

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

**REPORT ON FINANCIAL STATEMENTS  
(with required supplementary and additional information)**

**December 31, 2012**

**CHARTER TOWNSHIP OF PORTAGE**

**DECEMBER 31, 2012**

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**ELECTED OFFICIALS**

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

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# RUKKILA | NEGRO AND ASSOCIATES

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage as of and for the year then ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 39 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The additional information on pages 42 through 49 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated August 14, 2013 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, grant agreements, and other matters. The purpose of that report is 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 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 the Charter Township of Portage's internal control over financial reporting and compliance.

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

August 14, 2013

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

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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, 2012. The analysis focuses on the Township's financial performance as a whole. It is intended to be read as part of the Township's financial statements, which immediately follows this section.

**Overview of the Financial Statements**

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Township's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Township as a whole and represent an overall view of the Township's finances.

Statement of Net Position and the Statement of Activities

These statements provide information that help determine how the Township is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The Township's net position and the changes in the net position during the year are reported by these two statements. Increases or decreases in the Township's net position is one way to determine if the financial position of the Township is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the Township.

There are two kinds of activities in the Statement of Net Position and the Statement of Activities:

Governmental Activities - Most of the Township's basic services are reported here, including general administration, fire, public works, and parks and recreation. These activities are financed primarily by property taxes, intergovernmental revenues, and charges for services.

Major Funds: Under GASB Statement 34, the audit focus has shifted from governmental type funds to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the Charter Township of Portage, the General Fund, Fire Protection and Cemetery Perpetual Care meet this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller, less active funds. Detailed information about non-major funds can be found after the notes to the financial statements.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

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**Overview of the Financial Statements - Continued**

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

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

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

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

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

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

Enterprise funds are used to report business like activities. In general, these funds charge a fee for their services. The Township uses enterprise funds for water and sewer. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The Township's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds. All enterprise funds qualify as major funds.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

**Overview of the Financial Statements - Continued**

**Summary of Net Position**

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
<b>Assets</b>				
Current and other assets	\$ 671,107	\$ 712,529	\$ 294,371	\$ 275,265
Restricted cash and investments	1,103,442	1,043,638	194,272	168,159
Capital assets - Net of accumulated depreciation	1,029,658	1,029,200	4,339,491	4,390,477
Total Assets	<u>\$ 2,804,207</u>	<u>\$ 2,785,367</u>	<u>\$ 4,828,134</u>	<u>\$ 4,833,901</u>
<b>Liabilities</b>				
Current liabilities	\$ 2,931	\$ 2,440	\$ 34,065	\$ 1,314
Non-current liabilities	89,402	103,729	1,645,202	1,725,467
Advances of revenues	74,625	63,672	6,261	26,188
Total Liabilities	<u>166,958</u>	<u>169,841</u>	<u>1,685,528</u>	<u>1,752,969</u>
<b>Net Position</b>				
Net investment in capital assets	946,923	934,255	2,694,289	2,818,467
Restricted	1,286,324	1,043,105	188,901	168,159
Unrestricted	404,002	638,166	259,416	94,306
Total Net Position	<u>2,637,249</u>	<u>2,615,526</u>	<u>3,142,606</u>	<u>3,080,932</u>
Total Liabilities and Net Position	<u>\$ 2,804,207</u>	<u>\$ 2,785,367</u>	<u>\$ 4,828,134</u>	<u>\$ 4,833,901</u>

**Results of Operations**

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
<b>Revenues</b>				
<b>Program Revenue:</b>				
Charges for services	\$ 79,528	\$ 79,025	\$ 443,297	\$ 414,229
Grants and contributions	27,000	-	-	-
Capital grants and contributions	-	-	106,419	562,900
<b>General Revenue:</b>				
Property taxes	225,918	200,787	-	-
State shared revenue	235,501	230,442	-	-
Other	71,776	132,307	6,496	11,250
Total Revenue	<u>639,723</u>	<u>642,561</u>	<u>556,212</u>	<u>988,379</u>
<b>Functions/Program Expenses</b>				
General government	366,668	401,953	-	-
Public safety	69,252	81,080	-	-
Public works	157,445	142,513	494,538	461,475
Recreation	24,635	21,195	-	-
Total Expenses	<u>618,000</u>	<u>646,741</u>	<u>494,538</u>	<u>461,475</u>
Change in Net Position	21,723	(4,180)	61,674	526,904
Net Position - Beginning	2,615,526	2,619,706	3,080,932	2,554,028
Net Position - Ending	<u>\$ 2,637,249</u>	<u>\$ 2,615,526</u>	<u>\$ 3,142,606</u>	<u>\$ 3,080,932</u>



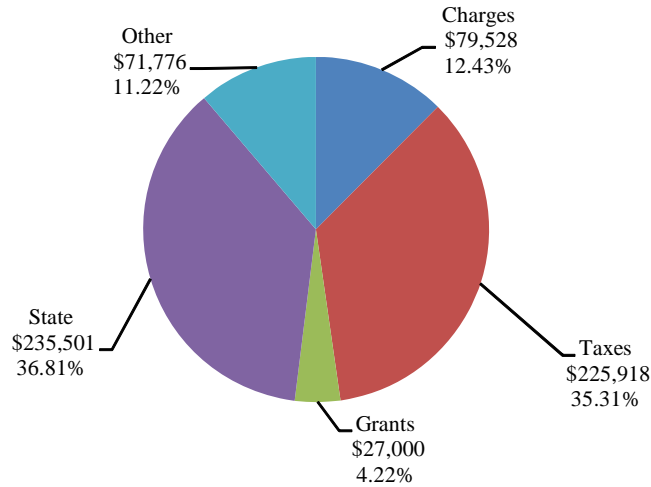
**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

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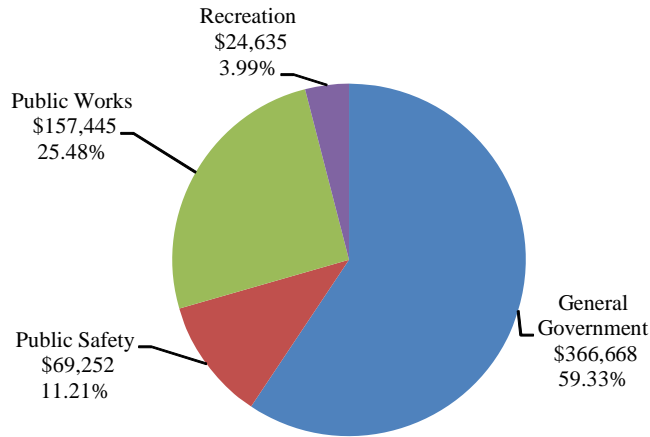
**Overview of the Financial Statements - Continued**

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

**Revenues - Governmental Activities**



**Expenditures - Governmental Activities**



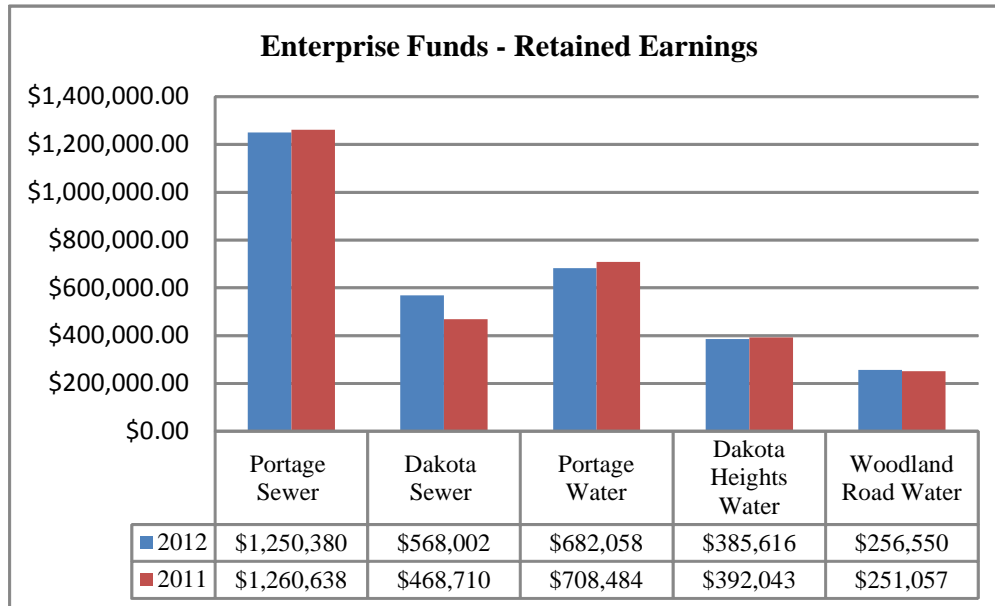
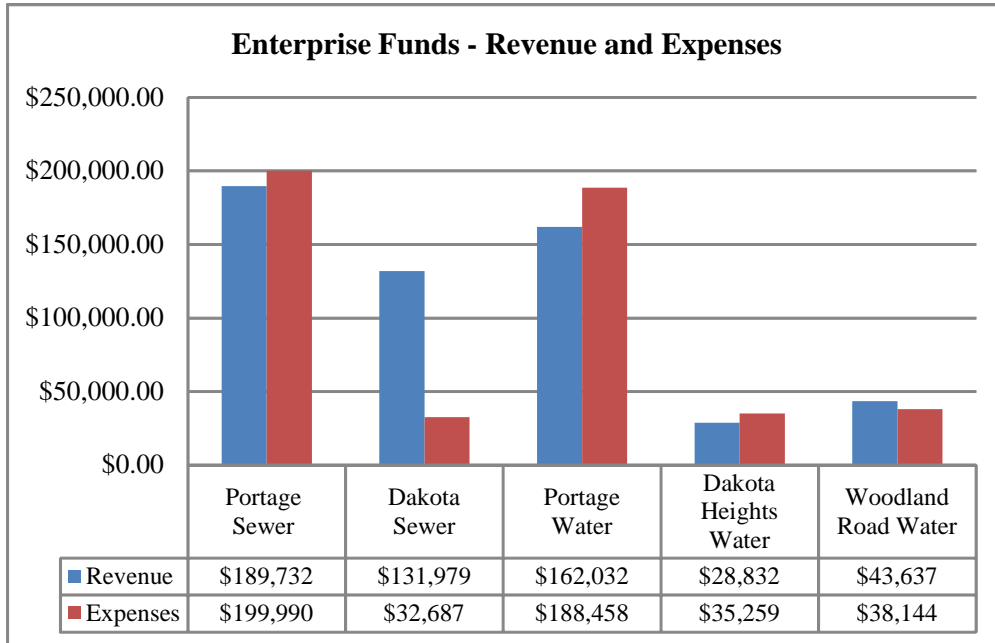
The most significant portions of the revenues for all governmental activities of the Township comes from state shared revenue and property taxes. The Township's operating millage was 1.2964 mills.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

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**Overview of the Financial Statements - Continued**

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



**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

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**Financial Analysis**

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

The General Fund is the main operating fund of the Township. At the end of the current fiscal year, unassigned balance of the General Fund was \$410,669. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures. Unassigned fund balance represents 76% of total General Fund expenditures.

The fund balance of the Township's General Fund decreased by \$64,404 during the fiscal year. Revenues increased in taxes, state shared revenue, and administration fees. Expenditures increased by \$13,030 with a majority of the increase in the recreation area for the capital improvements at the Hurontown ballfield. All the other areas remained level or had reductions in 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 \$3,142,606.

**Budgetary Highlights**

During the year ended December 31, 2012, the Township amended the budget at various times throughout the year. The amendments were done to cover unbudgeted expenditures. The amendments were mainly required to reconcile actual versus budgeted levels of effort required for various maintenance activities in the different funds.

**Capital Assets and Debt Administration**

The Township's investment in capital assets for the governmental and business-type activities as of December 31, 2012, amounts to \$8,609,108. This investment in capital assets includes land, buildings, system improvements, machinery and equipment.

Governmental Activities:

The Hurontown ballfield project in the amount of \$47,511 and the purchase of a diesel generator for \$6,000 were the major capital asset expenditures activity for Governmental activities.

Business-Type Activities:

The Dakota Heights sewer fund received from the United States Department of Agriculture - Rural Development (USDA) \$106,419 in grant revenues for major improvements to the Dakota Heights sewage disposal system. Sewage improvement costs for the year totaled \$106,487.

A radio control system was purchased in the amount of \$16,363 for the Portage Water Fund.

Additional information on the Township's capital assets can be found starting on page 28 of this report.

**CHARTER TOWNSHIP OF PORTAGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

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**Long-term debt**

At the end of the current fiscal year, the Township had total debt of \$1,727,937. This total amount is backed by the full faith and credit of the Township. The Township's overall debt decreased by \$53,000 during the fiscal year.

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

**Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances. If you have questions about this report or need additional information, contact the Township Supervisor at the Portage Township, 474240 Green Acres Road, Houghton, Michigan 49931, phone (906) 482-4310 and e-mail address [supervisor@charterportagetwp.org](mailto:supervisor@charterportagetwp.org).

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

**December 31, 2012**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 612,425	\$ 219,530	\$ 831,955
Receivables	-	17,120	17,120
Inventories	-	29,366	29,366
Prepaid expenses	31,616	5,726	37,342
Internal balances	2,690	(2,690)	-
Due from fiduciary funds	24,376	-	24,376
Due from other governmental units	-	25,319	25,319
<b>TOTAL CURRENT ASSETS</b>	<b>671,107</b>	<b>294,371</b>	<b>965,478</b>
<b>NONCURRENT ASSETS:</b>			
Restricted cash	520,626	194,272	714,898
Restricted investments	582,816	-	582,816
Capital assets	1,922,686	6,686,422	8,609,108
Less: accumulated depreciation	(893,028)	(2,346,931)	(3,239,959)
	1,029,658	4,339,491	5,369,149
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,133,100</b>	<b>4,533,763</b>	<b>6,084,047</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,804,207</b>	<b>\$ 4,828,134</b>	<b>\$ 7,632,341</b>
<b>LIABILITIES:</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 2,284	\$ 34,065	\$ 36,349
Accrued expenses	647	-	647
<b>Noncurrent liabilities:</b>			
Due within one year	14,128	84,976	99,104
Due in more than one year	68,607	1,560,226	1,628,833
Accrued vacation payable	6,667	-	6,667
<b>TOTAL LIABILITIES</b>	<b>92,333</b>	<b>1,679,267</b>	<b>1,771,600</b>
<b>DEFERRED INFOLOW OF RESOURCES</b>			
Advances of revenues from imposed nonexchange transactions	74,625	6,261	80,886
<b>NET POSITION:</b>			
Net investment in capital assets	946,923	2,694,289	3,641,212
<b>Restricted:</b>			
General Fund	20,414	-	20,414
Fire Protection Fund	150,015	-	150,015
Liquor Law Fund	187	-	187
Cemetery Operating Fund	8,955	-	8,955
Cemetery Perpetual Care	1,106,753	-	1,106,753
Debt service	-	188,901	188,901
Unrestricted	404,002	259,416	663,418
<b>TOTAL NET POSITION</b>	<b>2,637,249</b>	<b>3,142,606</b>	<b>5,779,855</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,804,207</b>	<b>\$ 4,828,134</b>	<b>\$ 7,632,341</b>

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

**CHARTER TOWNSHIP OF PORTAGE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2012**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital	Primary Government		Total
			Grants and Contributions	Governmental Activities	Business-type Activities	
<b><u>FUNCTIONS/PROGRAMS</u></b>						
Primary government:						
Government activities:						
General government	\$ 366,668	\$ 79,528	\$ -	\$(287,140)	\$ -	\$(287,140)
Public safety	69,252	-	-	(69,252)	-	(69,252)
Public works	157,445	-	-	(157,445)	-	(157,445)
Recreation	24,635	-	27,000	2,365	-	2,365
Total governmental activities	<u>618,000</u>	<u>79,528</u>	<u>27,000</u>	<u>(511,472)</u>	<u>-</u>	<u>(511,472)</u>
Business-type activities:						
Water	261,861	228,005	-	-	(33,856)	(33,856)
Sewer	232,677	215,292	106,419	-	89,034	89,034
Total business-type activities	<u>494,538</u>	<u>443,297</u>	<u>106,419</u>	<u>-</u>	<u>55,178</u>	<u>55,178</u>
Total primary government	<u>\$ 1,112,538</u>	<u>\$ 522,825</u>	<u>\$ 133,419</u>	<u>(511,472)</u>	<u>55,178</u>	<u>(456,294)</u>
General Revenues:						
Taxes				225,918	-	225,918
State shared revenue				235,501	-	235,501
Interest and investment earnings				30,805	2,976	33,781
Realized gain (loss)				1,353	-	1,353
Unrealized gain (loss)				12,121	-	12,121
Other				27,497	3,520	31,017
Total general revenues, transfers and special items				<u>533,195</u>	<u>6,496</u>	<u>539,691</u>
Change in Net Assets				21,723	61,674	83,397
Net Position- Beginning				2,615,526	3,080,932	5,696,458
Net Position- Ending				<u>\$ 2,637,249</u>	<u>\$ 3,142,606</u>	<u>\$ 5,779,855</u>

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

**CHARTER TOWNSHIP OF PORTAGE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**December 31, 2012**

	Major Funds				Total Governmental Funds
	General Fund	Fire Protection Fund	Permanent Fund Cemetery Perpetual Care	Non-major Funds	
<b>ASSETS:</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 420,346	\$ 184,115	\$ -	\$ 7,964	\$ 612,425
Prepaid expenses	20,414	5,557	-	5,645	31,616
Due from other funds	21,068	-	3,311	-	24,379
Due from fiduciary funds	23,886	490	-	-	24,376
<b>TOTAL CURRENT ASSETS</b>	<b>485,714</b>	<b>190,162</b>	<b>3,311</b>	<b>13,609</b>	<b>692,796</b>
<b>RESTRICTED ASSETS:</b>					
Restricted cash	-	-	520,626	-	520,626
Restricted investments	-	-	582,816	-	582,816
<b>TOTAL RESTRICTED ASSETS</b>	<b>-</b>	<b>-</b>	<b>1,103,442</b>	<b>-</b>	<b>1,103,442</b>
<b>TOTAL ASSETS</b>	<b>\$ 485,714</b>	<b>\$ 190,162</b>	<b>\$ 1,106,753</b>	<b>\$ 13,609</b>	<b>\$ 1,796,238</b>
<b>LIABILITIES:</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 2,284	\$ -	\$ -	\$ -	2,284
Accrued expenses	647	-	-	-	647
Due to other funds	7,222	10,000	-	4,467	21,689
Deferred revenue	44,478	30,147	-	-	74,625
<b>TOTAL CURRENT LIABILITIES</b>	<b>54,631</b>	<b>40,147</b>	<b>-</b>	<b>4,467</b>	<b>99,245</b>
<b>FUND BALANCES:</b>					
Nonspendable:					
Prepaid expenses	20,414	5,557	-	5,645	31,616
Restricted	-	144,458	1,106,753	3,497	1,254,708
Unassigned	410,669	-	-	-	410,669
<b>TOTAL FUND BALANCES</b>	<b>431,083</b>	<b>150,015</b>	<b>1,106,753</b>	<b>9,142</b>	<b>1,696,993</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 485,714</b>	<b>\$ 190,162</b>	<b>\$ 1,106,753</b>	<b>\$ 13,609</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,029,658
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(89,402)</u>
Net position of governmental activities	<u>\$ 2,637,249</u>

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

**CHARTER TOWNSHIP OF PORTAGE**  
**GOVERNMENTAL FUNDS**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2012**

	<u>Major Funds</u>				Total Governmental Funds
	General Fund	Fire Protection Fund	Permanent Fund Cemetery Perpetual Care	Non-major Funds	
Revenues:					
Taxes	\$ 112,272	\$ 79,122	\$ -	\$ -	\$ 191,394
Commercial Forest	34,524	-	-	-	34,524
State revenue	233,285	-	-	2,216	235,501
Federal grant	27,000	-	-	-	27,000
Charges for services	58,823	-	-	20,705	79,528
Interest	3,066	409	27,330	-	30,805
Other revenue	5,869	1,738	19,000	890	27,497
Total revenues	<u>474,839</u>	<u>81,269</u>	<u>46,330</u>	<u>23,811</u>	<u>626,249</u>
Expenditures:					
General government	346,645	-	-	-	346,645
Public safety	3,036	39,857	-	2,143	45,036
Public works	115,984	-	-	52,974	168,958
Recreation and culture	72,146	-	-	-	72,146
Total expenditures	<u>537,811</u>	<u>39,857</u>	<u>-</u>	<u>55,117</u>	<u>632,785</u>
Excess (deficiency) of revenue over expenditures	(62,972)	41,412	46,330	(31,306)	(6,536)
Other Financing Sources:					
Realize gain (loss)	-	-	1,353	-	1,353
Unrealized gain (loss)	-	-	12,121	-	12,121
Operating transfers in (out)	(1,432)	1,432	-	-	-
Total other financing sources	<u>(1,432)</u>	<u>1,432</u>	<u>13,474</u>	<u>-</u>	<u>13,474</u>
Net change in fund balance	<u>(64,404)</u>	<u>42,844</u>	<u>59,804</u>	<u>(31,306)</u>	<u>6,938</u>
Fund Balances - Beginning of Year	495,487	107,171	1,046,949	40,448	
Fund Balances - End of Year	<u>\$ 431,083</u>	<u>\$ 150,015</u>	<u>\$ 1,106,753</u>	<u>\$ 9,142</u>	

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

Governmental funds do not record depreciation and report capital outlays as expenditures.

This amount represents capital outlay and depreciation.

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In the statement of activities, only proceeds above associated debt are reported, whereas in the governmental funds, the proceeds from the loan increase financial resources. Thus, the accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred.

2,116

Loan payments on long term debt

12,211

Change in net position of governmental activities

\$ 21,723

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



**CHARTER TOWNSHIP OF PORTAGE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**December 31, 2012**

	Business-Type Activities Enterprise Funds		
	Sewer System	Water System	Total
<b>ASSET AND OTHER DEBITS:</b>			
Current Assets:			
Cash	\$ 44,796	\$ 174,734	\$ 219,530
Receivables	6,201	10,919	17,120
Inventory	-	29,366	29,366
Due from other funds	148	7,386	7,534
Due from governmental entities	25,319	-	25,319
Prepaid expenses	1,583	4,143	5,726
Total current assets	78,047	226,548	304,595
Restricted cash	43,009	151,263	194,272
General fixed assets:			
Fixed Assets	3,496,719	3,189,703	6,686,422
Accumulated depreciation	(1,144,789)	(1,202,142)	(2,346,931)
Total general fixed assets	2,351,930	1,987,561	4,339,491
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 2,472,986</b>	<b>\$ 2,365,372</b>	<b>\$ 4,838,358</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	\$ 34,065	-	\$ 34,065
Due to other funds	3,612	6,612	10,224
Noncurrent liabilities			
Due within one year	20,773	64,203	84,976
Due in more than one year	596,154	964,072	1,560,226
<b>TOTAL LIABILITIES</b>	<b>654,604</b>	<b>1,034,887</b>	<b>1,689,491</b>
<b>DEFERRED INFOLOW OF RESOURCES</b>			
Advances of revenues from imposed nonexchange transactions	-	6,261	6,261
<b>NET POSITION AND OTHER CREDITS:</b>			
Unrestricted	1,818,382	1,324,224	3,142,606
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,472,986</b>	<b>\$ 2,365,372</b>	<b>\$ 4,838,358</b>

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

**CHARTER TOWNSHIP OF PORTAGE**  
**PROPRIETARY FUNDS**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2012**

	Business-Type Activities		
	Enterprise Funds		
	Sewer System	Water System	Total
OPERATING REVENUE			
Charges for services	\$ 211,788	\$ 224,499	\$ 436,287
Parts, meters, hook-up fees	3,504	3,506	7,010
Other	-	3,520	3,520
TOTAL OPERATING REVENUE	<u>215,292</u>	<u>231,525</u>	<u>446,817</u>
EXPENSES:			
Salaries	22,486	32,842	55,328
Payroll taxes	2,818	4,048	6,866
Employee benefits	7,481	15,370	22,851
Supplies	1,257	4,362	5,619
Utilities	6,490	5,414	11,904
Insurance	1,482	2,116	3,598
Repairs and maintenance	4,429	7,746	12,175
Depreciation	89,194	83,759	172,953
Purchase services	84,057	58,728	142,785
Miscellaneous	5,003	5,634	10,637
TOTAL EXPENSES	<u>224,697</u>	<u>220,019</u>	<u>444,716</u>
OPERATING INCOME (LOSS)	(9,405)	11,506	2,101
NON-OPERATING REVENUES (EXPENSES)			
Grant proceeds	106,419	-	106,419
Interest income	-	2,976	2,976
Interest expense	(7,980)	(41,842)	(49,822)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>98,439</u>	<u>(38,866)</u>	<u>59,573</u>
NET INCOME (LOSS)	89,034	(27,360)	61,674
NET POSITION, BEGINNING OF YEAR	<u>1,729,348</u>	<u>1,351,584</u>	<u>3,080,932</u>
NET POSITION, END OF YEAR	<u>\$ 1,818,382</u>	<u>\$ 1,324,224</u>	<u>\$ 3,142,606</u>

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

**CHARTER TOWNSHIP OF PORTAGE**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2012**

	Enterprise Funds		
	Sewer System	Water System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 217,290	\$ 216,675	\$ 433,965
Payments to suppliers	(113,058)	(104,916)	(217,974)
Payments to employees	(22,952)	(33,690)	(56,642)
Other receipts (payments)	-	-	-
Net cash provided by operating activities	<u>81,280</u>	<u>78,069</u>	<u>159,349</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating subsidies and transfers to other funds	<u>(8,783)</u>	<u>(2,929)</u>	<u>(11,712)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(69,079)	(16,363)	(85,442)
Capital lease payments	(14,329)	(22,396)	(36,725)
Grant proceeds	81,100	-	81,100
Principal paid on capital debt	(5,000)	(41,000)	(46,000)
Interest paid on capital debt	<u>(7,980)</u>	<u>(41,842)</u>	<u>(49,822)</u>
Net cash (used) by capital and related financing activities	<u>(15,288)</u>	<u>(121,601)</u>	<u>(136,889)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	<u>-</u>	<u>2,976</u>	<u>2,976</u>
Net cash provided by investing activities	<u>-</u>	<u>2,976</u>	<u>2,976</u>
Net (decrease) in cash and cash equivalents	57,209	(43,485)	13,724
Cash and cash equivalents - beginning of year	<u>30,596</u>	<u>369,482</u>	<u>400,078</u>
Cash and cash equivalents - ending of year	<u>\$ 87,805</u>	<u>\$ 325,997</u>	<u>\$ 413,802</u>
<b>Reconciliation of operating income (loss) to net cash provided</b>			
<b>(used) by operating activities:</b>			
Operating income (loss)	\$ (9,405)	\$ 11,506	\$ 2,101
<b>Adjustments to reconcile operating income to net cash provided</b>			
<b>(used) by operating activities:</b>			
Depreciation expense	89,194	83,759	172,953
<b>Change in assets and liabilities</b>			
Receivables, net	1,998	5,077	7,075
Other assets	(41)	(1,498)	(1,539)
Accounts and other payables	-	-	-
Other liabilities	-	(19,927)	(19,927)
Accrued expenses	<u>(466)</u>	<u>(848)</u>	<u>(1,314)</u>
Net cash provided by operating activities	<u>\$ 81,280</u>	<u>\$ 78,069</u>	<u>\$ 159,349</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, 2012**

	<u>Tax Collection Fund</u>
ASSETS:	
RESTRICTED ASSETS:	
Cash and cash equivalents	\$ 52,850
TOTAL RESTRICTED ASSETS	<u>\$ 52,850</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Due to governmental funds	\$ 24,376
Due to taxpayers	3,000
Due to other governmental units	<u>25,474</u>
TOTAL CURRENT LIABILITIES	<u>\$ 52,850</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, 2012**

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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. 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, 2012**

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

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

The following fund types are used by the Township:

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

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

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

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

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

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

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

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

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

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

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

The following is a description of the fiduciary fund:

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

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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

Accrual Method

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is incurred.

Property taxes, state revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

*Other Accounting Policies*

Cash and Cash Equivalents - The Township's cash and cash equivalents include checking, money market, certificates of deposits, and savings accounts.

The Township reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Township to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, bankers acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township does have an investment policy that meets state statutory regulations.

Property Taxes - Property taxes are levied on December 1. The Township collects its own property taxes until February 28, at which time unpaid real taxes are turned over to Houghton County for collection.

**CHARTER TOWNSHIP OF PORTAGE  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012**

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

For the year ended December 31, 2012, the Township levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
Township Operating	1.2964
Fire Operating	. 9830

Restricted assets - Certain cash accounts are classified as restricted assets on the statement of net position because their use is limited.

Receivables and Payables - In general, outstanding balances between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory - Inventory is valued at cost as determined on the first-in, first-out method for the Water Fund. For all other funds the Township utilizes the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

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.

Capital Assets - Capital assets, which include land, buildings, equipment, water/sewer improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

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

Interfund Activity

As a general rule, the effect of inter-fund 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, 2012**

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

GASB 63 - The Township adopted the provisions of GASB Statement Number 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. With the implementation of GASB 63 the Statement of Net Assets will become the Statement of Net Position. GASB 63 provides that deferred outflows should be reported in a separate section following assets, and deferred inflows should be reported in a separate section following liabilities. The statement then arrives at net position which includes the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

GASB 65 - The Township adopted the provisions of GASB Statement Number 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*, in the current year. GASB 65 clarifies the reporting of deferred outflows of resources and deferred inflows of resources to provide consistency in financial reporting.

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 of Commissioners. A formal resolution of the Board of Commissioners 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.

Accrued Benefits - The liabilities for accrued benefits reported in the government-wide statements in the amount of \$6,667, consisted of sick leave and vacation balances. Accrued vacation time is payable upon termination of employment or retirement. Accrued sick leave is not paid to employees upon termination of employment or retirement, thus there is no vested liability for unused sick leave.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassification - Certain items in the 2011 financial statements have been reclassified to conform with the current year presentation.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

- a. Each October, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following January 1, and submits this proposed budget to the Township Board of Trustees at the annual meeting in January.
- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to the statute, the proposed budget as approved by the Board of Trustees, is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at the next board meeting.
- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

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

In accordance with the State of Michigan Budgeting and Accounting Act, the Township must adopt an annual operating budget for the General, Special Revenue and Enterprise Funds.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

**NOTE C - CASH AND INVESTMENTS**

As of December 31, 2012 the Township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Ratings</u>
Municipal Bonds	\$ 159,530	AA-, Aa2 & AA
Government and agency securities	<u>423,286</u>	AA+, Aaa, & AAA
Total Bonds	<u>\$ 582,816</u>	

Interest Rate Risk - In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk - State law limits investments in commercial paper corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk - The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE C - CASH AND INVESTMENTS (Continued)**

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2012, \$772,695 of the Township's bank balance of \$2,104,460 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business.

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

	Governmental Activities	Enterprise Funds	Total Government	Fiduciary Funds
Unrestricted cash	\$ 612,425	\$ 219,530	\$ 831,955	\$ -
Restricted cash	520,626	194,272	714,898	52,850
Total cash and cash equivalents	<u>\$ 1,133,051</u>	<u>\$ 413,802</u>	<u>\$ 1,546,853</u>	<u>\$ 52,850</u>

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

The amounts of inter-fund receivables and payables at December 31, 2012 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General Fund	\$ 21,068	General Fund	\$ 7,222
Sewer Fund	148	Sewer Fund	3,612
Water Fund	7,386	Water Fund	6,612
Perpetual Care Fund	3,311	Fire Protection	10,000
		Cemetery Fund	4,467
TOTALS	<u>\$ 31,913</u>	TOTALS	<u>\$ 31,913</u>

The tax collection fund owed the general fund \$23,886 and the fire protection fund \$490 at December 31, 2012.

General Fund transferred \$1,432 to the Fire Protection Fund.

**NOTE E - RECEIVABLES**

The detail of receivables at December 31, 2012 are as follows:

Receivables	Proprietary
Accounts	\$ 17,120
Due from governmental unit	25,319
Total receivables	<u>\$ 42,439</u>

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE F - CAPITAL ASSETS**

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

	Balance 12/31/11	Additions	Deletions	Balance 12/31/12
Land	\$ 580,954	\$ -	\$ -	\$ 580,954
Capital assets being depreciated:				
Buildings	505,408	47,511	-	552,919
Equipment	123,501	10,777	-	134,278
Machinery	91,614	-	-	91,614
Office equipment	30,916	-	-	30,916
Street signs	6,569	-	-	6,569
Vehicles	525,436	-	-	525,436
	<u>1,283,444</u>	<u>58,288</u>	<u>-</u>	<u>1,341,732</u>
Subtotal	<u>1,864,398</u>	<u>\$ 58,288</u>	<u>\$ -</u>	<u>1,922,686</u>
Accumulated depreciation:				
Buildings	288,658	13,289	-	301,947
Equipment	75,842	9,302	-	85,144
Machinery	84,968	1,564	-	86,532
Office equipment	23,061	1,468	-	24,529
Street signs	6,569	-	-	6,569
Vehicles	359,994	28,313	-	388,307
	<u>839,092</u>	<u>\$ 53,936</u>	<u>\$ -</u>	<u>893,028</u>
Net capital assets being depreciated	<u>444,352</u>			<u>448,704</u>
Net capital assets	<u>\$ 1,025,306</u>			<u>\$ 1,029,658</u>

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

Governmental activities	
General government	\$ 20,021
Public safety	31,216
Public works	2,699
Total governmental activities	<u>\$ 53,936</u>

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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

The property, plant, and equipment in Township business-type funds at December 31, 2012 are summarized as follows:

SEWER FUNDS				
<u>Portage Sewer Fund</u>	Balance			Balance
	12/31/11	Additions	Deletions	12/31/12
Utility system	\$ 2,611,618	\$ -	\$ -	\$ 2,611,618
Equipment	42,384	-	-	42,384
Machinery	5,624	-	-	5,624
Subtotal	<u>2,659,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,659,626</u>
Accumulated depreciation:				
Utility system	1,040,971	\$ 65,220	\$ -	1,106,191
Equipment	3,707	4,238	-	7,945
Vehicles and Machinery	9,062	535	-	9,597
Subtotal	<u>1,053,740</u>	<u>\$ 69,993</u>	<u>\$ -</u>	<u>1,123,733</u>
Net capital assets	<u>\$ 1,605,886</u>			<u>\$ 1,535,893</u>
Dakota Heights Sewer Fund				
<u>Dakota Heights Sewer Fund</u>	Balance			Balance
	12/31/11	Additions	Deletions	12/31/12
Utility system	\$ 715,239	\$ 106,487	\$ -	\$ 821,726
Machinery	4,379	10,988	-	15,367
Subtotal	<u>719,618</u>	<u>\$ 128,463</u>	<u>\$ -</u>	<u>837,093</u>
Accumulated depreciation:				
Utility system	1,490	\$ 17,881	\$ -	19,371
Vehicles and Machinery	365	1,320	-	1,685
Subtotal	<u>-</u>	<u>\$ 19,201</u>	<u>\$ -</u>	<u>21,056</u>
Net capital assets	<u>\$ 719,618</u>			<u>\$ 816,037</u>
WATER FUNDS				
<u>Portage Water Fund</u>	Balance			Balance
	12/31/11	Additions	Deletions	12/31/12
Utility system	\$ 2,224,491	\$ -	\$ -	\$ 2,224,491
Equipment & Vehicles	91,241	16,363	-	107,604
Office equipment	765	-	-	765
Machinery	3,772	-	-	3,772
Subtotal	<u>2,320,269</u>	<u>\$ 16,363</u>	<u>\$ -</u>	<u>2,336,632</u>
Accumulated depreciation:				
Utility system	882,952	\$ 47,797	\$ -	930,749
Equipment & Vehicles	15,598	10,466	-	26,064
Office equipment	765	-	-	765
Machinery	3,772	-	-	3,772
Subtotal	<u>903,087</u>	<u>\$ 58,263</u>	<u>\$ -</u>	<u>961,350</u>
Net capital assets	<u>\$ 1,417,182</u>			<u>\$ 1,375,282</u>

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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

<u>Dakota Heights Water Fund</u>	Balance 12/31/11	Additions	Deletions	Balance 12/31/12
Utility system	\$ 668,919	\$ -	\$ -	\$ 668,919
Equipment & Vehicles	21,908	-	-	21,908
Subtotal	<u>690,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>690,827</u>
Accumulated depreciation:				
Utility system	175,591	\$ 16,723	\$ -	192,314
Equipment & Vehicles	7,917	2,424	-	10,341
Subtotal	<u>183,508</u>	<u>\$ 19,147</u>	<u>\$ -</u>	<u>202,655</u>
Net capital assets	<u>\$ 507,319</u>			<u>\$ 488,172</u>
<u>Woodland Road Water Fund</u>	Balance 12/31/11	Additions	Deletions	Balance 12/31/12
Utility system	\$ 133,312	\$ -	\$ -	\$ 133,312
Equipment & Vehicles	28,932	-	-	28,932
Subtotal	<u>162,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>162,244</u>
Accumulated depreciation:				
Utility system	25,962	\$ 3,055	\$ -	29,017
Equipment & Vehicles	5,826	3,294	-	9,120
Subtotal	<u>31,788</u>	<u>\$ 6,349</u>	<u>\$ -</u>	<u>38,137</u>
Net capital assets	<u>\$ 130,456</u>			<u>\$ 124,107</u>

**NOTE G - ACCUMULATED UNPAID VACATION AND SICK LEAVE**

Township full time employees accumulate vacation days based on 160 hours of work. The maximum vacation accrual is thirty (30) days. Vacation days are earned on an annual basis at the following rate, per every 160 hours worked:

<u>Years of Employment</u>	<u>Vacation Days</u>
One year	½
Two through seven	1
Eight through ten	1 ¼
Eleven or more	1 ½

Township full time employees accumulate sick leave days monthly at a rate of one-half (½) day for each two weeks of employment. The maximum sick leave accrual is twenty-four (24) days.

Accumulated unpaid vacation and sick leave at December 31, 2012 and 2011 were \$14,257 and \$8,784, respectively.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE H - LEASES PAYABLE**

**2011 JOHN DEERE LOADER & BACKHOE**

On December 30, 2010, the Township entered into capital lease agreements with Deere Credit, Inc. to buy a John Deere Loader and Backhoe for \$129,784 and \$79,627 respectively. Both leases bears an interest rate of 3.55%. In 2012, total lease payments were \$28,075 and \$17,225 respectively. Both equipment items are recorded on the capital assets and depreciated. Future payments are as follows:

Year	Loader	Backhoe
2013	\$ 28,075	\$ 17,225
2014	28,075	17,225
2015	28,076	17,226
Total	<u>\$ 84,226</u>	<u>\$ 51,676</u>

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

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

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

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

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

**DAKOTA HEIGHTS SEWAGE DISPOSAL SYSTEM REVENUE BOND, SERIES 2011**

Bond and Interest Redemption Account - The Township is required to set aside each quarter on or after July 1, 2011 an amount not less than ½ of the amount of interest due on the next interest payment and ¼ of the amount of principal due on the next principal payment date.

Bond Reserve Account - The Township is required to deposit \$275 per quarter, commencing October 1, 2011, into a bond reserve account to be used for payment on the bonds in the event of default.

Repair, Replacement, and Improvement Account - The Township is required to deposit into a repair, replacement, and improvement account (RRI) at least \$775 per quarter, less the amount, if any, deposited in the Bond Interest Redemption and Reserve Accounts.

**PORTAGE WATER - 2008 WATER SUPPLY AND DISTRIBUTION SYSTEM JUNIOR LIEN REVENUE BOND**

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

Bond Reserve Account - The Township is required to establish a bond reserve account to be used for payment on the bonds in the event of default.

Repair, Replacement, and Improvement Account -The Township is required to deposit into a repair, replacement, and improvement account (RRI) at least \$1,725 per quarter, less the amount, if any, deposited in the Bond Reserve Account.

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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

**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 1/2 of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment date.

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

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

At December 31, 2012, the Township had established these accounts and had restricted cash, as required, as follows:

	<u>Required</u>	<u>Amount Funded</u>
<u>Portage Sewer Fund</u>		
Bond Reserve	\$ 2,175	\$ 3,988
Repair and Replacement	6,000	11,000
Bond and Interest	7,051	10,576
	<u>\$ 15,226</u>	<u>\$ 25,564</u>
<u>Dakota Sewer Fund</u>		
Bond Reserve	\$ 1,375	\$ 575
Repair and Replacement	2,500	500
Bond and Interest	5,369	1,712
	<u>\$ 9,244</u>	<u>\$ 2,787</u>
<u>Portage Water Fund</u>		
Bond Reserve	\$ 19,163	\$ 59,181
Repair and Replacement	17,063	20,118
Bond and Interest	18,154	18,154
	<u>\$ 54,380</u>	<u>\$ 97,453</u>
<u>Dakota Water Fund</u>		
Bond Reserve	\$ 11,000	\$ 11,000
Repair and Replacement	14,725	40,237
Bond and Interest	2,573	2,573
	<u>\$ 28,298</u>	<u>\$ 53,810</u>



**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE J - LONG-TERM DEBT**

**PORTAGE WATER FUND**

On November 1, 2005 the Township refinanced the 1986 Water System revenue bonds with River Valley State Bank totaling \$325,000. The original bonds were for the purpose of acquiring and constructing additions and improvements to the Township Water distribution system. The bonds bear a varying interest rate of 3.25-4.30% per annum. The payment schedule for the bonds is as follows:

Year	July 1	November 1		Total
	Interest	Interest	Principal	
2013	\$ 2,776	\$ 2,776	\$ 30,000	\$ 35,552
2014	2,328	2,328	35,000	39,656
2015	1,786	1,786	35,000	38,572
2016	1,231	1,231	34,150	36,612
<b>TOTALS</b>	<b>\$ 8,121</b>	<b>\$ 8,121</b>	<b>\$ 134,150</b>	<b>\$ 150,392</b>

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:

Year	January 1	July 1		Total
	Interest	Interest	Principal	
2013	\$ 13,654	\$ 13,654	\$ 9,000	\$ 36,308
2014	13,468	13,468	9,000	35,936
2015	13,283	13,283	9,000	35,566
2016	13,097	13,097	10,000	36,194
2017	12,891	12,891	10,000	35,782
2018-2022	61,092	61,092	59,000	181,184
2023-2027	54,512	54,512	71,000	180,024
2028-2032	46,571	46,571	87,000	180,142
2033-2037	36,836	36,836	106,000	179,672
2038-2042	24,956	24,956	130,000	179,912
2043-2047	10,395	10,395	162,000	182,790
<b>TOTALS</b>	<b>\$ 300,755</b>	<b>\$ 300,755</b>	<b>\$ 662,000</b>	<b>\$ 1,263,510</b>

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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

**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:

<u>Year</u>	February 1	August 1		<u>Total</u>
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	
2013	\$ 3,645	\$ 3,645	\$ 3,000	\$ 10,290
2014	3,578	3,578	3,000	10,156
2015	3,510	3,510	3,000	10,020
2016	3,443	3,443	3,000	9,886
2017	3,375	3,375	4,000	10,750
2018-2022	15,525	15,525	20,000	51,050
2023-2027	13,050	13,050	26,000	52,100
2028-2032	9,878	9,878	32,000	51,756
2033-2037	5,940	5,940	40,000	51,880
2038-2040	1,283	1,283	28,000	30,566
<b>TOTALS</b>	<u>\$ 63,227</u>	<u>\$ 63,227</u>	<u>\$ 162,000</u>	<u>\$ 288,454</u>

**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:

<u>Year</u>	January	July		<u>Total</u>
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	
2013	\$ 4,483	\$ 4,483	\$ 5,000	\$ 13,966
2014	4,414	4,414	5,000	13,828
2015	4,345	4,345	5,000	13,690
2016	4,276	4,276	6,000	14,552
2017	4,194	4,194	6,000	14,388
2018-2022	19,731	19,731	36,000	75,462
2023-2027	17,463	17,463	36,000	70,926
2028-2032	14,850	14,850	41,000	70,700
2033-2037	11,881	11,881	47,000	70,762
2038-2042	8,485	8,485	53,000	69,970
2043-2047	4,592	4,592	62,000	71,184
2047-2050	619	619	29,000	30,238
<b>TOTALS</b>	<u>\$ 99,333</u>	<u>\$ 99,333</u>	<u>\$ 331,000</u>	<u>\$ 529,666</u>

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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

**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:

<u>Year</u>	January		July		Total
	Interest		Interest	Principal	
2013	\$ 3,424		\$ 3,424	\$ 4,000	\$ 10,848
2014	3,369		3,369	4,000	10,738
2015	3,314		3,314	4,000	10,628
2016	3,259		3,259	4,000	10,518
2017	3,204		3,204	4,000	10,408
2018-2022	15,181		15,181	22,000	52,362
2023-2027	13,544		13,544	25,000	52,088
2028-2032	11,743		11,743	29,000	52,486
2033-2037	9,653		9,653	33,000	52,306
2038-2042	7,248		7,248	38,000	52,496
2043-2047	4,498		4,498	43,000	51,996
2047-2050	1,362		1,362	39,000	41,724
<b>TOTALS</b>	<b>\$ 79,799</b>		<b>\$ 79,799</b>	<b>\$ 249,000</b>	<b>\$ 408,598</b>

**HURONTOWN FIRE TRUCK**

On March 15, 2006 the Township entered into a note with U.S. Rural Development to purchase a fire truck for the Hurontown Fire Department. The fire truck was being purchased with grant proceeds of \$35,000, township obligation of \$30,000 and a note in the amount of \$120,000. The note has an interest rate of 4.25% and maturing on March 15, 2020.

<u>Year</u>	March		September		Total
	Interest	Principal	Interest		
2013	\$ 1,487	\$ 7,500	\$ 1,328		\$ 10,315
2014	1,328	8,000	1,158		10,486
2015	1,158	8,500	977		10,635
2016	978	9,000	786		10,764
2017	786	9,000	595		10,381
2018	595	9,000	404		9,999
2019	404	9,500	202		10,106
2020	202	1,500	-		1,702
<b>TOTALS</b>	<b>\$ 6,938</b>	<b>\$ 62,000</b>	<b>\$ 5,450</b>		<b>\$ 74,388</b>

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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

The following is a summary of the changes in long-term debt principal for the year ended December 31, 2012:

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Current Maturities
<i>Enterprise</i>					
Portage Water Fund:					
Water Supply Bond 2007	\$ 670,000	\$ -	\$ 8,000	\$ 662,000	\$ 9,000
Water Supply Bond 2005	164,150	-	30,000	134,150	30,000
Portage Sewer Fund:					
Bond - 2010	336,000	-	5,000	331,000	5,000
Dakota Heights Sewer Fund:					
Bond - 2011	249,000	-	-	249,000	4,000
Dakota Heights Water Fund:					
Bond - 2000	165,000	-	3,000	162,000	3,000
Sub-Total	<u>1,584,150</u>	<u>-</u>	<u>46,000</u>	<u>1,538,150</u>	<u>51,000</u>
<i>Governmental Funds</i>					
Fire Protection Fund	69,000	-	7,000	62,000	7,500
TOTALS	<u>\$ 1,653,150</u>	<u>\$ -</u>	<u>\$ 53,000</u>	<u>\$ 1,600,150</u>	<u>\$ 58,500</u>

**SUMMARY SCHEDULE OF LONG-TERM DEBT**

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2013	\$ 49,813	\$ 58,500	\$ 108,313
2014	47,972	64,000	111,972
2015	45,921	64,500	110,421
2016	43,824	66,575	110,399
2017	40,321	33,000	73,321
2018-2022	185,403	160,000	345,403
2023-2027	162,212	158,000	320,212
2028-2032	136,384	189,000	325,384
2033-2037	104,858	226,000	330,858
2038-2042	66,974	249,000	315,974
2043-2047	29,786	267,000	296,786
2047-2050	3,962	64,575	68,537
TOTALS	<u>\$ 917,430</u>	<u>\$ 1,600,150</u>	<u>\$ 2,517,580</u>

**CHARTER TOWNSHIP OF PORTAGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE K - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Township maintains five Enterprise Funds which provided water and sewer services. Segment information for the year ended December 31, 2012 is as follows:

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota. Heights Water	Woodland Road Water
Operating Revenues	\$ 189,732	\$ 25,560	\$ 161,098	\$ 28,779	\$ 41,648
Depreciation	\$ 69,993	\$ 19,201	\$ 58,263	\$ 19,147	\$ 6,349
Operating Income (Loss)	\$ (2,278)	\$ (7,127)	\$ 7,057	\$ 945	\$ 3,504
Non-operating Revenue (Expense)	\$ (7,980)	\$ 106,419	\$ (33,483)	\$ (7,372)	\$ 1,989
Net Income (Loss)	\$ (10,258)	\$ 99,292	\$ (26,426)	\$ (6,427)	\$ 5,493
Property, Plant, and Equipment:					
Additions	\$ -	\$ 128,463	\$ 16,363	\$ -	\$ -
Net Working Capital (Deficit)	\$ 32,169	\$ (12,572)	\$ (574)	\$ 8,039	\$ 142,007
Total Assets	\$ 1,609,331	\$ 863,655	\$ 1,537,482	\$ 555,520	\$ 272,370
Total Equity	\$ 1,250,380	\$ 568,002	\$ 682,058	\$ 385,616	\$ 256,550

**NOTE L - DEFERRED REVENUE**

Deferred revenues are those where asset recognition criteria has been met, but for which revenue recognition criteria have not been met. The following schedule details deferred revenue as of December 31, 2012:

Fund	Property Taxes	Special Assessments	Total
General	\$ 44,478	\$ -	\$ 44,478
Fire Protection	30,147	-	30,147
Portage Water	-	6,261	6,261
Totals	\$ 74,625	\$ 6,261	\$ 80,886

**NOTE M - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE N - DEFINED CONTRIBUTION PLAN**

The Township is a member of the John Hancock Defined Contribution Pension Plan for Michigan Township Employees and provides pension benefits for all of its eligible employees through this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time and seasonal employees are eligible to participate from their date of employment. The Township policy requires that the Township contribute an amount equal to 5% of the employee's compensation. No contribution is required by any employee, although an employee may contribute. Township contributions for each employee and allocated to the employee's account are fully vested. Any amount contributed voluntarily by the employee under the plan, plus any earnings, are fully vested at the time of the contribution or crediting of investment earnings.

The Township's contributions were calculated using the eligible wage amount of \$220,233. The Township made the required 5% contribution amounting to \$11,012.

**REQUIRED SUPPLEMENTAL INFORMATION**

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

**For the Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance Final to Actual
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local sources	\$ 157,985	\$ 201,985	\$ 214,554	\$ 12,569
State and federal sources	219,299	233,285	260,285	27,000
<b>TOTAL REVENUE</b>	<u>377,284</u>	<u>435,270</u>	<u>474,839</u>	<u>39,569</u>
<b>EXPENDITURES:</b>				
Assessor	41,400	41,400	40,694	706
Supervisor	22,600	22,600	21,689	911
Clerk	29,500	29,500	22,556	6,944
Treasurer	29,500	29,500	27,336	2,164
Zoning and planning	4,300	12,200	10,605	1,595
General services	71,500	71,500	63,890	7,610
Township board	5,800	5,800	5,001	799
Town Hall	30,500	31,000	24,889	6,111
Other activities	101,130	128,430	127,624	806
Recreation	24,100	31,100	72,146	(41,046)
Motor vehicle pool	25,800	25,800	24,967	833
Constable	3,100	3,120	3,036	84
Elections	16,000	16,000	12,966	3,034
Maintenance building	32,900	51,200	50,836	364
Roads and repairs	38,400	32,400	29,576	2,824
<b>TOTAL EXPENDITURES</b>	<u>476,530</u>	<u>531,550</u>	<u>537,811</u>	<u>(6,261)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(99,246)	(96,280)	(62,972)	45,830
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfer Out	-	-	(1,432)	1,432
<b>EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<u>\$ (99,246)</u>	<u>\$ (96,280)</u>	(64,404)	<u>\$ 44,398</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>495,487</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 431,083</u>	

**CHARTER TOWNSHIP OF PORTAGE**  
**BUDGETARY COMPARISON SCHEDULE**  
**FIRE PROTECTION FUND**  
**For the Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 80,570	\$ 79,570	\$ 81,269	\$ 1,699
TOTAL REVENUE	<u>80,570</u>	<u>79,570</u>	<u>81,269</u>	<u>1,699</u>
EXPENDITURES:				
Hurontown Fire Department	43,840	48,840	30,064	18,776
Otter Lake Fire Department	<u>17,000</u>	<u>17,000</u>	<u>9,793</u>	<u>7,207</u>
TOTAL EXPENDITURES	<u>60,840</u>	<u>65,840</u>	<u>39,857</u>	<u>25,983</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,730	13,730	41,412	(24,284)
OTHER FINANCING SOURCES (USES):				
Operating Transfer In	<u>-</u>	<u>-</u>	<u>1,432</u>	<u>(1,432)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ 19,730</u>	<u>\$ 13,730</u>	42,844	<u>\$ (22,852)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>107,171</u>	
FUND BALANCE - END OF YEAR			<u>\$ 150,015</u>	



**SUPPLEMENTAL FINANCIAL INFORMATION**

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENT OF EXPENDITURES**  
**For the Year Ended December 31, 2012**

EXPENDITURES:

ASSESSOR:

Salaries	\$ 29,200
Fringe benefits	8,274
Tax supplies	2,564
Travel expense	141
Miscellaneous	<u>515</u>
Total assessor	<u>40,694</u>

SUPERVISOR:

Salaries	20,225
Travel expenses	497
Conferences/Workshops	158
Miscellaneous	<u>809</u>
Total supervisor	<u>21,689</u>

CLERK:

Salaries	20,224
Equipment	439
Travel	356
Conference/Workshops	472
Miscellaneous	<u>1,065</u>
Total clerk	<u>22,556</u>

TREASURER:

Salaries	22,615
Supplies	15
Tax supplies	2,513
Travel	90
Conference/Workshops	472
Equipment	<u>1,631</u>
Total treasurer	<u>27,336</u>

ZONING AND PLANNING:

Salaries	8,622
Printing and publishing	423
Miscellaneous	<u>1,560</u>
Total zoning and planning	<u>10,605</u>

GENERAL SERVICES:

Professional services	53,152
Tower rent and expenses	1,507
Miscellaneous	<u>9,231</u>
Total general services	<u>63,890</u>

TOWNSHIP BOARD:

Salaries	4,730
Conference/Workshops	<u>271</u>
Total township board	<u>5,001</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENT OF EXPENDITURES**  
**For the Year Ended December 31, 2012**

TOWN HALL:	
Salaries	6,049
Supplies	4,727
Utilities	5,943
Repairs and maintenance	7,000
Miscellaneous	<u>1,170</u>
Total town hall	<u>24,889</u>
OTHER ACTIVITIES:	
Salaries	10,455
Payroll taxes	22,582
Employee benefits	55,527
Printing and publishing	1,759
Insurance	15,563
Board of review	560
Street lights	17,383
Miscellaneous	<u>3,795</u>
Total other activities	<u>127,624</u>
RECREATION:	
Salaries	7,777
Supplies	1,548
Utilities	7,148
Professional services	6,614
Repairs and maintenance	169
Miscellaneous	<u>48,890</u>
Total recreation	<u>72,146</u>
MOTOR VEHICLE POOL:	
Salaries	5,366
Supplies	733
Repairs and maintenance	3,644
Fuel	15,085
Miscellaneous	<u>139</u>
Total motor vehicle pool	<u>24,967</u>
CONSTABLE:	
Salaries	<u>3,036</u>
Total constable	<u>3,036</u>
ELECTIONS:	
Salaries	7,178
Supplies	1,861
Printing and publishing	262
Travel	233
Miscellaneous	<u>3,432</u>
Total elections	<u>12,966</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**GENERAL FUND**  
**DETAILED STATEMENT OF EXPENDITURES**  
**For the Year Ended December 31, 2012**

MAINTENANCE BUILDING:	
Salaries	20,954
Supplies	8,423
Utilities	6,011
Repairs and maintenance	13,744
Miscellaneous	<u>1,704</u>
Total maintenance building	<u>50,836</u>
ROADS:	
Salaries	1,291
Street signs	279
Oiling roads	<u>28,006</u>
Total roads and repairs	<u>29,576</u>
TOTAL EXPENDITURES	<u>\$ 537,811</u>

**CHARTER TOWNSHIP OF PORTAGE**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEETS**  
**December 31, 2012**

	Fire Protection	Cemetery Operating	Liquor Law Enforcement	Total
<b>ASSET AND OTHER DEBITS:</b>				
Cash	\$ 184,115	\$ 7,827	\$ 137	\$ 192,079
Due from fiduciary funds	490	-	-	490
Prepaid expenses	5,557	5,595	50	11,202
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 190,162</b>	<b>\$ 13,422</b>	<b>\$ 187</b>	<b>\$ 203,771</b>
<b>LIABILITIES:</b>				
Due to other funds	\$ 10,000	\$ 4,467	-	\$ 14,467
Deferred revenue	30,147	-	-	30,147
<b>TOTAL LIABILITIES</b>	<b>40,147</b>	<b>4,467</b>	<b>-</b>	<b>44,614</b>
<b>FUND EQUITY</b>				
<b>Nonspendable:</b>				
Prepaid expense	5,557	5,595	50	11,202
Restricted	144,458	3,360	137	147,955
<b>TOTAL FUND EQUITY</b>	<b>150,015</b>	<b>8,955</b>	<b>187</b>	<b>159,157</b>
<b>TOTAL LIABILITIES, FUND EQUITY</b>	<b>\$ 190,162</b>	<b>\$ 13,422</b>	<b>\$ 187</b>	<b>\$ 203,771</b>

**CHARTER TOWNSHIP OF PORTAGE**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**For the Year Ended December 31, 2012**

	Fire Protection	Cemetery Operating	Liquor Law Fund	Total
<b>REVENUES:</b>				
Taxes	\$ 79,122	\$ -	\$ -	\$ 79,122
State	-	-	2,216	2,216
Charges for services	-	20,705	-	20,705
Interest	409	-	-	409
Other	1,738	890	-	2,628
<b>TOTAL REVENUES</b>	<b>81,269</b>	<b>21,595</b>	<b>2,216</b>	<b>105,080</b>
<b>EXPENDITURES:</b>				
Salaries	3,460	34,966	1,944	40,370
Payroll taxes	265	3,364	149	3,778
Employee benefits	-	1,510	-	1,510
Supplies	2,830	1,301	-	4,131
Utilities	8,124	3,950	-	12,074
Insurance	6,939	5,529	50	12,518
Printing & publishing	-	53	-	53
Repairs and maintenance	4,039	1,639	-	5,678
Fuel	1,168	262	-	1,430
Interest payments	2,897	-	-	2,897
Principal payments	7,000	-	-	7,000
Miscellaneous	3,135	400	-	3,535
<b>TOTAL EXPENDITURES</b>	<b>39,857</b>	<b>52,974</b>	<b>2,143</b>	<b>94,974</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>41,412</b>	<b>(31,379)</b>	<b>73</b>	<b>10,106</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfer from general fund	1,432	-	-	1,432
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>1,432</b>	<b>-</b>	<b>-</b>	<b>1,432</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<b>42,844</b>	<b>(31,379)</b>	<b>73</b>	<b>11,538</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>107,171</b>	<b>40,334</b>	<b>114</b>	<b>147,619</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 150,015</b>	<b>\$ 8,955</b>	<b>\$ 187</b>	<b>\$ 159,157</b>

**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING BALANCE SHEETS**  
**December 31, 2012**

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Total
<b>ASSET AND OTHER DEBITS:</b>						
Current Assets:						
Cash	\$ 40,930	\$ 3,866	\$ 16,195	\$ 11,309	\$ 147,230	\$ 219,530
Receivables	5,636	565	10,002	454	463	17,120
Inventory	-	-	29,366	-	-	29,366
Due from other funds	-	148	6,016	1,370	-	7,534
Due from other government entites	-	25,319	-	-	-	25,319
Prepaid expenses	1,308	275	3,168	405	570	5,726
Total current assets	47,874	30,173	64,747	13,538	148,263	304,595
Restricted cash	25,564	17,445	97,453	53,810	-	194,272
Fixed Assets	2,659,626	837,093	2,336,632	690,827	162,244	6,686,422
Accumulated depreciation	(1,123,733)	(21,056)	(961,350)	(202,655)	(38,137)	(2,346,931)
Total general fixed assets	1,535,893	816,037	1,375,282	488,172	124,107	4,339,491
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 1,609,331</b>	<b>\$ 863,655</b>	<b>\$ 1,537,482</b>	<b>\$ 555,520</b>	<b>\$ 272,370</b>	<b>\$ 4,838,358</b>
<b>LIABILITIES:</b>						
Current Liabilities:						
Accounts payable	\$ -	\$ 34,065	\$ -	\$ -	\$ -	\$ 34,065
Due to other funds	2,665	947	4,780	-	1,832	10,224
Current maturities - leases	8,040	3,733	15,280	2,499	4,424	33,976
Current maturities - bonds	5,000	4,000	39,000	3,000	-	51,000
Deferred revenue	-	-	6,261	-	-	6,261
Total current liabilities	15,705	42,745	65,321	5,499	6,256	135,526
Long-term liabilities:						
Leases payable	17,246	7,908	32,953	5,405	9,564	73,076
Bonds payable	326,000	245,000	757,150	159,000	-	1,487,150
Total long-term liabilities	343,246	252,908	790,103	164,405	9,564	1,560,226
<b>TOTAL LIABILITIES</b>	<b>358,951</b>	<b>295,653</b>	<b>855,424</b>	<b>169,904</b>	<b>15,820</b>	<b>1,695,752</b>
<b>FUND EQUITY AND OTHER CREDITS:</b>						
Restricted for debt service	25,564	14,658	95,047	53,632	-	188,901
Retained earnings	1,224,816	553,344	587,011	331,984	256,550	2,953,705
<b>TOTAL FUND EQUITY</b>	<b>1,250,380</b>	<b>568,002</b>	<b>682,058</b>	<b>385,616</b>	<b>256,550</b>	<b>3,142,606</b>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 1,609,331</b>	<b>\$ 863,655</b>	<b>\$ 1,537,482</b>	<b>\$ 555,520</b>	<b>\$ 272,370</b>	<b>\$ 4,838,358</b>

**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS**  
**For the Year Ended December 31, 2012**

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Total
<b>OPERATING REVENUE</b>						
Charges for services	\$ 186,534	\$ 25,254	\$ 154,864	\$ 28,441	\$ 41,194	\$ 436,287
Parts, meters, hook-up fees	3,198	306	2,828	309	369	7,010
Other	-	-	3,406	29	85	3,520
<b>TOTAL OPERATING REVENUE</b>	<b>189,732</b>	<b>25,560</b>	<b>161,098</b>	<b>28,779</b>	<b>41,648</b>	<b>446,817</b>
<b>EXPENSES:</b>						
Salaries	19,170	3,316	26,909	3,459	2,474	55,328
Payroll taxes	2,379	439	3,241	493	314	6,866
Employee benefits	6,639	842	13,213	912	1,245	22,851
Supplies	1,114	143	3,111	163	1,088	5,619
Utilities	5,105	1,385	5,414	-	-	11,904
Insurance	1,304	178	1,923	193	-	3,598
Repairs and maintenance	4,005	424	7,332	414	-	12,175
Depreciation	69,993	19,201	58,263	19,147	6,349	172,953
Purchase services	78,328	5,729	29,259	2,795	26,674	142,785
Miscellaneous	3,973	1,030	5,376	258	-	10,637
<b>TOTAL EXPENSES</b>	<b>192,010</b>	<b>32,687</b>	<b>154,041</b>	<b>27,834</b>	<b>38,144</b>	<b>444,716</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(2,278)</b>	<b>(7,127)</b>	<b>7,057</b>	<b>945</b>	<b>3,504</b>	<b>2,101</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>						
Interest income	-	-	934	53	1,989	2,976
Grant proceeds	-	106,419	-	-	-	106,419
Interest expense	(7,980)	-	(34,417)	(7,425)	-	(49,822)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(7,980)</b>	<b>106,419</b>	<b>(33,483)</b>	<b>(7,372)</b>	<b>1,989</b>	<b>59,573</b>
<b>NET INCOME (LOSS)</b>	<b>(10,258)</b>	<b>99,292</b>	<b>(26,426)</b>	<b>(6,427)</b>	<b>5,493</b>	<b>61,674</b>
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<b>1,260,638</b>	<b>468,710</b>	<b>708,484</b>	<b>392,043</b>	<b>251,057</b>	<b>3,080,932</b>
<b>RETAINED EARNINGS, END OF YEAR</b>	<b>\$ 1,250,380</b>	<b>\$ 568,002</b>	<b>\$ 682,058</b>	<b>\$ 385,616</b>	<b>\$ 256,550</b>	<b>\$ 3,142,606</b>



**CHARTER TOWNSHIP OF PORTAGE**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**For the Year Ended December 31, 2012**

	Portage Sewer	Dakota Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating Income (Loss)	\$ (2,278)	\$ (7,127)	\$ 7,057	\$ 945	\$ 3,504	\$ 2,101
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	69,993	19,201	58,263	19,147	6,349	172,953
(Increase) Decrease in accounts receivable	1,849	149	4,498	448	131	7,075
(Increase) Decrease in prepaid expenses	(93)	52	(524)	(149)	(118)	(832)
(Increase) Decrease in inventory	-	-	(707)	-	-	(707)
(Increase) Decrease in due from other funds	-	-	746	-	1,325	2,071
Increase (Decrease) in accounts payable	-	34,065	-	-	-	34,065
Increase (Decrease) in user deposits	-	-	(11,611)	(4,375)	(636)	(16,622)
Increase (Decrease) in due to other funds	(8,783)	-	(5,000)	-	-	(13,783)
Increase (Decrease) in accrued expenses	(394)	(72)	(631)	(119)	(98)	(1,314)
Increase (Decrease) in deferred revenue	-	-	(1,980)	-	(1,325)	(3,305)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>60,294</u></b>	<b><u>46,268</u></b>	<b><u>50,111</u></b>	<b><u>15,897</u></b>	<b><u>9,132</u></b>	<b><u>181,702</u></b>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Reductions of long-term debt	(5,000)	-	(38,000)	(3,000)	-	(46,000)
Capital lease payments	(8,147)	(6,182)	(15,276)	(2,508)	(4,612)	(36,725)
Grant proceeds	-	106,419	-	-	-	106,419
Interest paid on long-term debt	(7,980)	-	(34,417)	(7,425)	-	(49,822)
Purchase of fixed assets	-	(128,463)	(16,363)	-	-	(144,826)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>(21,127)</u></b>	<b><u>(28,226)</u></b>	<b><u>(104,056)</u></b>	<b><u>(12,933)</u></b>	<b><u>(4,612)</u></b>	<b><u>(170,954)</u></b>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments and deposits	-	-	934	53	1,989	2,976
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>934</u></b>	<b><u>53</u></b>	<b><u>1,989</u></b>	<b><u>2,976</u></b>
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	<b>39,167</b>	<b>18,042</b>	<b>(53,011)</b>	<b>3,017</b>	<b>6,509</b>	<b>13,724</b>
<b>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</b>	<b><u>27,327</u></b>	<b><u>3,269</u></b>	<b><u>166,659</u></b>	<b><u>62,102</u></b>	<b><u>140,721</u></b>	<b><u>400,078</u></b>
<b>CASH AND RESTRICTED CASH, END OF YEAR</b>	<b><u>\$ 66,494</u></b>	<b><u>\$ 21,311</u></b>	<b><u>\$ 113,648</u></b>	<b><u>\$ 65,119</u></b>	<b><u>\$ 147,230</u></b>	<b><u>\$ 413,802</u></b>

**OTHER REPORTS AND COMMUNICATIONS SECTION**

# RUKKILA | NEGRO AND ASSOCIATES

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## **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**

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 (the Township) as of and for the year then ended December 31, 2012 which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 14, 2013. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the 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 the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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 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. 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 may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of 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 determination of financial statement amounts. 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 responses as item 2012-1.

### 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**

August 14, 2013

**CHARTER TOWNSHIP OF PORTAGE  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2012**

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**Instances of Non-compliance**

**2012-1 - Budget**

Condition/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 Charter Township of Portage has actual expenditures and budgeted expenditures. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended December 31, 2012, the Charter Township of Portage incurred expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Cause of Condition: 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.

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.

View of Responsible Officials: The budget will be closely monitored and budget amendments will be made accordingly.

# 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, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and if applicable, Government Auditing Standards and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 27, 2012. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Township of Portage are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2012. We noted no transactions entered into by the Charter Township of Portage during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements is current judgements.

Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives to determine that they are reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 14, 2013.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Portage's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### (Other Information in Documents Containing Audited Financial Statements)

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Charter Township of Portage board and management and is not intended to be and should not be used for anyone other than these specified parties.

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

We appreciate your business, thank you.

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

August 14, 2013

CHARTER TOWNSHIP OF PORTAGE  
COMMENTS AND RECOMMENDATIONS

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

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

*Enterprise Funds*

Enterprise Funds are used to report an activity for which a fee is charged to external users for goods or services. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

The Township's fees and charges are not recovering the costs for three Enterprise Funds: Portage Sewer Fund, Portage Water, and Dakota Heights Water Fund. We recommend that the Township review revenues and expenses of these funds and adjust their pricing policies/rates to recover the costs accordingly so operations of these funds are recovering, at a minimum, their costs of operations.