><u>2,189,375</u></b>
<b>Total liabilities and retained earnings</b>	<b><u>\$ 1,272,945</u></b>	<b><u>\$ 773,595</u></b>	<b><u>\$ 1,098,894</u></b>	<b><u>\$ 409,840</u></b>	<b><u>\$ 241,558</u></b>	<b><u>\$ 3,796,832</u></b>

**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN RETAINED EARNINGS**  
**Year Ended December 31, 2020**

	<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	\$ 232,483	\$ 36,340	\$ 190,573	\$ 25,033	\$ 41,446	\$ 525,875
Parts, meters, hook-up fees	4,396	298	3,543	177	315	8,729
Federal revenue	-	-	-	-	-	-
Other income	1,025	280	4,091	719	554	6,669
Total revenues	<u>237,904</u>	<u>36,918</u>	<u>198,207</u>	<u>25,929</u>	<u>42,315</u>	<u>541,273</u>
Expenses						
Salaries	23,198	4,478	27,234	2,975	3,028	60,913
Payroll taxes	1,776	341	2,086	227	237	4,667
Employee benefits	7,432	1,097	13,719	963	1,092	24,303
Supplies	1,267	159	3,656	147	456	5,685
Utilities	7,921	810	1,793	225	369	11,118
Insurance	1,326	215	3,072	344	298	5,255
Repairs and maintenance	5,885	185	11,143	408	457	18,078
Professional services	5,538	658	7,701	411	502	14,810
Printing and publishing	-	-	1,121	-	-	1,121
Dues and membership	-	-	485	-	-	485
Depreciation	55,024	24,766	57,272	18,871	6,085	162,018
Purchase services	142,144	24,442	48,853	3,704	37,662	256,805
Miscellaneous	-	-	2,495	784	592	3,871
Total expenditures	<u>251,511</u>	<u>57,151</u>	<u>180,630</u>	<u>29,059</u>	<u>50,778</u>	<u>569,129</u>
Operating income (loss)	<u>(13,607)</u>	<u>(20,233)</u>	<u>17,577</u>	<u>(3,130)</u>	<u>(8,463)</u>	<u>(27,856)</u>
Non-operating revenues (expenses)						
Interest income	-	182	121	230	1,123	1,656
Interest expense	<u>(6,959)</u>	<u>(5,525)</u>	<u>(24,461)</u>	<u>(6,210)</u>	<u>-</u>	<u>(43,155)</u>
Total non-operating revenues (expenses)	<u>(6,959)</u>	<u>(5,343)</u>	<u>(24,340)</u>	<u>(5,980)</u>	<u>(1,123)</u>	<u>(41,499)</u>
Net income (loss)	(20,566)	(25,576)	(6,763)	(9,110)	(7,340)	(69,355)
Retained earnings, beginning of year	672,315	579,874	476,262	284,233	246,046	2,258,730
Retained earnings, end of year	<u>\$ 651,749</u>	<u>\$ 554,298</u>	<u>\$ 469,499</u>	<u>\$ 275,123</u>	<u>\$ 238,706</u>	<u>\$ 2,189,375</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2020**

	<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)	\$ (13,607)	\$ (20,233)	\$ 17,577	\$ (3,130)	\$ (8,463)	\$ (27,856)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	55,024	24,766	57,272	18,871	6,085	162,018
(Increase) Decrease in accounts receivable	(3,142)	262	(1,830)	231	36	(4,443)
(Increase) Decrease in inventory	(5,516)	-	(12,220)	-	-	(17,736)
(Increase) Decrease in prepaid expenses	928	164	1,912	278	318	3,600
Increase (Decrease) in accounts payable	(19,324)	488	2,822	592	21	(15,401)
Increase (Decrease) in due to other funds	68,927	155	7,470	(155)	-	76,397
Increase (Decrease) in accrued expenses	(284)	(39)	(522)	(6)	15	(836)
Net cash provided by operating activities	<u>83,006</u>	<u>5,563</u>	<u>72,481</u>	<u>16,681</u>	<u>(1,988)</u>	<u>175,743</u>
Cash flows from capital and related financing activities						
Purchase of capital assets	(68,343)	-	-	-	-	(68,343)
Reductions of long-term debt	(6,000)	(4,000)	(12,000)	(4,000)	-	(26,000)
Interest paid on long-term debt	(6,959)	(5,525)	(24,461)	(6,210)	-	(43,155)
Net cash (used) by capital and related financing activities	<u>(81,302)</u>	<u>(9,525)</u>	<u>(36,461)</u>	<u>(10,210)</u>	<u>-</u>	<u>(137,498)</u>
Cash flows from investing activities						
Interest	-	182	121	230	1,123	1,656
Net cash flows from investing activities	<u>-</u>	<u>182</u>	<u>121</u>	<u>230</u>	<u>1,123</u>	<u>1,656</u>
Net increase (decrease) in cash and restricted cash	1,704	(3,780)	36,141	6,701	(865)	39,901
Cash and restricted cash - beginning of the year	515	48,116	54,149	57,208	159,680	319,668
Cash and restricted cash - end of the year	<u>\$ 2,219</u>	<u>\$ 44,336</u>	<u>\$ 90,290</u>	<u>\$ 63,909</u>	<u>\$ 158,815</u>	<u>\$ 359,569</u>

## **COMMUNICATIONS SECTION**



# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, PC*

310 Sheldon Avenue, Houghton, Michigan 49931  
906.482.6601 906.482.9046 fax www.rukkilanegro.com

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage for the year ended December 31, 2020. 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 February 5, 2021.. 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, 2020. 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 16, 2021.

### *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 16, 2021

CHARTER TOWNSHIP OF PORTAGE  
COMMENTS AND RECOMMENDATIONS

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

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

*2020-001 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 fire fund as reported in the required supplemental information on page 45.

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

Cause: The Hurontown fire department had unexpected expenditures after the budget was approved.

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.

*2020-002 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.

*2020-003 REQUIRED RESERVE ACCOUNTS*

As of December 31, 2020, there was a shortage of funds to meet the requirements of the Portage Sewer Fund in the amount of \$28,721 on page 37. The Township needs to deposit additional funds into the required accounts and review the schedules and deposit/transfer funds on a quarterly basis to meet the requirements.