

**CHARTER TOWNSHIP OF PORTAGE**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED DECEMBER 31, 2022**

**CHARTER TOWNSHIP OF PORTAGE**

**December 31, 2022**

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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

### **Opinions**

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, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage as of December 31, 2022, 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.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Charter Township of Portage and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter Township of Portage's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Charter Township of Portage's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter Township of Portage's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 7 through 13 and 46 through 48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Portage's basic financial statements. The accompanying detailed statement of expenditures - General Fund, combining special revenue fund and combining enterprise fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2023, on our consideration of the Charter Township of Portage's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter Township of Portage's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter Township of Portage's internal control over financial reporting and compliance.

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

June 22, 2023

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2022**

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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, 2022. 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, 2022**

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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 14, total assets exceeded liabilities by \$6,975,552 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, 2022**

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

**Net Position**

	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
<b>Assets</b>				
Current and other assets	\$ 3,166,097	\$ 2,916,022	\$ 417,302	\$ 152,789
Capital assets - net	1,197,655	1,163,189	5,479,746	3,298,243
<b>Total assets</b>	<b>4,363,752</b>	<b>4,079,211</b>	<b>5,897,048</b>	<b>3,451,032</b>
<b>Liabilities</b>				
Current liabilities	545,370	104,108	260,734	22,572
Non-current liabilities	6,979	5,993	2,322,000	1,192,000
<b>Total liabilities</b>	<b>552,349</b>	<b>110,101</b>	<b>2,582,734</b>	<b>1,214,572</b>
Deferred inflow of resources	150,150	242,600	-	-
<b>Net position</b>				
Net investment in capital assets	1,197,655	1,163,189	3,157,746	2,106,243
Restricted	1,322,912	1,608,782	222,052	-
Unrestricted	1,140,686	954,539	(65,499)	130,217
<b>Total net position</b>	<b>\$ 3,661,253</b>	<b>\$ 3,726,510</b>	<b>\$ 3,314,299</b>	<b>\$ 2,236,460</b>

Governmental Activities

As shown on the following table, governmental activities decreased the Township's net position by \$65,257. In prior year, the net position of governmental activities increased by \$275,778. The current to prior year change in governmental activities is due to an increase in overall revenues of \$268,209 and an increase in overall expenditures of \$609,244. The increases in overall revenue were mainly due to increases in taxes, state shared revenue, reimbursements, and other income. The increase in expenditures was mainly due to increases in general government, public safety, and recreation and culture.

Business-type Activities

As shown below on the following table, business-type activities increased the Township's net position by \$1,077,839. In prior year, the net position of business-type activities increased by \$47,085. The current to prior year change in business-type activities is due to an increase in overall revenues of \$1,093,578 and an increase in overall expenses of \$62,824. The increase in revenue is due to the receipt of federal grant money related to the 2021 USDA sewer project. The increase in expenses is mainly due to an increase in purchased services.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2022**

**Changes in Net Position**

	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
Program Revenue:				
Charges for services	\$ 115,946	\$ 99,721	\$ 605,052	\$ 579,498
Grants and contributions	2,798	63,597	-	-
General Revenue:				
Taxes	597,311	290,367	-	-
State shared revenue	366,139	334,087	-	-
Realized gain (loss)	43,827	99,103	-	-
Unrealized gain (loss)	(250,933)	(845)	-	-
Operating transfers in/out	-	(43,206)	-	43,206
Reimbursements	165,454	-	-	-
Other income	126,222	55,731	1,128,689	17,459
Total revenues	<u>1,166,764</u>	<u>898,555</u>	<u>1,733,741</u>	<u>640,163</u>
Functions/program expenses				
General government	410,327	366,441	-	-
Public Safety	163,185	83,632	-	-
Public Works	635,695	148,754	655,902	593,078
Recreation and culture	22,814	23,950	-	-
Total expenses	<u>1,232,021</u>	<u>622,777</u>	<u>655,902</u>	<u>593,078</u>
Change in net position	(65,257)	275,778	1,077,839	47,085
Net position - Beginning	<u>3,726,510</u>	<u>3,450,732</u>	<u>2,236,460</u>	<u>2,189,375</u>
Net position - Ending	<u>\$ 3,661,253</u>	<u>\$ 3,726,510</u>	<u>\$ 3,314,299</u>	<u>\$ 2,236,460</u>

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2022**

**Significant Transactions and Changes in Individual Funds**

A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

GOVERNMENTAL FUNDS	2022	2021	Change
<b>GENERAL FUND</b>			
Revenues/Transfers	\$ 734,309	\$ 663,435	\$ 70,874
Expenditures/Transfers	\$ 525,026	\$ 499,863	\$ 25,163
Fund Balance	\$ 1,288,188	\$ 1,078,905	\$ 209,283
<b>FIRE FUND</b>			
Revenues/Transfers	\$ 173,230	\$ 120,431	\$ 52,799
Expenditures/Transfers	\$ 138,283	\$ 58,565	\$ 79,718
Fund Balance	\$ 234,580	\$ 199,633	\$ 34,947
<b>ROAD FUND</b>			
Revenues/Transfers	\$ 392,188	\$ -	\$ -
Expenditures/Transfers	\$ 526,925	\$ -	\$ 526,925
Fund Balance	\$ (134,737)	\$ -	\$ (134,737)
<b>CEMETERY PERPETUAL CARE FUND</b>			
Revenues/Transfers	\$ 77,735	\$ 134,541	\$ (56,806)
Expenditures/Transfers	\$ 290,933	\$ 31,320	\$ 259,613
Fund Balance	\$ 1,087,731	\$ 1,300,929	\$ (213,198)
<b>CEMETERY OPERATIONS FUND</b>			
Revenues/Transfers	\$ 93,005	\$ 65,916	\$ 27,089
Expenditures/Transfers	\$ 88,261	\$ 78,535	\$ 9,726
Fund Balance	\$ (5,786)	\$ (10,530)	\$ 4,744
<b>LIQUOR FUND</b>			
Revenues/Transfers	\$ 2,230	\$ 2,234	\$ (4)
Expenditures/Transfers	\$ 2,006	\$ 2,064	\$ (58)
Fund Balance	\$ 601	\$ 377	\$ 224

General Fund - The increase in revenue is mainly due to an increase in property taxes, state shared revenue and sand and gravel sales.. The increase in expenditures is mainly due to an increase in general zoning, elections, and salaries and fringe benefits.

Fire Fund - There was no significant changed in revenue. The decrease in expenditures is mainly due to a decrease in supplies, utilities, and capital outlay.

Road Fund - The Road Fund was established at the end of prior year. Variances are due to no revenues or expenses in prior year.

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

Cemetery Operations Fund - The increase in revenues is mainly due to an increase in burials and operating transfers in from other funds. The increase in expenses is mainly due to an increase in salaries and fringe benefits.

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

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2022**

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

ENTERPRISE FUNDS	2022	2021	Change
<b>PORTAGE SEWER</b>			
Revenues/Transfers	\$ 1,393,440	\$ 292,942	\$ 1,100,498
Expenditures/Transfers	\$ 282,900	\$ 228,489	\$ 54,411
Net Position	\$ 1,826,742	\$ 716,202	\$ 1,110,540
<b>DAKOTA SEWER</b>			
Revenues/Transfers	\$ 38,539	\$ 37,351	\$ 1,188
Expenditures/Transfers	\$ 62,666	\$ 59,767	\$ 2,899
Net Position	\$ 507,755	\$ 531,882	\$ (24,127)
<b>PORTAGE WATER</b>			
Revenues/Transfers	\$ 224,205	\$ 236,553	\$ (12,348)
Expenditures/Transfers	\$ 221,919	\$ 215,765	\$ 6,154
Net Position	\$ 492,573	\$ 490,287	\$ 2,286
<b>DAKOTA HEIGHTS WATER</b>			
Revenues/Transfers	\$ 26,078	\$ 26,270	\$ (192)
Expenditures/Transfers	\$ 35,737	\$ 35,636	\$ 101
Net Position	\$ 256,098	\$ 265,757	\$ (9,659)
<b>WOODLAND ROAD WATER</b>			
Revenues/Transfers	\$ 51,479	\$ 47,047	\$ 4,432
Expenditures/Transfers	\$ 52,680	\$ 53,421	\$ (741)
Net Position	\$ 231,131	\$ 232,332	\$ (1,201)

Portage Sewer Fund - The increase in revenues is due to an increase in charges for services and a federal grant related to a USDA sewer project. Expenses increased mainly due to an increase in purchased services.

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

Portage Water Fund - Prior year revenue was higher due to an operating transfer in and refunds received. There was no significant change in expenses.

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

Woodland Road Water Fund - There was no significant change in revenues or expenses.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2022**

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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 \$1,288,188. 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 252% 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 \$3,314,299.

**Budgetary Highlights**

During the year ended December 31, 2022, 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, 2022, amounts to \$6,677,401. 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 34 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 \$2,322,000. This total amount is backed by the full faith and credit of the Township. The Township's overall debt increased by \$1,130,000 during the fiscal year. The increase was due to the Township issuing two bonds for the USDA sewer project in the amount of \$1,177,000. Total debt payments for the year were \$47,000.

Additional information on the Township's long-term debt can be found starting on page 39 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, 2022**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 1,639,251	\$ 217,252	\$ 1,856,503
Accounts receivable	-	6,142	6,142
Inventory	-	91,771	91,771
Internal balances	123,630	(123,630)	-
Due from fiduciary fund	157,559	15	157,574
Due from other governmental units	165,454	-	165,454
Prepays	8,783	3,700	12,483
Restricted cash	78,077	222,052	300,129
Restricted investment	993,343	-	993,343
Capital assets - net	1,197,655	5,479,746	6,677,401
<b>Total assets</b>	<b>4,363,752</b>	<b>5,897,048</b>	<b>10,260,800</b>
<b>Liabilities</b>			
Accounts payable	336,917	259,186	596,103
Accrued expenses	2,596	1,548	4,144
Unearned revenue	205,857	15	205,872
Bonds, due within one year	-	49,000	49,000
Bonds, due in more than one year	-	2,273,000	2,273,000
Accrued vacation and sick payable	6,979	-	6,979
<b>Total liabilities</b>	<b>552,349</b>	<b>2,582,749</b>	<b>3,135,098</b>
<b>Deferred inflow of resources</b>			
Property taxes levied for the following year	150,150	-	150,150
<b>Net position</b>			
Net investment in capital assets	1,197,655	3,157,746	4,355,401
Restricted			
Fire Protection Fund	234,580	-	234,580
Liquor Law Fund	601	-	601
Cemetery Perpetual Care	1,087,731	-	1,087,731
Debt Service	-	222,052	222,052
Unrestricted	1,140,686	(65,499)	1,075,187
<b>Total net position</b>	<b>\$ 3,661,253</b>	<b>\$ 3,314,299</b>	<b>\$ 6,975,552</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, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenues and Changes in Net Position</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	\$ 410,327	\$ 115,946	\$ 323	\$ -	\$ (294,058)	\$ -	\$ (294,058)
Public safety	163,185	-	2,475	-	(160,710)	-	(160,710)
Public works	635,695	-	-	-	(635,695)	-	(635,695)
Recreation	22,814	-	-	-	(22,814)	-	(22,814)
Total governmental activities	<u>1,232,021</u>	<u>115,946</u>	<u>2,798</u>	<u>-</u>	<u>(1,113,277)</u>	<u>-</u>	<u>(1,113,277)</u>
Business-type activities:							
Water	310,336	291,873	-	-	-	(18,463)	(18,463)
Sewer	345,566	313,179	-	-	-	(32,387)	(32,387)
Total business-type activities	<u>655,902</u>	<u>605,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,850)</u>	<u>(50,850)</u>
Total primary government	<u>\$ 1,887,923</u>	<u>\$ 720,998</u>	<u>\$ 2,798</u>	<u>\$ -</u>	<u>(1,113,277)</u>	<u>(50,850)</u>	<u>(1,164,127)</u>
General revenues:							
Taxes, levied for general operations					597,311	-	597,311
Federal revenue					-	1,123,616	1,123,616
State shared revenue					366,139	-	366,139
Interest income and investment earnings					22,814	2,987	25,801
Realized gain (loss)					43,827	-	43,827
Unrealized gain (loss)					(250,933)	-	(250,933)
Reimbursements					165,454	-	165,454
Other income					103,408	2,086	105,494
Total general revenues, transfers, and special items					<u>1,048,020</u>	<u>1,128,689</u>	<u>2,176,709</u>
Change in net position					(65,257)	1,077,839	1,012,582
Net position - Beginning of year					<u>3,726,510</u>	<u>2,236,460</u>	<u>5,962,970</u>
Net position - End of year					<u>\$ 3,661,253</u>	<u>\$ 3,314,299</u>	<u>\$ 6,975,552</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, 2022**

	Major Governmental Funds					Total Governmental Funds
	General Fund	Fire Protection Fund	Road Fund	Permanent Cemetery Perpetual Care	Non-Major Fund	
<b>Assets</b>						
Cash and cash equivalents	\$ 1,359,108	\$ 237,879	\$ 35,953	\$ -	\$ 6,311	\$ 1,639,251
Due from other funds	123,630	-	-	16,311	-	139,941
Due from fiduciary fund	58,592	42,411	56,556	-	-	157,559
Due from other governmental units	-	-	165,454	-	-	165,454
Prepays	3,483	2,400	-	-	2,900	8,783
Restricted cash	-	-	-	78,077	-	78,077
Restricted investment	-	-	-	993,343	-	993,343
<b>Total assets</b>	<b><u>\$ 1,544,813</u></b>	<b><u>\$ 282,690</u></b>	<b><u>\$ 257,963</u></b>	<b><u>\$ 1,087,731</u></b>	<b><u>\$ 9,211</u></b>	<b><u>\$ 3,182,408</u></b>
<b>Liabilities</b>						
Accounts payable	\$ 4,252	\$ 1,757	\$ 330,908	\$ -	\$ -	\$ 336,917
Accrued expenses	2,511	-	-	-	85	2,596
Unearned revenue	205,857	-	-	-	-	205,857
Due to other funds	2,000	-	-	-	14,311	16,311
<b>Total liabilities</b>	<b><u>214,620</u></b>	<b><u>1,757</u></b>	<b><u>330,908</u></b>	<b><u>-</u></b>	<b><u>14,396</u></b>	<b><u>561,681</u></b>
<b>Deferred Inflows of Resources</b>						
Property taxes levied for the following year	42,005	46,353	61,792	-	-	150,150
<b>Fund balances</b>						
<b>Nonspendable:</b>						
Prepays	3,483	2,400	-	-	2,900	8,783
Restricted	-	232,180	-	1,087,731	-	1,319,911
Unrestricted	1,284,705	-	(134,737)	-	(8,085)	1,141,883
<b>Total fund balances</b>	<b><u>1,288,188</u></b>	<b><u>234,580</u></b>	<b><u>(134,737)</u></b>	<b><u>1,087,731</u></b>	<b><u>(5,185)</u></b>	<b><u>2,470,577</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,544,813</u></b>	<b><u>\$ 282,690</u></b>	<b><u>\$ 257,963</u></b>	<b><u>\$ 1,087,731</u></b>	<b><u>\$ 9,211</u></b>	<b><u>\$ 3,182,408</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, 2022**

Fund Balance Reported in Governmental Funds	\$ 2,470,577
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.	1,197,655
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>(6,979)</u>
Net position of governmental activities	<u><u>\$ 3,661,253</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, 2022**

	Major Funds					Total Governmental Fund
	General Fund	Fire Protection Fund	Road Fund	Permanent Cemetery Perpetual Care	Non-Major Fund	
Revenues						
Taxes	\$ 173,116	\$ 169,832	\$ 226,487	\$ -	\$ -	\$ 569,435
Commercial Forest	27,876	-	-	-	-	27,876
State Revenue	363,909	-	-	-	2,230	366,139
Federal grant	323	2,475	-	-	-	2,798
Charges for services	86,721	-	-	-	29,225	115,946
Interest income	8,936	823	247	12,808	-	22,814
Reimbursements	-	-	165,454	-	-	165,454
Other income	73,428	100	-	21,100	8,780	103,408
Total revenues	<u>734,309</u>	<u>173,230</u>	<u>392,188</u>	<u>33,908</u>	<u>40,235</u>	<u>1,373,870</u>
Expenditures						
General government	391,007	-	-	-	-	391,007
Public Safety	6,107	138,283	-	-	2,006	146,396
Public Works	91,263	-	526,925	-	88,261	706,449
Recreation and culture	21,649	-	-	-	-	21,649
Total expenditures	<u>510,026</u>	<u>138,283</u>	<u>526,925</u>	<u>-</u>	<u>90,267</u>	<u>1,265,501</u>
Excess (deficiency) of revenues over expenditures	<u>224,283</u>	<u>34,947</u>	<u>(134,737)</u>	<u>33,908</u>	<u>(50,032)</u>	<u>108,369</u>
Other financing sources (uses)						
Realized gain (loss)	-	-	-	43,827	-	43,827
Unrealized gain (loss)	-	-	-	(250,933)	-	(250,933)
Operating transfers in/out	(15,000)	-	-	(40,000)	55,000	-
Total other financing sources (uses)	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>(247,106)</u>	<u>55,000</u>	<u>(207,106)</u>
Net change in fund balances	209,283	34,947	(134,737)	(213,198)	4,968	(98,737)
Fund balances - Beginning of year	<u>1,078,905</u>	<u>199,633</u>	<u>-</u>	<u>1,300,929</u>	<u>(10,153)</u>	<u>2,569,314</u>
Fund balances - End of year	<u>\$ 1,288,188</u>	<u>\$ 234,580</u>	<u>\$ (134,737)</u>	<u>\$ 1,087,731</u>	<u>\$ (5,185)</u>	<u>\$ 2,470,577</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, 2022**

Net Change in Fund Balances - Total Governmental Funds	\$ (98,737)
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.	34,466
Accrued vacation pay recorded in the statement of activities is not recorded as expenditures in the governmental funds until they are incurred.	<u>(986)</u>
Change in net position of governmental activities	<u><u>\$ (65,257)</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, 2022**

	Business-Type Activities		
	Enterprise Funds		
	Sewer System	Water System	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 24,904	\$ 192,348	\$ 217,252
Accounts receivable	4,041	2,101	6,142
Inventory	18,566	73,205	91,771
Due from fiduciary fund	15	-	15
Prepays	1,600	2,100	3,700
Restricted cash	104,175	117,877	222,052
Capital assets - net	4,144,091	1,335,655	5,479,746
Total assets	4,297,392	1,723,286	6,020,678
<b>Liabilities</b>			
Accounts payable	243,307	15,879	259,186
Due to other funds	79,135	44,495	123,630
Unearned revenue	15	-	15
Accrued expenses	438	1,110	1,548
Bonds, due within one year	31,000	18,000	49,000
Bonds, due in more than one year	1,609,000	664,000	2,273,000
Total liabilities	1,962,895	743,484	2,706,379
<b>Net Position</b>			
Restricted	104,175	117,877	222,052
Unrestricted	2,230,322	861,925	3,092,247
Total net position	\$ 2,334,497	\$ 979,802	\$ 3,314,299

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, 2022**

	Business-Type Activities		
	Enterprise Funds		
	Sewer System	Water System	Total
Operating revenues			
Charges for services	\$ 309,299	\$ 287,429	\$ 596,728
Parts, meters, hook-up fees	3,880	4,444	8,324
Other income	9	2,077	2,086
Total operating revenues	<u>313,188</u>	<u>293,950</u>	<u>607,138</u>
Operating expenses			
Salaries	33,116	51,342	84,458
Payroll taxes	2,534	3,847	6,381
Employee benefits	16,352	19,698	36,050
Supplies	3,105	13,670	16,775
Utilities	12,849	4,243	17,092
Insurance	2,223	2,632	4,855
Professional services	2,857	14,629	17,486
Printing and publishing	-	2,003	2,003
Dues and membership	-	520	520
Depreciation	63,721	72,922	136,643
Purchase services	189,413	93,869	283,282
Miscellaneous	625	1,640	2,265
Total operating expenses	<u>326,795</u>	<u>281,015</u>	<u>607,810</u>
Operating income (loss)	(13,607)	12,935	(672)
Non-operating revenues (expenses)			
Federal revenue	1,117,983	5,633	1,123,616
Interest income	808	2,179	2,987
Interest expense	<u>(18,771)</u>	<u>(29,321)</u>	<u>(48,092)</u>
Total non-operating revenues (expenses)	<u>1,100,020</u>	<u>(21,509)</u>	<u>1,078,511</u>
Net income (loss)	1,086,413	(8,574)	1,077,839
Net position, beginning of the year	<u>1,248,084</u>	<u>988,376</u>	<u>2,236,460</u>
Net position, end of year	<u>\$ 2,334,497</u>	<u>\$ 979,802</u>	<u>\$ 3,314,299</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, 2022**

	<u>Sewer System</u>	<u>Water System</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 317,369	\$ 295,586	\$ 612,955
Payments to suppliers	24,634	(118,310)	(93,676)
Payments to employees	(52,052)	(74,658)	(126,710)
Net cash provided by operating activities	<u>289,951</u>	<u>102,618</u>	<u>392,569</u>
Cash flows from noncapital financing activities			
Operating subsidies and transfers to other funds	<u>(279,623)</u>	<u>5,000</u>	<u>(274,623)</u>
Cash flows from capital and related financing activities			
Federal grants	1,117,983	5,633	1,123,616
Bond proceeds	1,177,000	-	1,177,000
Purchase of capital assets	(2,214,154)	(103,993)	(2,318,147)
Principal paid on capital debt	(30,000)	(17,000)	(47,000)
Interest paid on capital debt	(18,771)	(29,321)	(48,092)
Net cash (used) by capital and related financing activities	<u>32,058</u>	<u>(144,681)</u>	<u>(112,623)</u>
Cash flows from investing activities			
Interest	<u>808</u>	<u>2,179</u>	<u>2,987</u>
Net cash flows from investing activities	<u>808</u>	<u>2,179</u>	<u>2,987</u>
Net (decrease) in cash	43,194	(34,884)	8,310
Balances - beginning of the year	85,885	345,109	430,994
Balances - end of the year	<u>\$ 129,079</u>	<u>\$ 310,225</u>	<u>\$ 439,304</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (13,607)	\$ 12,935	\$ (672)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	63,721	72,922	136,643
Change in assets and liabilities			
Receivables, net	4,181	1,636	5,817
Inventory	40	(4,259)	(4,219)
Prepaid expenses	5,032	10,531	15,563
Due to/from other governmental units	1,039	220	1,259
Unearned revenue	15	-	15
Accounts and other payables	229,580	8,404	237,984
Accrued expenses	(50)	229	179
Net cash provided by operating activities	<u>\$ 289,951</u>	<u>\$ 102,618</u>	<u>\$ 392,569</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, 2022**

	<u>Custodial Fund</u>
Assets	
Cash and equivalents	<u>\$ 570,089</u>
Liabilities	
Due to other funds	157,574
Due to other governmental units	<u>412,515</u>
Total liabilities	<u>570,089</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, 2022**

	<u>Custodial Fund</u>
Additions	
Property taxes collected for other governments	\$ <u>4,810,170</u>
Deductions	
Property taxes distributed to other governments	<u>4,810,170</u>
Net increase (decrease) in fiduciary net position	-
Net position - beginning	<u>-</u>
Net position - ending	<u><u>\$ -</u></u>

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



**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2022**

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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, 2022**

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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.

Road Fund - The Road Fund is used to account for property taxes restricted for road repair and maintenance.

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:

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

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

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

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

Fiduciary Funds - 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, 2022**

---

**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.

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, 2022**

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

For the year ended December 31, 2022, the Township levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
Township Operating	1.2898
Fire Operating	1.4883
Roads extra voted	1.9844

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, 2022**

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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 \$150,150 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	\$ 42,005
Fire Protection	46,353
Road fund	61,792
Totals	<u>\$ 150,150</u>

Equity Classification

*Government-Wide Statements*

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

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

*Fund Statements* – Governmental fund equity is classified as fund balance. Fund balance is further classified as described on page 31. 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, 2022**

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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, 2022**

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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, 2022**

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**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	\$ 1,639,251	\$ 217,252	\$ 1,856,503	\$ -
Restricted cash	78,077	222,052	300,129	570,089
Total cash	<u>\$ 1,717,328</u>	<u>\$ 439,304</u>	<u>\$ 2,156,632</u>	<u>\$ 570,089</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, 2022, \$11 of the Township’s bank balance of \$2,613,551 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, 2022		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Short-term investment	\$ 1,992	\$ 1,992	\$ -
U.S. Government and Agencies	-	-	-
Mutual funds	1,192,964	991,351	(201,613)
Total Investments	<u>\$ 1,194,956</u>	<u>\$ 993,343</u>	<u>\$ (201,613)</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, 2022**

**NOTE D - INVESTMENTS (Continued)**

December 31, 2022	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	\$ 1,992	\$ 1,992	\$ -	\$ -
U.S. Government and Agencies	-	-	-	-
Mutual funds	991,351	991,351	-	-
Total Investments	\$ 993,343	\$ 993,343	\$ -	\$ -

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, 2022 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable	Not expected to be paid back within one year
General Fund	\$ 123,630	Water Funds	\$ 44,495	\$ -
Water Funds	-	General Fund	2,000	-
Sewer Funds	-	Sewer Funds	79,135	79,135
		Cemetery operating fund	14,311	-
Perpetual Care Fund	16,311	Non-Major Funds	-	-
Total	\$ 139,941	Total	\$ 139,941	\$ 79,135

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2022**

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

The tax collection fund owed the General Fund \$58,592 at December 31, 2022.

Fund	Transfer In	Fund	Transfer Out
Fire fund	\$ -	General fund	\$ 15,000
Cemetery operating fund	55,000	Cemetery perpetual care fund	40,000
Sewer funds	-		
Water funds	-		
Total	<u>\$ 55,000</u>	Total	<u>\$ 55,000</u>

**NOTE F - CAPITAL ASSETS**

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

	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022
Capital assets, not being depreciated				
Land	\$ 590,862	\$ -	\$ -	\$ 590,862
Capital assets, being depreciated				
Buildings	1,023,446	\$ -	\$ -	1,023,446
Equipment	155,561	74,325	818	229,068
Machinery	75,976	-	-	75,976
Office equipment	21,642	-	-	21,642
Street signs	2,598	-	-	2,598
Vehicles	539,277	-	-	539,277
Subtotal	<u>1,818,500</u>	<u>\$ 74,325</u>	<u>\$ 818</u>	<u>1,892,007</u>
Accumulated depreciation				
Building	493,665	\$ 30,221	\$ -	523,886
Equipment	121,815	4,870	818	125,867
Machinery	75,977	-	-	75,977
Office equipment	21,576	65	-	21,641
Street signs	2,598	-	-	2,598
Vehicles	530,542	4,703	-	535,245
Subtotal	<u>1,246,173</u>	<u>\$ 39,859</u>	<u>\$ 818</u>	<u>1,285,214</u>
Net capital assets being depreciated	<u>572,327</u>			<u>606,793</u>
Net capital assets	<u>\$ 1,163,189</u>			<u>\$ 1,197,655</u>

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

General government	\$ 20,485
Public safety	16,789
Public works	2,585
Total governmental activities	<u>\$ 39,859</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2022**

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

The property, plant, and equipment in Township business-type funds at December 31, 2022 are summarized as follows:

SEWER FUNDS

<u>Portage Sewer</u>	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022
Capital assets, being depreciated				
Utility system	\$ 2,923,696	\$ 2,208,522	\$ -	\$ 5,132,218
Equipment/Vehicles/Machinery	73,383	5,632	-	79,015
Subtotal	<u>2,997,079</u>	<u>\$ 2,214,154</u>	<u>\$ -</u>	<u>5,211,233</u>
Less accumulated depreciation	<u>1,707,019</u>	<u>\$ 40,150</u>	<u>\$ -</u>	<u>1,747,169</u>
Net capital assets	<u>\$ 1,290,060</u>			<u>\$ 3,464,064</u>
<u>Dakota Heights Sewer</u>	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022
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>242,801</u>	<u>\$ 23,571</u>	<u>\$ -</u>	<u>266,372</u>
Net capital assets	<u>\$ 703,598</u>			<u>\$ 680,027</u>

WATER FUNDS

<u>Portage Water</u>	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022
Capital assets, being depreciated				
Utility system	\$ 2,224,491	\$ 98,361	\$ -	\$ 2,322,852
Equipment/Vehicles/Machinery	149,665	5,632	-	155,297
Subtotal	<u>2,374,156</u>	<u>\$ 103,993</u>	<u>\$ -</u>	<u>2,478,149</u>
Less accumulated depreciation	<u>1,475,484</u>	<u>\$ 51,420</u>	<u>\$ -</u>	<u>1,526,904</u>
Net capital assets	<u>\$ 898,672</u>			<u>\$ 951,245</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2022**

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

Dakota Heights Water	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022
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	368,686	\$ 17,585	\$ -	386,271
Net capital assets	\$ 327,606			\$ 310,021

  

Woodland Road Water	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022
Capital assets, being depreciated				
Utility system	\$ 133,312	\$ -	\$ -	\$ 133,312
Equipment/Vehicles/Machinery	34,152	-	-	34,152
Subtotal	167,464	\$ -	\$ -	167,464
Less accumulated depreciation	89,158	\$ 3,917	\$ -	93,075
Net capital assets	\$ 78,306			\$ 74,389

**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, 2022 was \$6,979.

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

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

Bond and Interest Redemption Account - The Township is required to set aside each quarter on or after July 1, an amount not less than ½ of the amount of interest due on the next two interest payments and next principal payment date.

Bond Reserve Account - The Township is required to deposit \$362.50 per quarter into a bond reserve account until an amount of \$14,500 is accumulated, to be used for payment on the bonds in the event of default.

Repair, Replacement, and Improvement Account - The Township is required to deposit into a repair, replacement, and improvement account (RRI) at least \$1,362.50 per quarter, less the amount, if any, deposited in the Bond Reserve Account.

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2022**

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

**PORTAGE SEWER DISPOSAL SYSTEM REVENUE BONDS, SERIES 2021A**

Bond and Interest Redemption Account - The Township is required to set aside each quarter on or after July 1, an amount not less than  $\frac{1}{2}$  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 \$800 per quarter into a bond reserve account until an amount of \$32,000 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 \$1,000 per quarter, less the amount, if any, deposited in the Bond Reserve Account.

**PORTAGE SEWER DISPOSAL SYSTEM REVENUE BONDS, SERIES 2021B**

Bond and Interest Redemption Account - The Township is required to set aside each quarter on or after July 1, an amount not less than  $\frac{1}{2}$  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 \$175 per quarter into a bond reserve account until an amount of \$7,000 is accumulated, to be used for payment on the bonds in the event of default.

**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.

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2022**

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

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

Bond and Interest Redemption Account - The Township is required to set aside each quarter on or after April 1, an amount not less than ½ of the amount of interest due on the next interest payment and ¼ of the amount of principal due on the next principal payment date.

Bond Reserve Account - The Township is required to deposit \$275 per quarter into a bond reserve account to be used for payment on the bonds in the event of default.

Repair, Replacement, and Improvement Account - The Township is required to deposit into a repair, replacement, and improvement account (RRI) at least \$2,100 per quarter, less the amount, if any, deposited in the Bond Reserve Account.

At December 31, 2022, 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 Series 2010</u>		
Bond Reserve	\$ 14,500	\$ 14,500
Repair and Replacement	18,175	18,175
Bond and Interest	7,281	7,281
	<u>\$ 39,956</u>	<u>\$ 39,956</u>
<u>Portage Sewer Fund 2021A</u>		
Bond Reserve	\$ 2,400	\$ 2,400
Repair and Replacement	600	600
Bond and Interest	16,861	16,861
	<u>\$ 19,861</u>	<u>\$ 19,861</u>
<u>Portage Sewer Fund 2021B</u>		
Bond Reserve	\$ 525	\$ 525
Bond and Interest	3,680	3,680
	<u>\$ 4,205</u>	<u>\$ 4,205</u>
<u>Dakota Heights Sewer Fund</u>		
Bond Reserve	\$ 10,725	\$ 10,725
Repair and Replacement	24,150	24,150
Bond and Interest	5,278	5,278
	<u>\$ 40,153</u>	<u>\$ 40,153</u>
<u>Portage Water Fund</u>		
Bond Reserve	\$ 36,500	\$ 36,500
Repair and Replacement	20,700	20,700
Bond and Interest	17,968	17,968
	<u>\$ 75,168</u>	<u>\$ 75,168</u>
<u>Dakota Heights Water Fund</u>		
Bond Reserve	\$ 11,000	\$ 11,000
Repair and Replacement	29,041	29,041
Bond and Interest	2,668	2,668
	<u>\$ 42,709</u>	<u>\$ 42,709</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2022**

**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:

PORTAGE WATER FUND (Continued)

Year	January 1	July 1		Total
	Interest	Interest	Principal	
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>\$ 173,271</u>	<u>\$ 173,271</u>	<u>\$ 556,000</u>	<u>\$ 902,542</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	
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>\$ 30,152</u>	<u>\$ 30,152</u>	<u>\$ 126,000</u>	<u>\$ 186,304</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2022**

**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	
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>\$ 61,671</u>	<u>\$ 61,671</u>	<u>\$ 275,000</u>	<u>\$ 398,342</u>

PORTAGE SEWER FUND - Sewage Disposal System (Dodgeville-Hurontown-Green Acres) Revenue Bond, Series 2021A were issued on December 30, 2021 in the amount of \$960,000 for the purpose of acquiring, constructing, furnishing and equipping improvements to the Township's existing sewage disposal system.. The bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the sewer disposal system. The bond bears an interest rate not to exceed 2.375 percent per annum. The payment schedule for the bonds is as follows:

Year	June 1	December 1		Total
	Interest	Interest	Principal	
2023	\$ 11,222	\$ 11,222	\$ 15,000	\$ 37,444
2024	11,044	11,044	15,000	37,088
2025	10,866	10,866	16,000	37,732
2026	10,676	10,676	16,000	37,352
2027	10,486	10,486	16,000	36,972
2028-2032	49,424	49,424	89,000	187,848
2033-2037	43,902	43,902	99,000	186,804
2038-2042	37,739	37,739	111,000	186,478
2043-2047	30,792	30,792	126,000	187,584
2048-2052	22,954	22,954	142,000	187,908
2052-2056	14,131	14,131	159,000	187,262
2056-2060	4,228	4,228	141,000	149,456
Totals	<u>\$ 257,464</u>	<u>\$ 257,464</u>	<u>\$ 945,000</u>	<u>\$ 1,459,928</u>



**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2022**

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

PORTAGE SEWER FUND - Sewage Disposal System (Dodgeville-Hurontown-Green Acres) Revenue Bond, Series 2021B were issued on December 30, 2021 in the amount of \$217,000 for the purpose of acquiring, constructing, furnishing and equipping improvements to the Township's existing sewage disposal system.. The bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the sewer disposal system. The bond bears an interest rate not to exceed 1.250 percent per annum. The payment schedule for the bonds is as follows:

Year	January 1	July 1		Total
	Interest	Interest	Principal	
2023	\$ 1,331	\$ 1,331	\$ 4,000	\$ 6,662
2024	1,306	1,306	4,000	6,612
2025	1,281	1,281	4,000	6,562
2026	1,256	1,256	4,000	6,512
2027	1,231	1,231	4,000	6,462
2028-2032	5,719	5,719	25,000	36,438
2033-2037	4,938	4,938	25,000	34,876
2038-2042	4,156	4,156	25,000	33,312
2043-2047	3,338	3,338	29,000	35,676
2048-2052	2,406	2,406	30,000	34,812
2052-2056	1,469	1,469	30,000	32,938
2056-2060	463	463	29,000	29,926
Totals	<u>\$ 28,894</u>	<u>\$ 28,894</u>	<u>\$ 213,000</u>	<u>\$ 270,788</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	
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>\$ 48,048</u>	<u>\$ 48,048</u>	<u>\$ 207,000</u>	<u>\$ 303,096</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2022**

**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, 2022, was as follows:

	Balance 1/1/2022	Increase	Decrease	Balance 12/31/2022	Current Portion
<i>Enterprise</i>					
Portage Water Supply Bond 2007	\$ 569,000	\$ -	\$ 13,000	\$ 556,000	\$ 13,000
Portage Sewer 2010 Bond	281,000	-	6,000	275,000	7,000
Dakota Heights Sewer 2011 Bond	212,000	-	5,000	207,000	5,000
Dakota Heights Water 2000 Bond	130,000	-	4,000	126,000	5,000
Portage Sewer 2021A Bond	-	960,000	15,000	945,000	15,000
Portage Sewer 2021B Bond	-	217,000	4,000	213,000	4,000
Sub-total	1,192,000	1,177,000	47,000	2,322,000	49,000
Accrued compensated absences	5,993	986	-	6,979	-
Totals	<u>\$ 1,197,993</u>	<u>\$ 1,177,986</u>	<u>\$ 47,000</u>	<u>\$ 2,328,979</u>	<u>\$ 49,000</u>

**SUMMARY SCHEDULE OF LONG-TERM DEBT**

Year	Interest	Principal	Total
2023	66,966	49,000	115,966
2024	65,470	50,000	115,470
2025	63,932	51,000	114,932
2026	62,370	52,000	114,370
2027	60,764	53,000	113,764
2028-2032	277,470	302,000	579,470
2033-2037	227,564	349,000	576,564
2038-2042	169,164	384,000	553,164
2043-2047	108,880	420,000	528,880
2048-2052	55,838	253,000	308,838
2053-2057	31,200	189,000	220,200
2058	9,382	170,000	179,382
Totals	<u>\$ 1,199,000</u>	<u>\$ 2,322,000</u>	<u>\$ 3,521,000</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 \$338,460. The Township made the required 5% contribution amounting to \$16,923.

**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS - December 31, 2022**

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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, 2022 is as follows:

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water
Operating revenues	\$ 274,922	\$ 38,266	\$ 217,721	\$ 25,533	\$ 50,696
Depreciation	\$ 40,150	\$ 23,571	\$ 51,420	\$ 17,585	\$ 3,917
Operating income (loss)	\$ 5,493	\$ (19,100)	\$ 19,273	\$ (4,354)	\$ (1,984)
Non-operating revenues (expenses)	\$ 1,105,047	\$ (5,027)	\$ (16,987)	\$ (5,305)	\$ 783
Net income (loss)	\$ 1,110,540	\$ (24,127)	\$ 2,286	\$ (9,659)	\$ (1,201)
Property, plant & equipment additions	\$ 2,214,154	\$ -	\$ 103,993	\$ -	\$ -
Net working capital (deficit)	\$ (294,344)	\$ (10,425)	\$ 9,160	\$ 24,368	\$ 156,742
Total Assets	\$ 3,574,783	\$ 722,609	\$ 1,106,618	\$ 382,725	\$ 233,943
Total Equity	\$ 1,826,742	\$ 507,755	\$ 492,573	\$ 256,098	\$ 231,131

**NOTE L - UPCOMING ACCOUNTING PRONOUNCEMENT**

Governmental Accounting Standards Board (GASB) Statement No. 91, Conduit Debt Obligation, was issued by the GASB in May 2019 and will be effective for the Township's 2023 year end. Conduit debt is defined as a debt instrument issued in the name of a state or local government (the issuer) for the benefit of a third party that is primarily liable for the repayment of the debt. The objective of this Statement is to provide a single method for state or local government issuers to report conduit debt obligations, eliminating the option for issuers to report conduit debt obligations as their own liabilities. We do not expect this standard to significantly impact the Township.

**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, 2022.

**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, 2022**

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**NOTE O - SUBSEQUENT EVENTS**

On December 31, 2021 the Township signed a water and waste system grant agreement with the United States Department of Agriculture (USDA). The agreement is for the acquisition, construction, enlargement, or capital improvements to the sewer system and includes a grant in the amount of \$3,521,000, revenue bond series 2021A for \$960,000, and revenue bond series 2021B for \$217,000. The project will continue through the year ending 2023.

In April 2022 the Township board approved the purchase of a 2024 freightliner pumper truck in the amount of \$218,600. A down payment of \$50,000 was paid in 2022 with the remainder of the truck cost to be paid upon delivery in 2023.

On January 9, 2023 the Township board approved the purchase of new air packs for the fire department in the amount of approximately \$51,000.

On February 13, 2023 the Township board approved the purchase of a 3/4 ton truck in the amount of \$55,000.

In March 2023 the Township signed a grant agreement with the Michigan Department of Environment, Great Lakes, and Energy (EGLE) in the amount of \$281,197, to provide funding for work related to the Township's distribution system materials inventory and drinking water management plan.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final to <u>Actual</u>
Revenues				
Local sources	\$ 295,900	\$ 375,500	\$ 370,077	\$ (5,423)
State and federal sources	567,100	566,500	364,232	(202,268)
Total revenues	<u>863,000</u>	<u>942,000</u>	<u>734,309</u>	<u>(207,691)</u>
Expenditures				
Assessor	52,870	63,370	61,572	1,798
Supervisor	32,500	32,500	31,132	1,368
Clerk	39,750	39,750	36,077	3,673
Treasurer	44,050	43,550	40,188	3,362
Zoning and planning	11,075	21,475	17,579	3,896
General services	27,350	28,850	29,996	(1,146)
Township board	9,150	11,150	9,905	1,245
Town hall	37,400	29,750	26,513	3,237
Other activities	214,630	218,130	140,482	77,648
Recreation	31,000	26,300	22,814	3,486
Motor vehicle pool	78,900	22,700	21,648	1,052
Constable	3,350	3,350	3,107	243
Elections	6,400	13,100	13,977	(877)
Maintenance building	47,500	47,500	40,025	7,475
Medical Marihuana	1,000	3,000	3,000	-
Roads and repairs	6,000	15,000	12,011	2,989
Total expenditures	<u>642,925</u>	<u>619,475</u>	<u>510,026</u>	<u>109,449</u>
Excess (deficiency) of revenues over expenditures	220,075	322,525	224,283	(98,242)
Other financing sources (uses)				
Operating transfers in/(out)	<u>(700)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(30,000)</u>
Net change in fund balance	<u>\$ 219,375</u>	<u>\$ 307,525</u>	209,283	<u>\$ (98,242)</u>
Fund balances - Beginning of year			<u>1,078,905</u>	
Fund balances - End of year			<u>\$ 1,288,188</u>	

**CHARTER TOWNSHIP OF PORTAGE**  
**FIRE PROTECTION FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
Local sources	\$ 169,080	\$ 169,500	\$ 170,755	\$ 1,255
Federal grant	2,400	2,400	2,475	75
Total revenues	<u>171,480</u>	<u>171,900</u>	<u>173,230</u>	<u>1,330</u>
Expenditures				
Hurontown Fire Department	99,800	92,050	83,360	8,690
Otter Lake Fire Department	33,005	62,005	54,923	7,082
Total expenditures	<u>132,805</u>	<u>154,055</u>	<u>138,283</u>	<u>15,772</u>
Net change in fund balance	<u>\$ 38,675</u>	<u>\$ 17,845</u>	34,947	<u>\$ 17,102</u>
Fund balances - Beginning of year			<u>199,633</u>	
Fund balances - End of year			<u>\$ 234,580</u>	

**CHARTER TOWNSHIP OF PORTAGE**  
**ROAD FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
Taxes	\$ 225,020	\$ 225,020	\$ 226,487	\$ 1,467
Charges for services	-	-	-	-
Reimbursements	-	-	165,454	165,454
Interest income	1	200	247	47
Other income	-	-	-	-
Total revenues	<u>225,021</u>	<u>225,220</u>	<u>392,188</u>	<u>166,968</u>
Expenditures				
Public Works	<u>200,000</u>	<u>200,000</u>	<u>526,925</u>	<u>(326,925)</u>
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>526,925</u>	<u>(326,925)</u>
Net change in fund balance	<u>\$ 25,021</u>	<u>\$ 25,220</u>	(134,737)	<u>\$ (159,957)</u>
Fund balances - Beginning of year			<u>-</u>	
Fund balances - End of year			<u>\$ (134,737)</u>	



**SUPPLEMENTAL FINANCIAL INFORMATION**

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENT OF EXPENDITURES**  
**Year Ended December 31, 2022**

Expenditures	
Assessor	
Salaries	\$ 42,535
Fringe benefits	12,376
Supplies	3,492
Contract services	2,870
Repairs and maintenance	299
Total Assessor	<u>61,572</u>
Supervisor	
Salaries	30,000
Supplies	202
Communications	930
Total supervisor	<u>31,132</u>
Clerk	
Salaries	33,938
Supplies	1,739
Phone	400
Total clerk	<u>36,077</u>
Treasurer	
Salaries	34,194
Supplies	363
Phone	400
Tax supplies	5,231
Total treasurer	<u>40,188</u>
Zoning and Planning	
Salaries	5,325
Supplies	241
Professional services	11,230
Printing and publishing	168
Travel expenses	615
Total zoning and planning	<u>17,579</u>
General Services	
Professional services	22,692
Tower Rent and expenses	3,007
Miscellaneous	4,297
Total zoning and planning	<u>29,996</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENT OF EXPENDITURES (CONTINUED)**  
**Year Ended December 31, 2022**

Township Board	
Salaries	9,360
Supplies	245
Contributions	300
Total township board	<u>9,905</u>
Town Hall	
Salaries	7,220
Supplies	4,448
Contract services	7,825
Utilities	6,364
Repairs and maintenance	656
Total town hall	<u>26,513</u>
Other Activities	
Salaries	26,283
Payroll taxes	26,576
Employee benefits	45,958
Printing and publishing	147
Insurance	15,590
Board of review	2,783
Street lights	22,054
Miscellaneous	1,091
Total other activities	<u>140,482</u>
Recreation	
Salaries	17,711
Supplies	1,136
Professional services	275
Utilities	2,527
Capital outlay	1,165
Total recreation	<u>22,814</u>
Motor vehicle pool	
Salaries	5,448
Supplies	3,148
Repairs and maintenance	2,285
Fuel	10,767
Total recreation	<u>21,648</u>
Constable	
Salaries	3,036
Insurance	71
Total constable	<u>3,107</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENT OF EXPENDITURES (CONTINUED)**  
**Year Ended December 31, 2022**

Elections	
Salaries	7,014
Supplies	6,505
Printing and publishing	202
Travel	256
Total elections	<u>13,977</u>
Roads and Streets	
Oil	2,279
Signs	9,732
Total elections	<u>12,011</u>
Maintenance building	
Salaries	20,098
Supplies	12,207
Utilities	4,493
Repairs and maintenance	1,745
Miscellaneous	1,482
Total maintenance building	<u>40,025</u>
Medical Marihuana	
Contract services	3,000
Total medical marihuana	<u>3,000</u>
Total expenditures	<u>\$ 510,026</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**December 31, 2022**

	<u>Fire Protection Fund</u>	<u>Road Fund</u>	<u>Cemetery Operating Fund</u>	<u>Liquor Law Fund</u>	<u>Total</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 237,879	\$ 35,953	\$ 5,810	\$ 501	\$ 280,143
Prepays	2,400	-	2,800	100	5,300
Due from other governmental units	-	165,454	-	-	165,454
Due from fiduciary fund	42,411	56,556	-	-	98,967
<b>Total assets</b>	<b><u>\$ 282,690</u></b>	<b><u>\$ 257,963</u></b>	<b><u>\$ 8,610</u></b>	<b><u>\$ 601</u></b>	<b><u>\$ 549,864</u></b>
<b>Liabilities</b>					
Accounts payable	\$ 1,757	\$ 330,908	\$ -	\$ -	\$ 332,665
Accrued expenses	-	-	85	-	85
Due to other funds	-	-	14,311	-	14,311
Unearned revenue	46,353	61,792	-	-	108,145
<b>Total liabilities</b>	<b><u>48,110</u></b>	<b><u>392,700</u></b>	<b><u>14,396</u></b>	<b><u>-</u></b>	<b><u>455,206</u></b>
<b>Fund balance</b>					
Restricted	234,580	-	-	601	235,181
Unrestricted	-	(134,737)	(5,786)	-	(140,523)
<b>Total fund balance</b>	<b><u>234,580</u></b>	<b><u>(134,737)</u></b>	<b><u>(5,786)</u></b>	<b><u>601</u></b>	<b><u>94,658</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 282,690</u></b>	<b><u>\$ 257,963</u></b>	<b><u>\$ 8,610</u></b>	<b><u>\$ 601</u></b>	<b><u>\$ 690,387</u></b>

**CHARTER TOWNSHIP OF PORTAGE**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended December 31, 2022**

	Fire Protection Fund	Road Fund	Cemetery Operating Fund	Liquor Law Fund	Total
Revenues					
Taxes	\$ 169,832	\$ 226,487	\$ -	\$ -	\$ 396,319
State shared revenue	-	-	-	2,230	2,230
Federal grant	2,475	-	-	-	2,475
Charges for services	-	-	29,225	-	29,225
Interest income	823	247	-	-	1,070
Reimbursements	-	165,454	-	-	165,454
Other income	100	-	8,780	-	8,880
Total revenues	<u>173,230</u>	<u>392,188</u>	<u>38,005</u>	<u>2,230</u>	<u>605,653</u>
Expenditures					
Salaries	6,468	-	65,524	1,944	73,936
Payroll taxes	495	-	5,061	62	5,618
Employee benefits	-	-	5,270	-	5,270
Contract labor	3,874	526,925	-	-	530,799
Supplies	28,155	-	3,171	-	31,326
Utilities	17,031	-	3,802	-	20,833
Insurance	7,079	-	2,369	-	9,448
Professional services	-	-	497	-	497
Education	-	-	-	-	-
Printing and publishing	-	-	201	-	201
Repairs and maintenance	8,027	-	18	-	8,045
Fuel	989	-	1,848	-	2,837
Capital outlay	65,425	-	-	-	65,425
Miscellaneous	740	-	500	-	1,240
Total expenditures	<u>138,283</u>	<u>526,925</u>	<u>88,261</u>	<u>2,006</u>	<u>755,475</u>
Excess (deficiency) of revenues over expenditures	<u>34,947</u>	<u>(134,737)</u>	<u>(50,256)</u>	<u>224</u>	<u>(149,822)</u>
Other financing sources (uses)					
Operating transfers in/out	-	-	55,000	-	55,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Net change in fund balance	34,947	(134,737)	4,744	224	(94,822)
Fund balance - Beginning of year	<u>199,633</u>	<u>-</u>	<u>(10,530)</u>	<u>377</u>	<u>189,480</u>
Fund balance - End of year	<u>\$ 234,580</u>	<u>\$ (134,737)</u>	<u>\$ (5,786)</u>	<u>\$ 601</u>	<u>\$ 94,658</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING BALANCE SHEET**  
**December 31, 2022**

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 23,200	\$ 1,704	\$ 5,367	\$ 29,194	\$ 157,787	\$ 217,252
Accounts receivable	3,616	425	333	501	1,267	6,142
Inventory	18,566	-	73,205	-	-	91,771
Due from fiduciary fund	15	-	-	-	-	15
Prepays	1,300	300	1,300	300	500	3,700
Restricted cash	64,022	40,153	75,168	42,709	-	222,052
Capital assets - net	3,464,064	680,027	951,245	310,021	74,389	5,479,746
<b>Total assets</b>	<b><u>\$ 3,574,783</u></b>	<b><u>\$ 722,609</u></b>	<b><u>\$ 1,106,618</u></b>	<b><u>\$ 382,725</u></b>	<b><u>\$ 233,943</u></b>	<b><u>\$ 6,020,678</u></b>
<b>Liabilities</b>						
Accounts payable	\$ 240,514	\$ 2,793	\$ 12,715	\$ 528	\$ 2,636	\$ 259,186
Due to other funds	74,135	5,000	44,495	-	-	123,630
Unearned revenue	15	-	-	-	-	15
Current maturities	26,000	5,000	13,000	5,000	-	49,000
Accrued expenses	377	61	835	99	176	1,548
Bonds payable	1,407,000	202,000	543,000	121,000	-	2,273,000
<b>Total liabilities</b>	<b><u>1,748,041</u></b>	<b><u>214,854</u></b>	<b><u>614,045</u></b>	<b><u>126,627</u></b>	<b><u>2,812</u></b>	<b><u>2,706,379</u></b>
<b>Retained earnings</b>						
Restricted	64,022	40,153	75,168	42,709	-	222,052
Unrestricted	1,762,720	467,602	417,405	213,389	231,131	3,092,247
<b>Total retained earnings</b>	<b><u>1,826,742</u></b>	<b><u>507,755</u></b>	<b><u>492,573</u></b>	<b><u>256,098</u></b>	<b><u>231,131</u></b>	<b><u>3,314,299</u></b>
<b>Total liabilities and retained earnings</b>	<b><u>\$ 3,574,783</u></b>	<b><u>\$ 722,609</u></b>	<b><u>\$ 1,106,618</u></b>	<b><u>\$ 382,725</u></b>	<b><u>\$ 233,943</u></b>	<b><u>\$ 6,020,678</u></b>

**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN RETAINED EARNINGS**  
**Year Ended December 31, 2022**

	<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	\$ 271,378	\$ 37,921	\$ 211,964	\$ 25,353	\$ 50,112	\$ 596,728
Parts, meters, hook-up fees	3,535	345	3,680	180	584	8,324
Other income	9	-	2,077	-	-	2,086
Total revenues	<u>274,922</u>	<u>38,266</u>	<u>217,721</u>	<u>25,533</u>	<u>50,696</u>	<u>607,138</u>
Expenses						
Salaries	28,972	4,144	40,039	4,837	6,466	84,458
Payroll taxes	2,217	317	2,984	370	493	6,381
Employee benefits	12,997	3,355	15,443	2,020	2,235	36,050
Supplies	2,986	119	13,223	114	333	16,775
Utilities	11,758	1,091	3,207	384	652	17,092
Insurance	1,916	307	1,953	372	307	4,855
Professional services	2,681	176	13,314	487	828	17,486
Printing and publishing	-	-	2,003	-	-	2,003
Dues and membership	-	-	520	-	-	520
Depreciation	40,150	23,571	51,420	17,585	3,917	136,643
Purchase services	165,127	24,286	53,112	3,570	37,187	283,282
Miscellaneous	625	-	1,230	148	262	2,265
Total expenditures	<u>269,429</u>	<u>57,366</u>	<u>198,448</u>	<u>29,887</u>	<u>52,680</u>	<u>607,810</u>
Operating income (loss)	<u>5,493</u>	<u>(19,100)</u>	<u>19,273</u>	<u>(4,354)</u>	<u>(1,984)</u>	<u>(672)</u>
Non-operating revenues (expenses)						
Interest income	535	273	851	545	783	2,987
Federal revenue	1,117,983	-	5,633	-	-	1,123,616
Interest expense	(13,471)	(5,300)	(23,471)	(5,850)	-	(48,092)
Total non-operating revenues (expenses)	<u>1,105,047</u>	<u>(5,027)</u>	<u>(16,987)</u>	<u>(5,305)</u>	<u>783</u>	<u>1,078,511</u>
Net income (loss)	1,110,540	(24,127)	2,286	(9,659)	(1,201)	1,077,839
Retained earnings, beginning of year	716,202	531,882	490,287	265,757	232,332	2,236,460
Retained earnings, end of year	<u>\$ 1,826,742</u>	<u>\$ 507,755</u>	<u>\$ 492,573</u>	<u>\$ 256,098</u>	<u>\$ 231,131</u>	<u>\$ 3,314,299</u>



**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2022**

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Total
Reconciliation of operating income to net cash provided by operating activities						
Operating Income (Loss)	\$ 5,493	\$ (19,100)	\$ 19,273	\$ (4,354)	\$ (1,984)	\$ (672)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	40,150	23,571	51,420	17,585	3,917	136,643
(Increase) Decrease in accounts receivable	3,784	397	2,203	41	(608)	5,817
(Increase) Decrease in inventory	40	-	(4,259)	-	-	(4,219)
(Increase) Decrease in prepaid expenses	2,582	2,450	11,081	(200)	(350)	15,563
Increase (Decrease) in accounts payable	229,081	499	9,122	(39)	(679)	237,984
Increase (Decrease) in due to/from other governmental units	1,039	-	220	-	-	1,259
Increase (Decrease) in due to other funds	(284,623)	5,000	5,000	-	-	(274,623)
Increase (Decrease) in accrued expenses	(60)	10	127	14	88	179
Increase (Decrease) in unearned revenue	15	-	-	-	-	15
Net cash provided by operating activities	<u>(2,499)</u>	<u>12,827</u>	<u>94,187</u>	<u>13,047</u>	<u>384</u>	<u>117,946</u>
Cash flows from capital and related financing activities						
Federal grants	1,117,983	-	5,633	-	-	1,123,616
Bond proceeds	1,177,000	-	-	-	-	1,177,000
Purchase of capital assets	(2,214,154)	-	(103,993)	-	-	(2,318,147)
Reductions of long-term debt	(25,000)	(5,000)	(13,000)	(4,000)	-	(47,000)
Interest paid on long-term debt	(13,471)	(5,300)	(23,471)	(5,850)	-	(48,092)
Net cash (used) by capital and related financing activities	<u>42,358</u>	<u>(10,300)</u>	<u>(134,831)</u>	<u>(9,850)</u>	<u>-</u>	<u>(112,623)</u>
Cash flows from investing activities						
Interest	535	273	851	545	783	2,987
Net cash flows from investing activities	<u>535</u>	<u>273</u>	<u>851</u>	<u>545</u>	<u>783</u>	<u>2,987</u>
Net increase (decrease) in cash and restricted cash	40,394	2,800	(39,793)	3,742	1,167	8,310
Cash and restricted cash - beginning of the year	46,828	39,057	120,328	68,161	156,620	430,994
Cash and restricted cash - end of the year	<u>\$ 87,222</u>	<u>\$ 41,857</u>	<u>\$ 80,535</u>	<u>\$ 71,903</u>	<u>\$ 157,787</u>	<u>\$ 439,304</u>

## **FEDERAL AWARD PROGRAMS**

# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, PC*

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

Honorable Mayor and Members of the City Council  
Charter Township of Portage  
Houghton, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Portage, Michigan, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Charter Township of Portage, Michigan's basic financial statements and have issued our report thereon dated June 22, 2023.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charter Township of Portage, Michigan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charter Township of Portage, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of Charter Township of Portage, Michigan's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Charter Township of Portage, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-003.

## **Charter Township of Portage, Michigan's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Charter Township of Portage, Michigan's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Charter Township of Portage, Michigan's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

June 22, 2023

# **RUKKILA | NEGRO AND ASSOCIATES**

*Certified Public Accountants, PC*

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Members of the City Council  
Charter Township of Portage  
Houghton, Michigan

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Charter Township of Portage, Michigan's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Charter Township of Portage, Michigan's major federal programs for the year ended December 31, 2022. Charter Township of Portage, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Charter Township of Portage, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Charter Township of Portage, Michigan and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Charter Township of Portage, Michigan's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Charter Township of Portage, Michigan's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Charter Township of Portage, Michigan's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Charter Township of Portage, Michigan's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Charter Township of Portage, Michigan's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Charter Township of Portage, Michigan's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Charter Township of Portage, Michigan's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-004. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on Charter Township of Portage's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Charter Township of Portage's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-004 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Charter Township of Portage's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Charter Township of Portage's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

June 22, 2023

**CHARTER TOWNSHIP OF PORTAGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2022**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Agriculture		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 2,242,201
State and Private Forestry Cooperative Fire Assistance		
Michigan Department of Natural Resources	10.698	2,475
US Department of Treasury		
Passed Through the Office of the State of Michigan department of Treasury Coronavirus State and Local Fiscal Recovery Funds		
Coronavirus Local Fiscal Recovery Fund	21.027	<u>58,738</u>
Total		<u><u>\$ 2,303,414</u></u>



**CHARTER TOWNSHIP OF PORTAGE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2022**

**NOTE A - OVERSIGHT AGENCY**

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

**NOTE B - BASIS OF ACCOUNTING**

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

**NOTE C -- FEDERAL AWARDS FINANCIAL STATEMENT RECONCILIATION**

Federal Revenue	
Governmental Funds - Federal Grant (Page 18)	\$ 2,798
Enterprise Funds - Federal Grant (Page 21)	1,123,616
Enterprise Funds - Federal Loan Proceeds	<u>1,177,000</u>
Total Federal Revenue	<u><u>\$ 2,303,414</u></u>
Total Federal Expenditures	<u><u>\$ 2,303,414</u></u>

**NOTE D - INDIRECT COST RATE**

The Charter Township of Portage has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CHARTER TOWNSHIP OF PORTAGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2022**

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

***Financial Statements***

Type of auditor's report issued:	Unmodified
Internal Control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in with Title 2 CFR Section 200.516(a)?	No
Name of Federal Program	CFDA Number
U.S. Department of Agriculture - Water and Waste Disposal Systems for Rural Communities	10.760
Dollar threshold used to distinguish between type A and type B program:	\$750,000
Auditee qualified as low-risk auditee?	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Instances of Non-compliance**

**2022-001 Budget**

Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that townships shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township has actual expenditures and budgeted expenditures.

Condition: During the year ended December 31, 2022, the Township incurred expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Cause: Failure to amend the budgets during the year based on the level of expenditures.

Effect: The Charter Township of Portage is not in compliance with State Law.

Questioned Costs: This finding does not result in questioned costs.

Recommendation: The Charter Township of Portage should control expenditures in each governmental fund so as not to exceed the amounts appropriated. When this is not possible, the budget should be amended accordingly.

## **SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)**

View of Responsible Officials: The budget will be closely monitored and budget amendments will be made accordingly. Please refer to the corrective action plan on page 73.

### **2022-002 Fund Deficits**

Criteria: Public Act 275 of 1980, requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the footnotes of the financial statements.

Condition: During the year ended December 31, 2022, the Township incurred a deficit fund balance in two funds as shown on page 16.

Cause: Failure to have revenue in excess of expenditures.

Effect: The Charter Township of Portage is not in compliance with State Law.

Questioned Costs: This finding does not result in questioned costs.

Recommendation: The Charter Township of Portage should file a corrective action plan for the deficits with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the Township has not filed such a plan. We recommend the Township either increase operating revenues or decrease operating expenditures in the future to eliminate the deficit.

View of Responsible Officials: The Township will file a corrective action plan as soon as possible. Please refer to the corrective action plan on page 73.

### **2022-003 Uniform Chart of Accounts**

Criteria: Public Act 2 of 1968 as amended, requires the Township to follow the Michigan Department of Treasury's Uniform chart of Accounts.

Condition: As of December 31, 2022, the Township is not in compliance with the Michigan Department of Treasury's new Uniform Chart of Accounts, as required by Public Act 2 of 1968 as amended. The deadline for implementing the new Uniform Chart of Accounts for the Township is January 1, 2022.

Cause: The Township is on a waiting list with their software company in regards to the timing of their implementation of the new Uniform Chart of Accounts.

Effect: The Charter Township of Portage is not in compliance with State Law.

Questioned Costs: This finding does not result in questioned costs.

Recommendation: The Charter Township of Portage should implement the Michigan Department of Treasury's Uniform Chart of Accounts as soon as possible.

View of Responsible Officials: The Township is in agreement and has a contract to change software companies at which time their chart of accounts will be in compliance with the Michigan Department of Treasury's new Uniform chart of Accounts. The Township is on a waiting list and expects the implementation to take place in 2024. Please refer to the corrective action plan on page 73.

**CHARTER TOWNSHIP OF PORTAGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Year Ended December 31, 2022**

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

*Control Deficiency: Significant Deficiency*

**2022-004 - PROCUREMENT**

Criteria: In accordance with 2 CFR Section 200.319(d), non-federal entities must have their own documented procedures for procurement transactions. The policy should incorporate all requirements within 2 CFR section 200.318 through 200.326 of the Uniform Guidance.

Condition: As of December 31, 2022, the Township did not have their own written procurement policy to properly implement all the requirements of 2 CFR section 200.318 through 200.326 of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Cause: The Township was unaware of the requirement.

Effect: The Charter Township of Portage is not in compliance with the procurement policy requirements identified in 2 CFR section 200.318 through 200.326 which could jeopardize federal funding.

Questioned Costs: This finding does not result in questioned costs.

Recommendation: The Charter Township of Portage should create a procurement policy that meets all the requirements of 2 CFR section 200.318 through 200.326.

View of Responsible Officials: Management is in agreement and has drafted a procurement policy that meets all the requirements of 2 CFR section 200.318 through 200.326 that has been approved by the Township board on June 12, 2023. The policy has been submitted to the Township attorney for review, and will be finalized pending any modifications or recommendations by their attorney. Please refer to the corrective action plan on page 73.

Prior Year - No matters were reported.

## **COMMUNICATIONS SECTION**

# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, PC*

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## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage for the year ended December 31, 2022. 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 June 22, 2023. 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, 2022. 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 22, 2023.

### *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 22, 2023





Corrective Action Plan  
For the Fiscal Year Ended December 31, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

**FINDING: 2022-001**

**Name of contact person:** Bruce Peterson, Supervisor

**Corrective Action Plan:** The budget will be more closely monitored and budget amendments will be made accordingly.

**Proposed Completion Date:** Immediately.

**FINDING: 2022-002**

**Name of contact person:** Bruce Peterson, Supervisor

**Corrective Action Plan:** We will file a deficit elimination upon notification from the State of Michigan that one is required.

**Proposed Completion Date:** Immediately upon notification from the State of Michigan.

**FINDING: 2022-003**

**Name of contact person:** Bruce Peterson, Supervisor

**Corrective Action Plan:** We have a contract to change software from Quick Books to BS&A. Our chart of accounts will be updated upon conversion from Quick Books to BS&A.

**Proposed Completion Date:** We are on a waiting list with BS&A, but expect this to take place in the year 2024.

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

#### **FINDING: 2022-004**

**Name of contact person:** Bruce Peterson, Supervisor

**Corrective Action Plan:** We have drafted a procurement policy that meets all the requirements of 2 CFR section 200.318 through 200.326 that has been approved by the Township board on June 12, 2023. The policy has been submitted to the Township attorney for review, and will be finalized pending any modifications or recommendations by our attorney.

**Proposed Completion Date:** Immediately.

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<http://portagetownship.info/>

*The Charter Township of Portage is an Equal Opportunity Provider and Employer*