

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

**FINANCIAL REPORT
with Supplemental Information**

December 31, 2015

CHARTER TOWNSHIP OF PORTAGE

DECEMBER 31, 2015

ELECTED OFFICIALS

Supervisor	Bruce Petersen
Clerk	Sherry Rivard
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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310 Sheldon Avenue, Houghton, Michigan 49931
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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, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The additional information pages 43 to 50 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

May 4, 2016

**CHARTER TOWNSHIP OF PORTAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

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, 2015. 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, Cemetery Operating Fund, 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, 2015**

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, 2015**

Overview of the Financial Statements - Continued

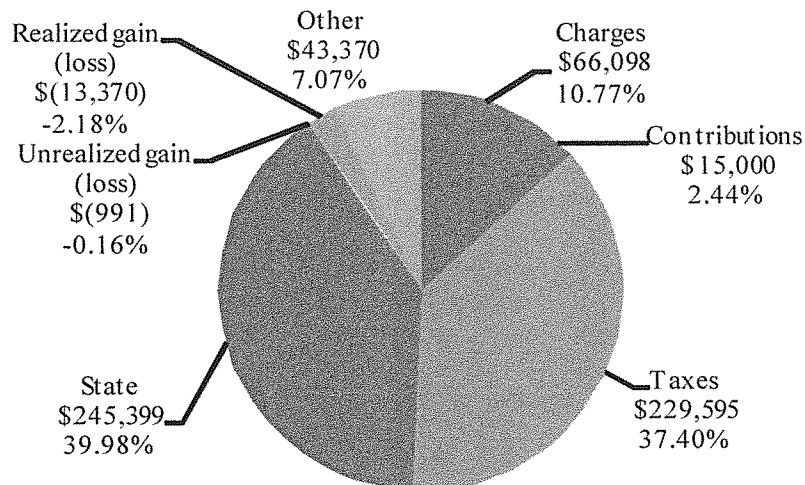
Summary of Net Position		Governmental Activities		Business-Type Activities	
		2015	2014	2015	2014
Assets					
Current and other assets		\$ 1,846,771	\$ 1,781,098	\$ 363,918	\$ 350,963
Capital assets - Net of accumulated depreciation		964,101	983,758	3,933,501	4,112,280
Total Assets		<u>2,810,872</u>	<u>2,764,856</u>	<u>4,297,419</u>	<u>4,463,243</u>
Liabilities					
Current liabilities		6,184	4,313	10,144	1,553
Non-current liabilities		5,731	41,546	1,376,617	1,446,791
Total Liabilities		<u>11,915</u>	<u>45,859</u>	<u>1,386,761</u>	<u>1,448,344</u>
Deferred Inflow of Resources		<u>99,119</u>	<u>58,915</u>	<u>-</u>	<u>2,244</u>
Net Position					
Net investment in capital assets		964,101	948,547	2,557,501	2,665,659
Restricted		1,307,358	1,325,537	-	-
Unrestricted		428,379	385,998	353,604	346,996
Total Net Position		<u>\$ 2,699,838</u>	<u>\$ 2,660,082</u>	<u>\$ 2,911,105</u>	<u>\$ 3,012,655</u>
Results of Operations		Governmental Activities		Business-Type Activities	
		2015	2014	2015	2014
Program Revenue:					
Charges for services		\$ 66,098	\$ 86,738	\$ 450,637	\$ 433,770
Grants and contributions		-	-	-	-
Capital grants and contributions		15,000	-	-	-
General Revenue:					
Property taxes		229,595	214,013	-	-
State shared revenue		245,399	246,616	-	-
Realized gain (loss)		(13,370)	-	-	-
Unrealized gain (loss)		(991)	43,735	-	-
Other		43,370	67,880	2,431	4,911
Total Revenue		<u>585,101</u>	<u>658,982</u>	<u>453,068</u>	<u>438,681</u>
Functions/Program Expenses					
General government		343,138	383,964	-	-
Public safety		83,674	57,914	-	-
Public works		94,419	104,406	554,618	581,154
Recreation		24,114	12,490	-	-
Total Expenses		<u>545,345</u>	<u>558,774</u>	<u>554,618</u>	<u>581,154</u>
Change in Net Position		39,756	100,208	(101,550)	(142,473)
Net Position - Beginning		2,660,082	2,559,874	3,012,655	3,155,128
Net Position - Ending		<u>\$ 2,699,838</u>	<u>\$ 2,660,082</u>	<u>\$ 2,911,105</u>	<u>\$ 3,012,655</u>

**CHARTER TOWNSHIP OF PORTAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

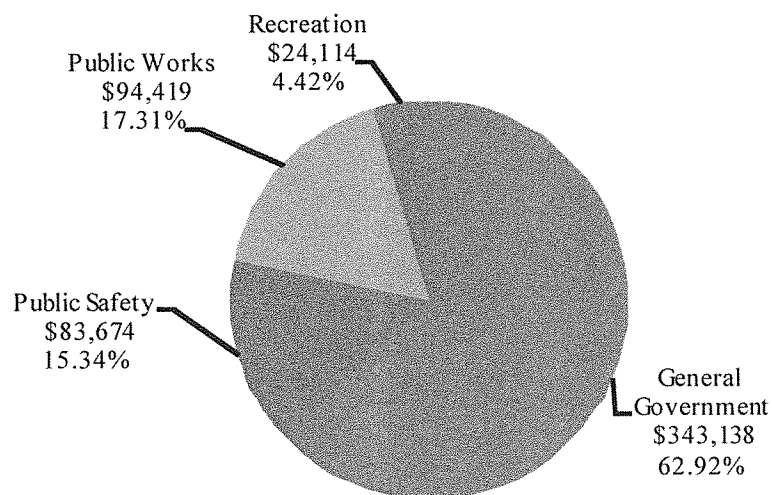
Overview of the Financial Statements - Continued

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

Revenues - Governmental Activities



Expenditures - Governmental Activities

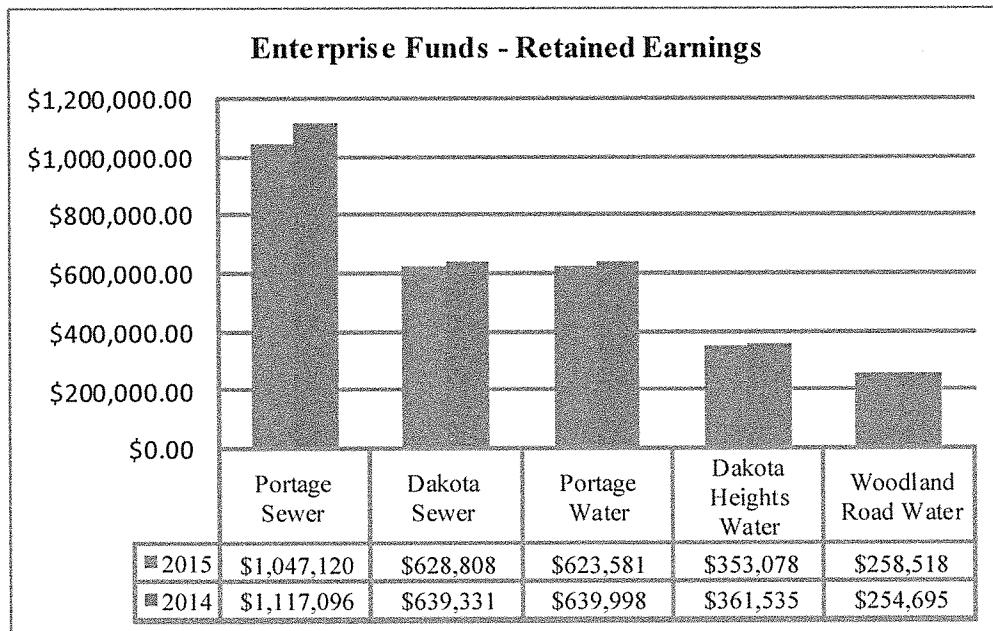
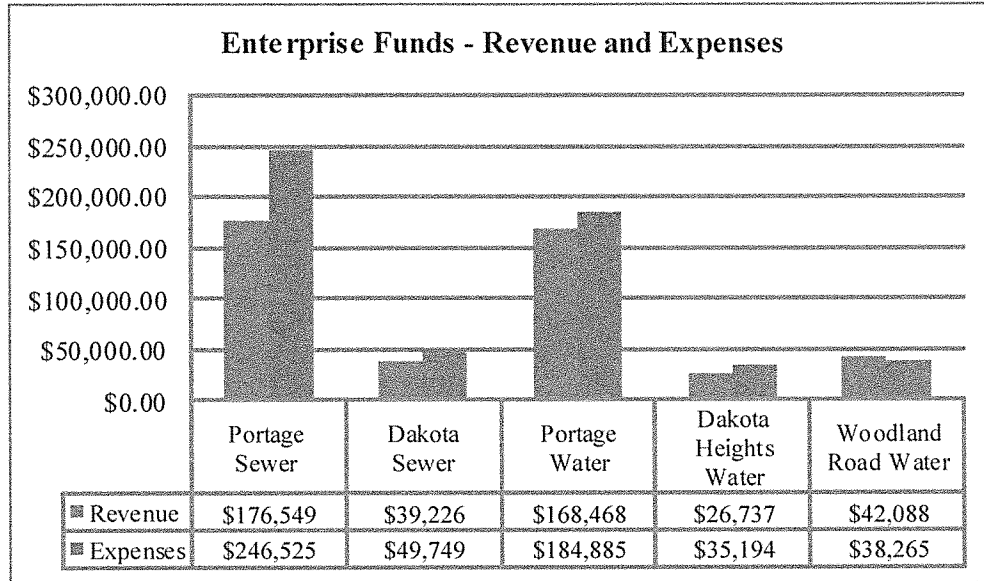


The most significant portions of the revenues for all governmental activities of the Township comes from state shared revenue and property taxes. The Township's operating millage was 1.2962 mills.

**CHARTER TOWNSHIP OF PORTAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

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, 2015**

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 \$434,110. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 107% of total General Fund expenditures.

The fund balance of the Township's General Fund increased by \$41,777 during the fiscal year. Revenues increased by \$4,034 and expenditures decreased by \$49,432 overall. Major decreases occurred in assessor, town hall, other activities, motor vehicle, elections, and maintenance building. Major increases in the areas of clerk, general services for professional fees, and recreation for the Dodgeville rink improvements.

Proprietary Funds: The Township's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail. Net position at the end of the year amounted to \$2,911,105.

Budgetary Highlights

During the year ended December 31, 2015, the Township revised the budget three times.

Capital Assets and Debt Administration

The Township's investment in capital assets net of accumulated depreciation for the governmental and business-type activities as of December 31, 2015, amounts to \$4,897,602. This investment in capital assets includes land, buildings, system improvements, machinery and equipment.

The Dodgeville rink improvement project in the amount of \$35,357 was the major capital asset expenditures. Additional information on the Township's capital assets can be found starting on page 29 of this report.

Long-term debt

At the end of the current fiscal year, the Township had total debt in bonds and loans in the amount of \$1,376,000. This total amount is backed by the full faith and credit of the Township. The Township's overall debt decreased by \$91,600 during the fiscal year.

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

**CHARTER TOWNSHIP OF PORTAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

Request for Information

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

CHARTER TOWNSHIP OF PORTAGE
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 609,153	\$ 179,967	\$ 789,120
Account receivables	-	8,107	8,107
Inventory	-	56,380	56,380
Internal balances	87,622	(87,622)	-
Due from fiduciary funds	20,725	31	20,756
Due from other governmental units	42,982	-	42,982
Restricted cash	470,616	207,055	677,671
Restricted investments	615,673	-	615,673
Capital assets - Net	964,101	3,933,501	4,897,602
Total assets	2,810,872	4,297,419	7,108,291
LIABILITIES:			
Accounts payable and accrued expenses	2,320	8,270	10,590
Accrued expenses	3,864	1,874	5,738
Due within one year	-	57,000	57,000
Due in more than one year	-	1,319,000	1,319,000
Accrued vacation payable	5,731	-	5,731
User deposits	-	170	170
Total liabilities	11,915	1,386,314	1,398,229
DEFERRED INFLOW OF RESOURCES			
Property taxes levied for the following year	99,119	-	99,119
NET POSITION:			
Net investment in capital assets	964,101	2,557,501	3,521,602
Restricted:			
Fire Protection Fund	221,431	-	221,431
Liquor Law Fund	99	-	99
Cemetery Operating Fund	(3,772)	-	(3,772)
Cemetery Perpetual Care	1,089,600	-	1,089,600
Unrestricted	428,379	353,604	781,983
Total net position	\$ 2,699,838	\$ 2,911,105	\$ 5,610,943

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, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
<u>FUNCTIONS/PROGRAMS</u>						
Primary government:						
Government activities:						
General government	\$ 343,138	\$ 66,098	\$ -	\$ (277,040)	\$ -	\$ (277,040)
Public safety	83,674	-	-	(83,674)	-	(83,674)
Public works	94,419	-	-	(94,419)	-	(94,419)
Recreation	24,114	-	15,000	(9,114)	-	(9,114)
Total governmental activities	545,345	66,098	15,000	(464,247)	-	(464,247)
Business-type activities:						
Water	258,344	234,868	-	-	(23,476)	(23,476)
Sewer	296,274	215,769	-	-	(80,505)	(80,505)
Total business-type activities	554,618	450,637	-	-	(103,981)	(103,981)
Total primary government	<u>\$ 1,099,963</u>	<u>\$ 516,735</u>	<u>\$ 15,000</u>	<u>(464,247)</u>	<u>(103,981)</u>	<u>(568,228)</u>
General Revenues:						
Taxes				229,595	-	229,595
State shared revenue				245,399	-	245,399
Interest and investment earnings				25,537	1,144	26,681
Loss on sale of asset				(371)	-	(371)
Realized gain (loss) on investments				(12,999)	-	(12,999)
Unrealized gain (loss) on investments				(991)	-	(991)
Other				17,833	1,287	19,120
Total general revenues, transfers and special items				504,003	2,431	506,434
Change in Net Assets				39,756	(101,550)	(61,794)
Net Position- Beginning				2,660,082	3,012,655	5,672,737
Net Position- Ending				<u>\$ 2,699,838</u>	<u>\$ 2,911,105</u>	<u>\$ 5,610,943</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, 2015

	Major Funds				Non-major	Total
	General	Fire	Cemetery	Permanent Fund	Fund	
	Fund	Protection	Operating	Cemetery	Liquor Law	Governmental
		Fund	Fund	Perpetual Care	Fund	Funds
ASSETS:						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 343,513	\$ 259,921	\$ 5,620	\$ -	\$ 99	\$ 609,153
Due from other funds	93,703	-	-	3,311	-	97,014
Due from fiduciary funds	15,629	5,096	-	-	-	20,725
Due from governmental units	42,982	-	-	-	-	42,982
TOTAL CURRENT ASSETS	495,827	265,017	5,620	3,311	99	769,874
RESTRICTED ASSETS:						
Restricted cash	-	-	-	470,616	-	470,616
Restricted investments	-	-	-	615,673	-	615,673
TOTAL RESTRICTED ASSETS	-	-	-	1,086,289	-	1,086,289
TOTAL ASSETS	\$ 495,827	\$ 265,017	\$ 5,620	\$ 1,089,600	\$ 99	\$ 1,856,163
LIABILITIES:						
CURRENT LIABILITIES:						
Accounts payable	\$ 1,829	\$ 491	\$ -	\$ -	\$ -	\$ 2,320
Accrued expenses	3,864	-	-	-	-	3,864
Due to other funds	-	-	9,392	-	-	9,392
Deferred revenue	56,024	43,095	-	-	-	99,119
TOTAL CURRENT LIABILITIES	61,717	43,586	9,392	-	-	114,695
FUND BALANCES:						
Restricted	-	221,431	(3,772)	1,089,600	99	1,307,358
Unassigned	434,110	-	-	-	-	434,110
TOTAL FUND BALANCES	434,110	221,431	(3,772)	1,089,600	99	1,741,468
TOTAL LIABILITIES AND						
FUND BALANCES	\$ 495,827	\$ 265,017	\$ 5,620	\$ 1,089,600	\$ 99	

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.

964,101

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.

(5,731)

Net position of governmental activities

\$ 2,699,838

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, 2015

	Major Funds				Non-major	Total
	General	Fire	Cemetery	Permanent Fund	Fund	
	Fund	Protection	Operating	Cemetery	Liquor Law	Governmental
		Fund	Fund	Perpetual Care	Fund	Funds
Revenues:						
Taxes	\$ 121,469	\$ 89,970	\$ -	\$ -	\$ -	\$ 211,439
Commercial Forest	18,156	-	-	-	-	18,156
State revenue	243,269	-	-	-	2,130	245,399
Charges for services	45,328	-	20,770	-	-	66,098
Interest	2,618	154	-	22,765	-	25,537
Contributions	15,000	-	-	-	-	15,000
Other revenue	2,283	450	3,100	12,000	-	17,833
Total revenues	448,123	90,574	23,870	34,765	2,130	599,462
Expenditures:						
General government	319,036	-	-	-	-	319,036
Public safety	3,309	84,002	-	-	2,147	89,458
Public works	59,887	-	69,379	-	-	129,266
Recreation and culture	24,114	-	-	-	-	24,114
Total expenditures	406,346	84,002	69,379	-	2,147	561,874
Excess (deficiency) of revenue over expenditures	41,777	6,572	(45,509)	34,765	(17)	37,588
Other Financing Sources:						
Realize gain (loss)	-	-	-	(12,999)	-	(12,999)
Unrealized gain (loss)	-	-	-	(991)	-	(991)
Operating transfers in (out)	-	-	40,000	(40,000)	-	-
Total other financing sources	-	-	40,000	(53,990)	-	(13,990)
Net change in fund balance	41,777	6,572	(5,509)	(19,225)	(17)	23,598
Fund Balances - Beginning of Year	392,333	214,859	1,737	1,108,825	116	
Fund Balances - End of Year	\$ 434,110	\$ 221,431	\$ (3,772)	\$ 1,089,600	\$ 99	

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, gain (loss) on sale of assets, and depreciation. (19,657)

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.

Loan payments on long term debt

Change in net position of governmental activities

604
35,211
\$ 39,756

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, 2015

	Business-Type Activities		
	Enterprise Funds		
	Sewer System	Water System	Total
ASSETS:			
Cash	\$ 15,141	\$ 164,826	\$ 179,967
Account receivables	4,474	3,633	8,107
Inventory	12,648	43,732	56,380
Due from other funds	-	484	484
Due from fiduciary funds	31	-	31
Restricted cash	64,808	142,247	207,055
Capital assets - Net	2,182,989	1,750,512	3,933,501
Total assets	2,280,091	2,105,434	4,385,525
LIABILITIES:			
Accounts payable	2,402	5,868	8,270
Due to other funds	48,023	40,083	88,106
Accrued expenses	738	1,136	1,874
Due within one year	9,000	48,000	57,000
Due in more than one year	544,000	775,000	1,319,000
User deposits	-	170	170
Total liabilities	604,163	870,257	1,474,420
NET POSITION:			
Unrestricted	\$ 1,675,928	\$ 1,235,177	2,911,105

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, 2015

	Business-Type Activities		
	Enterprise Funds		
	Sewer System	Water System	Total
OPERATING REVENUE			
Charges for services	\$ 212,172	\$ 228,304	\$ 440,476
Parts, meters, hook-up fees	3,597	6,564	10,161
Other	6	1,281	1,287
TOTAL OPERATING REVENUE	<u>215,775</u>	<u>236,149</u>	<u>451,924</u>
EXPENSES:			
Salaries	16,891	25,797	42,688
Payroll taxes	2,544	3,813	6,357
Employee benefits	4,684	9,034	13,718
Supplies	1,522	12,870	14,392
Utilities	8,852	-	8,852
Insurance	2,174	3,977	6,151
Repairs and maintenance	1,916	-	1,916
Professional services	21,335	3,365	24,700
Printing and publishing	326	1,530	1,856
Membership and dues	-	405	405
Depreciation	95,311	83,467	178,778
Purchase services	127,066	76,960	204,026
Miscellaneous	4	566	570
TOTAL EXPENSES	<u>282,625</u>	<u>221,784</u>	<u>504,409</u>
OPERATING INCOME(LOSS)	(66,850)	14,365	(52,485)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	-	1,144	1,144
Interest expense	(13,649)	(36,560)	(50,209)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(13,649)</u>	<u>(35,416)</u>	<u>(49,065)</u>
NET INCOME (LOSS)	(80,499)	(21,051)	(101,550)
NET POSITION, BEGINNING OF YEAR	<u>1,756,427</u>	<u>1,256,228</u>	<u>3,012,655</u>
NET POSITION, END OF YEAR	<u>\$ 1,675,928</u>	<u>\$ 1,235,177</u>	<u>\$ 2,911,105</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, 2015

	Enterprise Funds		
	Sewer System	Water System	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 217,127	\$ 234,876	\$ 452,003
Payments to suppliers	(160,793)	(94,368)	(255,161)
Payments to employees	(23,835)	(38,434)	(62,269)
Other receipts (payments)	-	-	-
Net cash provided by operating activities	32,499	102,074	134,573
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	20,480	9,600	30,080
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital lease payments	(3,100)	(11,521)	(14,621)
Principal paid on capital debt	(9,000)	(47,000)	(56,000)
Interest paid on capital debt	(13,649)	(36,560)	(50,209)
Net cash (used) by capital and related financing activities	(25,749)	(95,081)	(120,830)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	-	1,144	1,144
Net cash provided by investing activities	-	1,144	1,144
Net (decrease) in cash and cash equivalents	27,230	17,737	44,967
Cash and cash equivalents - beginning of year	52,719	289,336	342,055
Cash and cash equivalents - ending of year	\$ 79,949	\$ 307,073	\$ 387,022
Reconciliation of operating income (loss) to net cash provided			
(used) by operating activities:			
Operating income (loss)	\$ (66,850)	\$ 14,365	\$ (52,485)
Adjustments to reconcile operating income to net cash provided			
(used) by operating activities:			
Depreciation expense	95,311	83,467	178,778
Change in assets and liabilities			
Receivables, net	1,352	969	2,321
Inventory	-	(391)	(391)
Deferred revenue	-	(2,244)	(2,244)
Accounts and other payables	2,402	5,695	8,097
Accrued expenses	284	213	497
Net cash provided by operating activities	\$ 32,499	\$ 102,074	\$ 134,573

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, 2015

	Tax Collection Fund
ASSETS:	
RESTRICTED ASSETS:	
Cash and cash equivalents	\$ 104,798
TOTAL RESTRICTED ASSETS	<u>\$ 104,798</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Due to governmental funds	\$ 25,689
Due to other governmental units	<u>79,109</u>
TOTAL CURRENT LIABILITIES	<u>\$ 104,798</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, 2015

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

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

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

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

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

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

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

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

The following is a description of the fiduciary fund:

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

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resource measurement focus as defined below.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.
- Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensation absences, which are reported when due.

Other Accounting Policies

Cash and Cash Equivalents - The Township’s cash and cash equivalents as reported in the statement of cash flows and the statement of net position are considered to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Restricted assets - Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited. In the enterprise funds, the “Bond Requirements” accounts are used for the payment of current debt obligations.

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Township has not recorded an allowance for uncollectible as the Township does not anticipate any material uncollectible accounts.

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

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes - Property taxes are accrued in the year they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

For the year ended December 31, 2015, the Township levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
Township Operating	1.2962
Fire Operating	.9971

Capital Assets - Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits, and bond interest costs. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Capital assets are defined by the Township as assets with an initial individual cost of more than \$3,000 and an estimated useful life of more than one year.

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the asset's estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of assets is as follows:

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

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

Restricted Assets - Restricted assets include cash and equivalents, which have been reserved for the principal portion of the cemetery perpetual care fund non-expendable cash.

Long-Term Debt - The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of bonds payable.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures as it is in the government-wide statements.

Compensated Absences - The Township's policies regarding vacation and sick time permit employees to accumulate vacation and sick time. The liability for vacation compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

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

Deferred inflows are reported in a separate section following liabilities and represents an acquisition of net position applying to a future period and therefore will not be recognized as an inflow of resources (revenue) in the current year. The Township has reported \$99,119 in property taxes and special assessments levied for the following year, and therefore not available in the current year under the governmental fund basis of accounting, as a deferred inflow.

Fund	Property Taxes
General	\$ 56,024
Fire Protection	43,095
Totals	<u>\$ 99,119</u>

Equity Classification

Government-Wide Statements

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues

Government-Wide Statements

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

Fund Statements

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

Expenses/Expenditures

Government-Wide Statements

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

Fund Statements

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

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

Operating Revenues and Expenses

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

Other Financing Sources (Uses)

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activity

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

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

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

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

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

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

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

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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

NOTE C - CASH AND INVESTMENTS

As of December 31, 2015 the Township had the following investments:

Investment Type	Fair Value	Ratings
Municipal Bonds	\$ 58,292	Aa2, AA & AA-
Government and agency securities	515,848	AA+, Aaa, & AAA
Total Bonds	<u>\$ 574,140</u>	

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

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

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

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2015, \$869,628 of the Township's bank balance of \$1,789,552 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

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

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

	Governmental Activities	Enterprise Funds	Total Government	Fiduciary Funds
Unrestricted cash	\$ 609,153	\$ 179,967	\$ 789,120	\$ -
Restricted cash	470,616	207,055	677,671	104,798
Total cash and cash equivalents	<u>\$ 1,079,769</u>	<u>\$ 387,022</u>	<u>\$ 1,466,791</u>	<u>\$ 104,798</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - INTER-FUND RECEIVABLES AND PAYABLES / TRANSFERS

The amounts of inter-fund receivables and payables at December 31, 2015 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable	Not expected to be paid back within one year
General Fund	\$ 93,703	Sewer Funds	\$ 48,023	\$ 48,023
Water Funds	484	Water Funds	40,083	40,083
Perpetual Care Fund	3,311	Cemetery Fund	9,392	6,081
TOTALS	\$ 97,498	TOTALS	\$ 97,498	\$ 94,187

- The tax collection fund owed the general fund \$15,629, the fire protection fund \$5,096, and \$31 to Dakota Heights Sewer Fund at December 31, 2015.
- Perpetual Care Fund transferred \$40,000 to the Cemetery Fund.

NOTE E - CAPITAL ASSETS

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

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Capital assets not being depreciated:				
Land	\$ 580,954	\$ -	\$ -	\$ 580,954
Capital assets being depreciated:				
Buildings	599,962	35,357	667	634,652
Equipment	132,098	-	-	132,098
Machinery	91,614	-	-	91,614
Office equipment	30,916	-	-	30,916
Street signs	6,569	-	-	6,569
Vehicles	538,529	-	2,000	536,529
	<u>1,399,688</u>	<u>35,357</u>	<u>2,667</u>	<u>1,432,378</u>
Subtotal	<u>1,980,642</u>	<u>\$ 35,357</u>	<u>\$ 2,667</u>	<u>2,013,332</u>
Accumulated depreciation:				
Buildings	334,538	17,652	296	351,894
Equipment	95,599	5,528	-	101,127
Machinery	89,660	1,564	-	91,224
Office equipment	27,236	1,353	-	28,589
Street signs	6,569	-	-	6,569
Vehicles	443,282	28,547	2,000	469,828
Subtotal	<u>996,884</u>	<u>\$ 54,643</u>	<u>\$ 2,296</u>	<u>1,049,231</u>
Net capital assets being depreciated	<u>402,804</u>			<u>383,147</u>
Net capital assets	<u>\$ 983,758</u>			<u>\$ 964,101</u>

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

General government	\$ 24,102
Public safety	27,842
Public works	2,699
Total governmental activities	<u>\$ 54,643</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - CAPITAL ASSETS (Continued)

The property, plant, and equipment in Township business-type funds at December 31, 2015 are summarized as follows:

SEWER FUNDS				
<u>Portage Sewer Fund</u>	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Capital assets being depreciated:				
Utility system	\$ 2,611,618	\$ -	\$ -	\$ 2,611,618
Equipment	42,384	-	-	42,384
Vehicle and machinery	10,462	-	-	10,462
Subtotal	2,664,464	\$ -	\$ -	2,664,464
Accumulated depreciation:				
Utility system	1,240,604	\$ 65,220	\$ -	1,305,824
Equipment	16,421	4,238	-	20,659
Vehicles and machinery	6,138	968	-	7,106
Subtotal	1,263,163	\$ 70,426	\$ -	1,333,589
Net capital assets	<u>\$ 1,401,301</u>			<u>\$ 1,330,875</u>
<u>Dakota Heights Sewer Fund</u>	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Capital assets being depreciated:				
Utility system	\$ 930,019	\$ -	\$ -	\$ 930,019
Vehicles and Machinery	15,855	-	-	15,855
Subtotal	945,874	\$ -	\$ -	945,874
Accumulated depreciation:				
Utility system	64,067	\$ 23,251	\$ -	87,318
Vehicles and Machinery	4,808	1,634	-	6,442
Subtotal	68,875	\$ 24,885	\$ -	93,760
Net capital assets	<u>\$ 876,999</u>			<u>\$ 852,114</u>
WATER FUNDS				
<u>Portage Water Fund</u>	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Capital assets being depreciated:				
Utility system	\$ 2,224,491	\$ -	\$ -	\$ 2,224,491
Equipment & Vehicles	115,971	-	-	115,971
Office equipment	765	-	-	765
Machinery	3,772	-	-	3,772
Subtotal	2,344,999	\$ -	\$ -	2,344,999
Accumulated depreciation:				
Utility system	1,026,343	\$ 47,797	\$ -	1,074,140
Equipment & Vehicles	46,402	11,365	-	57,767
Office equipment	765	-	-	765
Machinery	3,772	-	-	3,772
Subtotal	1,077,282	\$ 59,162	\$ -	1,136,444
Net capital assets	<u>\$ 1,267,717</u>			<u>\$ 1,208,555</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - CAPITAL ASSETS (Continued)

<u>Dakota Heights Water Fund</u>	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Capital assets being depreciated:				
Utility system	\$ 668,919	\$ -	\$ -	\$ 668,919
Equipment & Vehicles	23,062	-	-	23,062
Subtotal	691,981	\$ -	\$ -	691,981
Accumulated depreciation:				
Utility system	225,760	\$ 16,723	\$ -	242,483
Equipment & Vehicles	13,745	1,853	-	15,598
Subtotal	239,505	\$ 18,576	\$ -	258,081
Net capital assets	\$ 452,476			\$ 433,900

<u>Woodland Road Water Fund</u>	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Capital assets being depreciated:				
Utility system	\$ 133,312	\$ -	\$ -	\$ 133,312
Equipment & Vehicles	29,842	-	-	29,842
Subtotal	163,154	\$ -	\$ -	163,154
Accumulated depreciation:				
Utility system	35,128	\$ 3,055	\$ -	38,183
Equipment & Vehicles	14,240	2,674	-	16,914
Subtotal	49,368	\$ 5,729	\$ -	55,097
Net capital assets	\$ 113,786			\$ 108,057

NOTE F - ACCUMULATED UNPAID VACATION

Township full time employees accumulate vacation days and will be compensated upon leaving the township's employment. The maximum vacation accrual is thirty (30) days. Vacation days are earned on an annual basis at the following rate, per every 160 hours worked:

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

Accumulated unpaid vacation at December 31, 2015 was \$5,731.

NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS - PROPRIETARY FUNDS

PORTAGE SEWER DISPOSAL SYSTEM REVENUE BONDS, SERIES 2010

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

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

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

**CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

DAKOTA HEIGHTS SEWAGE DISPOSAL SYSTEM REVENUE BOND, SERIES 2011

Bond and Interest Redemption Account - The Township is required to set aside each quarter on or after July 1, 2011 an amount not less than $\frac{1}{2}$ of the amount of interest due on the next interest payment and $\frac{1}{4}$ of the amount of principal due on the next principal payment date.

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

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

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

Bond and Interest Redemption Account - The Township is required to set aside each quarter on or after April 1, an amount not less than $\frac{1}{2}$ of the amount of interest due on the next interest payment and $\frac{1}{4}$ the amount of principal due on the next principal payment date.

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

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

During the year the Township used \$2,345 of the repair, replacement, and improvement funds for a tank level transducer.

DAKOTA HEIGHTS WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 2000

Bond and Interest Redemption Account - The Township is required to set aside each quarter on or after April 1, an amount not less than $\frac{1}{2}$ of the amount of interest due on the next interest payment and $\frac{1}{4}$ of the amount of principal due on the next principal payment date.

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

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

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

At December 31, 2015, the Township had established these accounts and had restricted cash, as required, as follows:

	Required	Amount Funded
<u>Portage Sewer Fund</u>		
Bond Reserve	\$ 6,525	\$ 8,400
Repair and Replacement	18,000	23,000
Bond and Interest	6,845	10,914
	<u>\$ 31,370</u>	<u>\$ 42,314</u>
<u>Dakota Sewer Fund</u>		
Bond Reserve	\$ 4,675	\$ 4,950
Repair and Replacement	8,500	9,900
Bond and Interest	5,204	7,644
	<u>\$ 18,379</u>	<u>\$ 22,494</u>
<u>Portage Water Fund</u>		
Bond Reserve	\$ 30,113	\$ 30,141
Repair and Replacement	24,468	24,521
Bond and Interest	18,097	18,097
	<u>\$ 72,678</u>	<u>\$ 72,759</u>
<u>Dakota Water Fund</u>		
Bond Reserve	\$ 11,000	\$ 11,000
Repair and Replacement	21,025	50,488
Bond and Interest	2,721	8,000
	<u>\$ 34,746</u>	<u>\$ 69,488</u>

NOTE H - LONG-TERM DEBT

PORTAGE WATER FUND

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

Year	January 1 Interest	July 1 Interest	Principal	Total
2016	\$ 1,231	\$ 1,231	\$ 35,000	\$ 37,462

2007 Water Supply and Distribution System Junior Lien Revenue Bond was issued on August 16, 2007 in the amount of \$700,000 for the purpose of acquiring and constructing additions and improvements to the Township Water distribution system.

The bonds are self-liquidating and are not general obligations of the Township, but are payable both as to principal and interest solely from the revenues of the Water Supply and Distribution System. The bonds bear an interest rate not to exceed 4.125% per annum. The payment schedule for the bonds is as follows:

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - LONG-TERM DEBT (Continued)

PORTAGE WATER FUND (Continued)

Year	January 1	July 1		Total
	Interest	Interest	Principal	
2016	\$ 13,097	\$ 13,097	\$ 10,000	\$ 36,194
2017	12,891	12,891	10,000	35,782
2018	12,684	12,684	11,000	36,368
2019	12,458	12,458	11,000	35,916
2020	12,231	12,231	12,000	36,462
2021	11,983	11,983	12,000	35,966
2022	11,736	11,736	13,000	36,472
2023-2027	54,512	54,512	71,000	180,024
2028-2032	46,571	46,571	87,000	180,142
2033-2037	36,836	36,836	106,000	179,672
2038-2042	24,956	24,956	130,000	179,912
2043-2047	10,395	10,395	162,000	182,790
TOTALS	<u>\$ 260,350</u>	<u>\$ 260,350</u>	<u>\$ 635,000</u>	<u>\$ 1,155,700</u>

DAKOTA HEIGHTS WATER FUND - Water Supply System Revenue Bonds, Series 2000 were issued on September 12, 2000 in the amount of \$196,000 for the purpose of acquiring and constructing additions and improvements to the Township water distribution system. The bonds are self-liquidating and are not general obligations of the Township, but are payable both as to principal and interest solely from the revenues of the water supply and distribution system. The bonds bear an interest rate not to exceed 4.50% per annum. The payment schedule for the bonds is as follows:

Year	February 1	August 1		Total
	Interest	Interest	Principal	
2016	\$ 3,443	\$ 3,443	\$ 3,000	\$ 9,886
2017	3,375	3,375	4,000	10,750
2018	3,285	3,285	4,000	10,570
2019	3,195	3,195	4,000	10,390
2020	3,105	3,105	4,000	10,210
2021	3,015	3,015	4,000	10,030
2022	2,925	2,925	4,000	9,850
2023-2027	13,050	13,050	26,000	52,100
2028-2032	9,878	9,878	32,000	51,756
2033-2037	5,940	5,940	40,000	51,880
2038-2040	1,283	1,283	28,000	30,566
TOTALS	<u>\$ 52,494</u>	<u>\$ 52,494</u>	<u>\$ 153,000</u>	<u>\$ 257,988</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - LONG-TERM DEBT (Continued)

PORTAGE SEWER FUND - Sewage Disposal System (Dodgeville/Hurontown) Revenue Bonds were issued on June 14, 2010 in the amount of \$341,000 for the purpose of acquiring, constructing, and installing major improvements to the Township sewer disposal system. The bonds are self-liquidating and are not general obligations of the Township, but are payable both as to principal and interest solely from the revenues of the sewer disposal system. The bonds bear an interest rate not to exceed 2.75 percent per annum. The payment schedule for the bonds is as follows:

Year	January 1	July 1		Total
	Interest	Interest	Principal	
2016	\$ 4,345	\$ 4,345	\$ 5,000	\$ 13,690
2017	4,276	4,276	6,000	14,552
2018	4,194	4,194	6,000	14,388
2019	4,111	4,111	6,000	14,222
2020	4,029	4,029	6,000	14,058
2021	3,946	3,946	6,000	13,892
2022	3,864	3,864	6,000	13,728
2023-2027	17,944	17,944	35,000	70,888
2028-2032	15,400	15,400	40,000	70,800
2033-2037	12,513	12,513	46,000	71,026
2038-2042	9,200	9,200	52,000	70,400
2043-2047	5,417	5,417	60,000	70,834
2048-2050	1,197	1,197	42,000	44,394
TOTALS	<u>\$ 90,436</u>	<u>\$ 90,436</u>	<u>\$ 316,000</u>	<u>\$ 496,872</u>

DAKOTA HEIGHTS SEWER FUND – The Dakota Heights Sewage Disposal System Revenue Bonds were issued on July 19, 2010 in the amount of \$249,000 for the purpose of acquiring, constructing, and installing major improvements to the Township sewage disposal system. The bonds are self-liquidating and are not general obligations of the Township, but are payable both as to principal and interest solely from the revenues of the sewer disposal system. The bonds bear an interest rate of 2.75 percent per annum. The payment schedule for the bonds is as follows:

Year	January 1	July 1		Total
	Interest	Interest	Principal	
2016	\$ 3,259	\$ 3,259	\$ 4,000	\$ 10,518
2017	3,204	3,204	4,000	10,408
2018	3,149	3,149	4,000	10,298
2019	3,094	3,094	4,000	10,188
2020	3,039	3,039	4,000	10,078
2021	2,984	2,984	5,000	10,968
2022	2,915	2,915	5,000	10,830
2023-2027	13,544	13,544	25,000	52,088
2028-2032	11,743	11,743	29,000	52,486
2033-2037	9,653	9,653	33,000	52,306
2038-2042	7,248	7,248	38,000	52,496
2043-2047	4,498	4,498	43,000	51,996
2048-2050	1,362	1,362	39,000	41,724
TOTALS	<u>\$ 69,692</u>	<u>\$ 69,692</u>	<u>\$ 237,000</u>	<u>\$ 376,384</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - LONG-TERM DEBT (Continued)

Long-term liabilities activity, as reported in and liquidated through the each of the following funds for the fiscal year ended December 31, 2015, was as follows:

	Balance 1/1/2015	Additions	Reductions	Balance 12/31/2015	Current Maturities
<i>Enterprise</i>					
Portage Water Supply Bond 2007	\$ 644,000	\$ -	\$ 9,000	\$ 635,000	\$ 10,000
Portage Water Supply Bond 2005	70,000	-	35,000	35,000	35,000
Portage Sewer 2010 Bond	321,000	-	5,000	316,000	5,000
Dakota Heights Sewer 2011 Bond	241,000	-	4,000	237,000	4,000
Dakota Heights Water 2000 Bond	156,000	-	3,000	153,000	3,000
Sub-Total	<u>1,432,000</u>	<u>-</u>	<u>56,000</u>	<u>1,376,000</u>	<u>57,000</u>
<i>Governmental Funds</i>					
Fire Protection Fund	35,600	-	35,600	-	-
Total bonds and loans	<u>1,467,600</u>	<u>-</u>	<u>91,600</u>	<u>1,376,000</u>	<u>57,000</u>
Accrued compensated absences	6,335	-	604	5,731	-
TOTALS	<u>\$ 1,473,935</u>	<u>\$ -</u>	<u>\$ 92,204</u>	<u>\$ 1,381,731</u>	<u>\$ 57,000</u>

SUMMARY SCHEDULE OF LONG-TERM DEBT

Year	Interest	Principal	Total
2016	\$ 50,750	\$ 57,000	\$ 107,750
2017	47,492	24,000	71,492
2018	46,624	25,000	71,624
2019	45,716	25,000	70,716
2020	44,808	26,000	70,808
2021	43,856	27,000	70,856
2022	42,880	28,000	70,880
2023-2027	198,100	157,000	355,100
2028-2032	167,184	188,000	355,184
2033-2037	129,884	225,000	354,884
2038-2042	85,374	248,000	333,374
2043-2047	40,620	265,000	305,620
2047-2050	5,118	81,000	86,118
TOTALS	<u>\$ 948,406</u>	<u>\$ 1,376,000</u>	<u>\$ 2,324,406</u>

NOTE I - DEFINED CONTRIBUTION PLAN

The Township has a Defined Contribution Pension Plan for Michigan Township Employees and provides pension benefits for all of its eligible employees through this plan managed by Burnham & Flower Insurance Group. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time and seasonal employees are eligible to participate from their date of employment. The Township policy requires that the Township contribute an amount equal to 5% of the employee's compensation. No contribution is required by any employee, although an employee may contribute. Township contributions for each employee and allocated to the employee's account are fully vested. Any amount contributed voluntarily by the employee under the plan, plus any earnings, are fully vested at the time of the contribution or crediting of investment earnings. The Township's contributions were calculated using the eligible wage amount of \$221,179. The Township made the required 5% contribution amounting to \$11,059.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE J - 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, 2015 is as follows:

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota. Heights Water	Woodland Road Water
Operating Revenues	\$ 176,549	\$ 39,226	\$ 168,365	\$ 26,658	\$ 41,126
Depreciation	\$ 70,426	\$ 24,885	\$ 59,162	\$ 18,576	\$ 5,729
Operating Income (Loss)	\$ (62,352)	\$ (4,498)	\$ 13,020	\$ (1,516)	\$ 2,861
Non-operating Revenue (Expense)	\$ (7,624)	\$ (6,025)	\$ (29,437)	\$ (6,941)	\$ 962
Net Income (Loss)	\$ (69,976)	\$ (10,523)	\$ (16,417)	\$ (8,457)	\$ 3,823
Property, Plant, and Equipment - Additions	\$ -	\$ -	\$ -	\$ -	\$ -
Net Working Capital (Deficit)	\$ (15,069)	\$ (12,800)	\$ (32,733)	\$ (310)	\$ 150,461
Total Assets	\$ 1,403,254	\$ 876,837	\$ 1,329,146	\$ 509,665	\$ 266,623
Total Equity	\$ 1,047,120	\$ 628,808	\$ 623,581	\$ 353,078	\$ 258,518

NOTE K - CONTINGENT LIABILITIES

The Township has received financial assistance from federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or on the overall financial position of the Township at December 31, 2015.

NOTE L - RISK MANAGEMENT

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

NOTE M - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

CHARTER TOWNSHIP OF PORTAGE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended December 31, 2015

	Budgeted Amounts			Variance
	Original	Final	Actual	Final to Actual
REVENUES:				
Local sources	\$ 201,315	\$ 203,311	\$ 204,854	\$ 1,543
State and federal sources	241,000	241,000	243,269	2,269
TOTAL REVENUE	<u>442,315</u>	<u>444,311</u>	<u>448,123</u>	<u>3,812</u>
EXPENDITURES:				
Assessor	41,600	35,600	33,929	1,671
Supervisor	22,500	22,500	20,508	1,992
Clerk	29,400	30,400	28,655	1,745
Treasurer	31,850	30,850	29,370	1,480
Zoning and planning	11,030	11,030	5,389	5,641
General services	29,360	31,760	67,197	(35,437)
Township board	8,100	8,627	8,629	(2)
Town Hall	14,200	12,200	9,192	3,008
Other activities	120,150	112,650	116,617	(3,967)
Recreation	14,300	73,000	24,114	48,886
Motor vehicle pool	24,600	19,600	13,632	5,968
Constable	3,050	3,350	3,309	41
Elections	1,750	7,190	4,939	2,251
Maintenance building	44,700	64,700	40,866	23,834
Roads and repairs	4,050	-	-	-
TOTAL EXPENDITURES	<u>400,640</u>	<u>463,457</u>	<u>406,346</u>	<u>57,111</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 41,675</u>	<u>\$ (19,146)</u>	41,777	<u>\$ 60,923</u>
FUND BALANCE - BEGINNING OF YEAR			<u>392,333</u>	
FUND BALANCE - END OF YEAR			<u>\$ 434,110</u>	

CHARTER TOWNSHIP OF PORTAGE
BUDGETARY COMPARISON SCHEDULE
FIRE PROTECTION FUND
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 85,970	\$ 85,970	\$ 90,574	\$ 4,604
EXPENDITURES:				
Hurontown Fire Department	45,830	63,230	64,991	(1,761)
Otter Lake Fire Department	16,200	20,700	19,011	1,689
TOTAL EXPENDITURES	62,030	83,930	84,002	(72)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 23,940</u>	<u>\$ 2,040</u>	6,572	<u>\$ 4,532</u>
FUND BALANCE - BEGINNING OF YEAR			<u>214,859</u>	
FUND BALANCE - END OF YEAR			<u>\$ 221,431</u>	

CHARTER TOWNSHIP OF PORTAGE
BUDGETARY COMPARISON SCHEDULE
CEMETERY FUND

For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final to Actual</u>
REVENUES:				
Local sources	<u>\$ 25,750</u>	<u>\$ 25,750</u>	<u>\$ 23,870</u>	<u>\$ (1,880)</u>
EXPENDITURES:				
Operating expenses	<u>61,580</u>	<u>68,030</u>	<u>69,379</u>	<u>(1,349)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(35,830)</u>	<u>(42,280)</u>	<u>(45,509)</u>	<u>(3,229)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Perpetual Care	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 4,170</u>	<u>\$ (2,280)</u>	<u>(5,509)</u>	<u>\$ (3,229)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,737</u>	
FUND BALANCE - END OF YEAR			<u>\$ (3,772)</u>	

SUPPLEMENTAL FINANCIAL INFORMATION

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENT OF EXPENDITURES
For the Year Ended December 31, 2015

EXPENDITURES:

ASSESSOR:

Salaries	\$ 28,754
Fringe benefits	3,521
Tax supplies	1,403
Equipment & Repair	80
Travel expense	116
Miscellaneous	<u>55</u>
Total assessor	<u>33,929</u>

SUPERVISOR:

Salaries	20,225
Supplies	1
Travel expenses	183
Conferences/Workshops	<u>99</u>
Total supervisor	<u>20,508</u>

CLERK:

Salaries	25,846
Office supplies	873
Equipment	<u>1,936</u>
Total clerk	<u>28,655</u>

TREASURER:

Salaries	25,992
Supplies	1,383
Tax supplies	1,896
Conference/Workshops	<u>99</u>
Total treasurer	<u>29,370</u>

ZONING AND PLANNING:

Salaries	4,710
Supplies	185
Printing and publishing	299
Travel expenses	<u>195</u>
Total zoning and planning	<u>5,389</u>

GENERAL SERVICES:

Professional services	59,765
Supplies	395
Tower rent and expenses	1,670
Miscellaneous	<u>5,367</u>
Total general services	<u>67,197</u>

TOWNSHIP BOARD:

Salaries	7,300
Contributions	600
Conference/Workshops	<u>729</u>
Total township board	<u>8,629</u>

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENT OF EXPENDITURES (Continued)
For the Year Ended December 31, 2015

TOWN HALL:

Supplies	3,904
Utilities	4,280
Repairs and maintenance	<u>1,008</u>
Total town hall	<u>9,192</u>

OTHER ACTIVITIES:

Salaries	14,491
Payroll taxes	19,430
Employee benefits	39,544
Printing and publishing	941
Insurance	15,807
Board of review	1,245
Street lights	22,735
Miscellaneous	<u>2,424</u>
Total other activities	<u>116,617</u>

RECREATION:

Salaries	12,118
Supplies	4,636
Utilities	2,562
Repairs and maintenance	<u>4,798</u>
Total recreation	<u>24,114</u>

MOTOR VEHICLE POOL:

Salaries	3,252
Supplies	220
Repairs and maintenance	757
Fuel	<u>9,403</u>
Total motor vehicle pool	<u>13,632</u>

CONSTABLE:

Salaries	3,036
Insurance	<u>273</u>
Total constable	<u>3,309</u>

ELECTIONS:

Salaries	2,906
Supplies	1,609
Printing and publishing	178
Travel	171
Miscellaneous	35
Contract labor	<u>40</u>
Total elections	<u>4,939</u>

MAINTENANCE BUILDING:

Salaries	24,241
Supplies	6,032

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENT OF EXPENDITURES (Continued)
For the Year Ended December 31, 2015

Utilities	4,309
Repairs and maintenance	562
Capital outlay	4,792
Miscellaneous	<u>930</u>
Total maintenance building	<u>40,866</u>
 TOTAL EXPENDITURES	 <u><u>\$ 406,346</u></u>

CHARTER TOWNSHIP OF PORTAGE
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
December 31, 2015

	<u>Fire</u> <u>Protection</u>	<u>Cemetery</u> <u>Operating</u>	<u>Liquor Law</u> <u>Enforcement</u>	<u>Total</u>
ASSET AND OTHER DEBITS:				
Cash	\$ 259,921	\$ 5,620	\$ 99	\$ 265,640
Due from fiduciary funds	<u>5,096</u>	<u>-</u>	<u>-</u>	<u>5,096</u>
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 265,017</u>	<u>\$ 5,620</u>	<u>\$ 99</u>	<u>\$ 270,736</u>
LIABILITIES:				
Accounts payable	\$ 491	\$ -	\$ -	\$ 491
Due to other funds	-	9,392	-	9,392
Deferred revenue	<u>43,095</u>	<u>-</u>	<u>-</u>	<u>43,095</u>
TOTAL LIABILITIES	<u>43,586</u>	<u>9,392</u>	<u>-</u>	<u>52,978</u>
FUND EQUITY				
Nonspendable:				
Restricted	<u>221,431</u>	<u>(3,772)</u>	<u>99</u>	<u>217,758</u>
TOTAL FUND EQUITY	<u>221,431</u>	<u>(3,772)</u>	<u>99</u>	<u>217,758</u>
TOTAL LIABILITIES, FUND EQUITY	<u>\$ 265,017</u>	<u>\$ 5,620</u>	<u>\$ 99</u>	<u>\$ 270,736</u>

CHARTER TOWNSHIP OF PORTAGE
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2015

	Fire Protection	Cemetery Operating	Liquor Law Fund	Total
REVENUES:				
Taxes	\$ 89,970	\$ -	\$ -	\$ 89,970
State	-	-	2,130	2,130
Charges for services	-	20,770	-	20,770
Interest	154	-	-	154
Other	450	3,100	-	3,550
TOTAL REVENUES	90,574	23,870	2,130	116,574
EXPENDITURES:				
Salaries	4,640	41,026	1,944	47,610
Payroll taxes	88	6,270	136	6,494
Employee benefits	-	2,031	-	2,031
Contract labor	100	700	-	800
Supplies	9,606	5,049	-	14,655
Utilities	10,989	2,941	-	13,930
Insurance	7,341	4,577	67	11,985
Professional services	-	2,528	-	2,528
Education	3,854	-	-	3,854
Printing & publishing	-	173	-	173
Repairs and maintenance	-	1,309	-	1,309
Fuel	1,328	911	-	2,239
Interest payments	916	-	-	916
Principal payments	33,626	-	-	33,626
Capital outlay	7,803	-	-	7,803
Miscellaneous	3,711	1,864	-	5,575
TOTAL EXPENDITURES	84,002	69,379	2,147	155,528
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,572	(45,509)	(17)	(38,954)
OTHER FINANCING SOURCES:				
Transfer from general fund	-	40,000	-	40,000
TOTAL OTHER FINANCING SOURCES	-	40,000	-	40,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	6,572	(5,509)	(17)	1,046
FUND BALANCE, BEGINNING OF YEAR	214,859	1,737	116	216,712
FUND BALANCE, END OF YEAR	\$ 221,431	\$ (3,772)	\$ 99	\$ 217,758

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS
December 31, 2015

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Total
ASSET AND OTHER DEBITS:						
Current Assets:						
Cash	\$ 13,452	\$ 1,689	\$ 546	\$ 6,149	\$ 158,131	\$ 179,967
Account receivables	3,965	509	3,070	128	435	8,107
Inventory	12,648	-	43,732	-	-	56,380
Due from other funds	-	-	484	-	-	484
Due from fiduciary fund	-	31	-	-	-	31
Total current assets	<u>30,065</u>	<u>2,229</u>	<u>47,832</u>	<u>6,277</u>	<u>158,566</u>	<u>244,969</u>
Restricted cash	<u>42,314</u>	<u>22,494</u>	<u>72,759</u>	<u>69,488</u>	<u>-</u>	<u>207,055</u>
Fixed Assets	2,664,464	945,874	2,344,999	691,981	163,154	6,810,472
Accumulated depreciation	<u>(1,333,589)</u>	<u>(93,760)</u>	<u>(1,136,444)</u>	<u>(258,081)</u>	<u>(55,097)</u>	<u>(2,876,971)</u>
Total general fixed assets	<u>1,330,875</u>	<u>852,114</u>	<u>1,208,555</u>	<u>433,900</u>	<u>108,057</u>	<u>3,933,501</u>
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 1,403,254</u>	<u>\$ 876,837</u>	<u>\$ 1,329,146</u>	<u>\$ 509,665</u>	<u>\$ 266,623</u>	<u>\$ 4,385,525</u>
LIABILITIES:						
Current Liabilities:						
Accounts payable	\$ 1,360	\$ 1,042	\$ 3,993	\$ -	\$ 1,875	\$ 8,270
Due to other funds	38,177	9,846	30,478	3,440	6,165	88,106
Current maturities - bonds	5,000	4,000	45,000	3,000	-	57,000
User deposits	-	-	170	-	-	170
Accrued expenses	597	141	924	147	65	1,874
Total current liabilities	<u>45,134</u>	<u>15,029</u>	<u>80,565</u>	<u>6,587</u>	<u>8,105</u>	<u>155,420</u>
Long-term liabilities:						
Bonds payable	<u>311,000</u>	<u>233,000</u>	<u>625,000</u>	<u>150,000</u>	<u>-</u>	<u>1,319,000</u>
Total long-term liabilities	<u>311,000</u>	<u>233,000</u>	<u>625,000</u>	<u>150,000</u>	<u>-</u>	<u>1,319,000</u>
TOTAL LIABILITIES	<u>356,134</u>	<u>248,029</u>	<u>705,565</u>	<u>156,587</u>	<u>8,105</u>	<u>1,474,420</u>
FUND EQUITY AND OTHER CREDITS:						
Retained earnings	<u>1,047,120</u>	<u>628,808</u>	<u>623,581</u>	<u>353,078</u>	<u>258,518</u>	<u>2,911,105</u>
TOTAL FUND EQUITY	<u>1,047,120</u>	<u>628,808</u>	<u>623,581</u>	<u>353,078</u>	<u>258,518</u>	<u>2,911,105</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 1,403,254</u>	<u>\$ 876,837</u>	<u>\$ 1,329,146</u>	<u>\$ 509,665</u>	<u>\$ 266,623</u>	<u>\$ 4,385,525</u>

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
For the Year Ended December 31, 2015

	Portage Sewer	Dakota Heights Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Total
OPERATING REVENUE						
Charges for services	\$ 173,244	\$ 38,928	\$ 162,612	\$ 25,124	\$ 40,568	\$ 440,476
Parts, meters, hook-up fees	3,305	292	4,627	1,379	558	10,161
Other	-	6	1,126	155	-	1,287
TOTAL OPERATING REVENUE	<u>176,549</u>	<u>39,226</u>	<u>168,365</u>	<u>26,658</u>	<u>41,126</u>	<u>451,924</u>
EXPENSES:						
Salaries	14,130	2,761	21,560	2,427	1,810	42,688
Payroll taxes	2,128	416	3,174	365	274	6,357
Employee benefits	4,096	588	7,832	551	651	13,718
Supplies	1,350	172	8,818	1,641	2,411	14,392
Utilities	6,730	2,122	-	-	-	8,852
Insurance	1,983	191	3,473	252	252	6,151
Repairs and maintenance	1,916	-	-	-	-	1,916
Professional services	21,225	110	2,360	895	110	24,700
Printing and publishing	163	163	510	510	510	1,856
Membership and dues	-	-	405	-	-	405
Depreciation	70,426	24,885	59,162	18,576	5,729	178,778
Purchase services	114,750	12,316	47,620	2,955	26,385	204,026
Miscellaneous	4	-	431	2	133	570
TOTAL EXPENSES	<u>238,901</u>	<u>43,724</u>	<u>155,345</u>	<u>28,174</u>	<u>38,265</u>	<u>504,409</u>
OPERATING INCOME(LOSS)	(62,352)	(4,498)	13,020	(1,516)	2,861	(52,485)
NON-OPERATING REVENUES (EXPENSES):						
Interest income	-	-	103	79	962	1,144
Interest expense	(7,624)	(6,025)	(29,540)	(7,020)	-	(50,209)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(7,624)</u>	<u>(6,025)</u>	<u>(29,437)</u>	<u>(6,941)</u>	<u>962</u>	<u>(49,065)</u>
NET INCOME (LOSS)	(69,976)	(10,523)	(16,417)	(8,457)	3,823	(101,550)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>1,117,096</u>	<u>639,331</u>	<u>639,998</u>	<u>361,535</u>	<u>254,695</u>	<u>3,012,655</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 1,047,120</u>	<u>\$ 628,808</u>	<u>\$ 623,581</u>	<u>\$ 353,078</u>	<u>\$ 258,518</u>	<u>\$ 2,911,105</u>

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2015

	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)	\$ (62,352)	\$ (4,498)	\$ 13,020	\$ (1,516)	\$ 2,861	\$ (52,485)
Adjustments to Reconcile Operating						
Income to Net Cash Provided by Operating Activities:						
Depreciation	70,426	24,885	59,162	18,576	5,729	178,778
(Increase) Decrease in accounts receivable	1,366	(14)	1,132	271	(434)	2,321
(Increase) Decrease in inventory	-	-	(391)	-	-	(391)
(Increase) Decrease in due from other funds	-	(31)	(484)	-	-	(515)
Increase (Decrease) in accounts payable	1,360	1,042	3,993	-	1,702	8,097
Increase (Decrease) in due to other funds	20,305	206	9,279	185	623	30,598
Increase (Decrease) in accrued expenses	204	80	160	54	(4)	494
Increase (Decrease) in deferred revenue	-	-	(2,244)	-	-	(2,244)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>31,309</u>	<u>21,670</u>	<u>83,627</u>	<u>17,570</u>	<u>10,477</u>	<u>164,653</u>
CASH FLOWS FROM CAPITAL AND RELATED						
FINANCING ACTIVITIES						
Reductions of long-term debt	(5,000)	(4,000)	(44,000)	(3,000)	-	(56,000)
Capital lease payments	(3,004)	(96)	(7,639)	(1,430)	(2,452)	(14,621)
Interest paid on long-term debt	<u>(7,624)</u>	<u>(6,025)</u>	<u>(29,540)</u>	<u>(7,020)</u>	<u>-</u>	<u>(50,209)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED						
FINANCING ACTIVITIES	<u>(15,628)</u>	<u>(10,121)</u>	<u>(81,179)</u>	<u>(11,450)</u>	<u>(2,452)</u>	<u>(120,830)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments and deposits	-	-	103	79	962	1,144
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>103</u>	<u>79</u>	<u>962</u>	<u>1,144</u>
NET INCREASE (DECREASE) IN CASH						
AND RESTRICTED CASH	15,681	11,549	2,551	6,199	8,987	44,967
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>40,085</u>	<u>12,634</u>	<u>70,754</u>	<u>69,438</u>	<u>149,144</u>	<u>342,055</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 55,766</u>	<u>\$ 24,183</u>	<u>\$ 73,305</u>	<u>\$ 75,637</u>	<u>\$ 158,131</u>	<u>\$ 387,022</u>

COMMUNICATIONS

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC
310 Sheldon Avenue, Houghton, Michigan 49931
906.482.6601 906.482.9046 fax www.rukkilanegro.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Portage for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 14, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Township of Portage are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2015. We noted no transactions entered into by the Charter Township of Portage during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 4, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the budgetary comparison schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on RSI.

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

Restriction on Use

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

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

We appreciate your business, thank you.

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

May 4, 2016

CHARTER TOWNSHIP OF PORTAGE
COMMENTS AND RECOMMENDATIONS

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

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

2015-1 ENTERPRISE FUNDS

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

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

2015-2 BUDGET

The Uniform Budgeting Act requires entities to approve an operating budget prior to the beginning of the year and that all amendments to the budget made throughout the year are approved. Townships shall not incur expenditures in excess of the amount appropriated. The approved budgets of these funds were adopted on an activity and/or program level.

- During the year ended December 31, 2015, the Township incurred expenditures which were in excess of the amounts appropriated as shown within the required supplemental financial information.
- The final budget for the Cemetery Operating Fund was improperly prepared and approved. The Cemetery Operating Fund's beginning fund balance at January 1, 2015 was \$1,737. The Township final budget of \$65,750 for revenue and \$68,030 for expenditures exceed the available fund balance by \$2,280.

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

We recommend that the Township review the provisions of Public Act 2 of 1968, as amended, to determine proper compliance procedures.