

**CITY OF PORTAGE
FINANCIAL STATEMENTS
DECEMBER 31, 2013
(AUDITED)**

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

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DECEMBER 31, 2013**

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FINANCIAL SECTION

MILLER, BRUSSELL, EBBEN AND GLAESKE LLC

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 585

PORTAGE, WISCONSIN

53901

INDEPENDENT AUDITOR'S REPORT

Council Members
City of Portage
Portage, Wisconsin

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 City of Portage (the "City"), Wisconsin, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Portage as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1. N. to the financial statements, the City adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2013. Our opinions are not modified with respect to this matter.

As described in Note 18, the City restated their debt service fund balance and net position of governmental activities to correct the escrow cash and take it off the books. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 41 through 46 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 assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The financial information listed in the table of contents as other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

These supplemental comparative statements and the schedule of expenditures of federal and state awards 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 supplemental information and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Miller, Brussell, Ebben and Glaeske LLC

Portage, Wisconsin
August 13, 2014

BASIC FINANCIAL STATEMENTS

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and investments	\$ 8,044,602	\$ 3,962,275	\$ 12,006,877
Receivables			
Accounts	1,795,569	321,239	2,116,808
Special assessments	33,930		33,930
Other receivables	118,787		118,787
Due from other funds	5,308,279	129,161	5,437,440
Due from other governments	1,735		1,735
Prepaid expenses	22,576	10,925	33,501
Inventories		41,090	41,090
Advances to other funds	78,787		78,787
Total Current Assets	<u>15,404,265</u>	<u>4,464,690</u>	<u>19,868,955</u>
Restricted Assets			
Cash		159,728	159,728
Accrued interest		3,235	3,235
Total Restricted Assets	<u>0</u>	<u>162,963</u>	<u>162,963</u>
Noncurrent Assets			
Other assets and deferred charges		46,212	46,212
Land	2,257,864	500,618	2,758,482
Site improvements	1,578,800		1,578,800
Buildings and building improvements	12,695,955	16,858,291	29,554,246
Furniture and equipment	7,329,880	26,299,593	33,629,473
Infrastructure	29,501,179		29,501,179
Less accumulated depreciation	<u>(26,530,759)</u>	<u>(22,267,896)</u>	<u>(48,798,655)</u>
Net Noncurrent Assets	<u>26,832,919</u>	<u>21,436,818</u>	<u>48,269,737</u>
TOTAL ASSETS	<u>\$ 42,237,184</u>	<u>\$ 26,064,471</u>	<u>\$ 68,301,655</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 264,355	\$ 33,381	\$ 297,736
Accrued liabilities	332,696	444,841	777,537
Accrued interest payable	127,986		127,986
Accrued vacation and sick pay		159,853	159,853
Due to other funds	87,118	209,865	296,983
Due to other governments	1,317,724		1,317,724
Unearned revenue	1,488,334	5,000	1,493,334
Current portion of long-term liabilities	738,190	783,931	1,522,121
Total Current Liabilities	<u>4,356,403</u>	<u>1,636,871</u>	<u>5,993,274</u>
Long-Term Liabilities			
Advance from other funds		78,787	78,787
Long-term obligations	10,460,735	9,709,052	20,169,787
Less unamortized bond discounts/premiums	22,505	(55,910)	(33,405)
Less current portion	<u>(738,190)</u>	<u>(783,931)</u>	<u>(1,522,121)</u>
Net Long-Term Liabilities	<u>9,745,050</u>	<u>8,947,998</u>	<u>18,693,048</u>
Total Liabilities	<u>14,101,453</u>	<u>10,584,869</u>	<u>24,686,322</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes	<u>5,083,327</u>	<u>41,648</u>	<u>5,124,975</u>
NET POSITION			
Net investment in capital assets	17,462,919	11,757,557	29,220,476
Restricted	3,026,276	162,963	3,189,239
Unrestricted (deficit)	2,563,209	3,517,434	6,080,643
Total Net Position	<u>23,052,404</u>	<u>15,437,954</u>	<u>38,490,358</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 42,237,184</u>	<u>\$ 26,064,471</u>	<u>\$ 68,301,655</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General government	\$ 1,396,209	\$ 98,966	\$ 276,221	\$ (1,021,022)	\$ 0	\$ (1,021,022)
Public safety	4,315,044	372,933	24,584	(3,917,527)		(3,917,527)
Public works	2,125,091	36,073	1,143,395	(945,623)		(945,623)
Parks and recreation	749,292	71,698	66,975	(610,619)		(610,619)
Conservation and development	520,739	329,214	404	(191,121)		(191,121)
Education	721,827	201,604		(520,223)		(520,223)
Capital outlay	173,363			(173,363)		(173,363)
Debt Service						
Interest	127,001			(127,001)		(127,001)
Total Governmental Activities	10,128,566	1,110,488	1,511,579	(7,506,499)	0	(7,506,499)
Business-Type Activities						
Water utilities	1,863,881	1,919,597			55,716	55,716
Sewer utilities	1,798,759	1,947,731			148,972	148,972
Total Business-Type Activities	3,662,640	3,867,328	0	0	204,688	204,688
TOTALS	\$ 13,791,206	\$ 4,977,816	\$ 1,511,579	(7,506,499)	204,688	(7,301,811)
General Revenues						
Property taxes						
General purpose				4,101,780		4,101,780
Debt services				624,272		624,272
Special revenue				722,597		722,597
State and federal aids not restricted to specific functions						
General				1,655,184		1,655,184
Other				148,987		148,987
Interest and investment earnings				157,806	39,194	197,000
Miscellaneous				221,087		221,087
Gain/loss on sale of fixed assets				(1,378)	180	(1,198)
Total General Revenues				7,630,335	39,374	7,669,709
Change in Net Position				123,836	244,062	367,898
NET POSITION - Beginning of Year (Restated)				22,928,568	15,193,892	38,122,460
NET POSITION - END OF YEAR				\$ 23,052,404	\$ 15,437,954	\$ 38,490,358

FUND FINANCIAL STATEMENTS

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2013

	General Fund	Capital Project Fund	Vehicle Equip. Replac. Fund	Debt Service Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 2,134,296	\$ 1,927,006	\$ 2,684,504	\$ 0	\$ 6,131	\$ 1,292,665	\$ 8,044,602
Receivables							
Accounts	165,785	340	61,579		1,277,671	290,194	1,795,569
Special assessments		986				32,944	33,930
Other receivables	118,787						118,787
Due from other funds	4,769,073	143,989	612	814,713		1,225,722	6,954,109
Due from other governments	1,735						1,735
Prepaid items	18,347					4,229	22,576
Advance to other funds	602,367						602,367
TOTAL ASSETS	\$ 7,810,390	\$ 2,072,321	\$ 2,746,695	\$ 814,713	\$ 1,283,802	\$ 2,845,754	\$ 17,573,675
LIABILITIES							
Accounts payable	\$ 123,728	\$ 75,635	\$ 84	\$ 0	\$ 3	\$ 64,905	\$ 264,355
Accrued liabilities	332,696						332,696
Unearned revenue	6,684	17,564			1,277,671	220,345	1,522,264
Due to other funds	3,246	585,470		143,741		1,000,491	1,732,948
Due to other governments			1,317,724				1,317,724
Advance from other funds						523,580	523,580
Total Liabilities	466,354	678,669	1,317,808	143,741	1,277,674	1,809,321	5,693,567
DEFERRED INFLOWS OF RESOURCES							
Property taxes	3,705,746	19,019	0	668,312	0	690,250	5,083,327
FUND BALANCES							
Nonspendable	18,347					4,229	22,576
Restricted		1,374,633	1,428,887	2,660	6,128	341,954	3,154,262
Assigned	13,120						13,120
Unassigned	3,606,823						3,606,823
Total Fund Balances	3,638,290	1,374,633	1,428,887	2,660	6,128	346,183	6,796,781
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 7,810,390	\$ 2,072,321	\$ 2,746,695	\$ 814,713	\$ 1,283,802	\$ 2,845,754	\$ 17,573,675

See Accompanying Notes to the Basic Financial Statements

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

Total Fund Balance - Total Governmental Funds	\$ 6,796,781
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$53,363,678, net of accumulated depreciation of (\$26,530,759), are not financial resources and, therefore are not reported in the funds. See Note 3 for additional detail.	26,832,919
Deferred revenue from special assessments is reported in the funds	33,930
Accrued interest payable is not due and payable in the current period and is not reported in the funds.	(127,986)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(10,460,735)
Bond premiums are not due and payable in the current period and are not reported in the funds.	<u>(22,505)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 23,052,404</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General Fund	Capital Project Fund	Vehicle Equip. Replac. Fund	Debt Service Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 4,101,780	\$ 0	\$ 0	\$ 624,272	\$ 0	\$ 722,597	\$ 5,448,649
Intergovernmental	2,718,127	13,816			92,579	761,077	3,585,599
Licenses and permits	188,962						188,962
Fines, forfeitures and penalties	148,872					194,480	148,872
Public charges for services	104,171		3,292		71,343	57,005	298,651
Special assessments		22,953				181,484	279,072
Commercial	159,811					9,695	169,506
Miscellaneous revenues		36,769	3,292		163,922	1,926,338	10,176,316
Total Revenues	<u>7,421,723</u>	<u>36,769</u>	<u>3,292</u>	<u>624,272</u>	<u>163,922</u>	<u>1,926,338</u>	<u>10,176,316</u>
EXPENDITURES							
Current							
General government	957,647					258,282	1,215,929
Public safety	3,752,236					5,645	3,757,881
Public works	1,850,697						1,850,697
Parks and recreation	590,552					61,991	652,543
Conservation and development		1,008,896	338,733		225,087	228,414	453,501
Education						628,624	628,624
Capital outlay						1,638,287	2,985,916
Debt service							
Principal				1,415,104			1,415,104
Interest				537,130			537,130
Total Expenditures	<u>7,151,132</u>	<u>1,008,896</u>	<u>338,733</u>	<u>1,952,234</u>	<u>225,087</u>	<u>2,821,243</u>	<u>13,497,325</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>270,591</u>	<u>(972,127)</u>	<u>(335,441)</u>	<u>(1,327,962)</u>	<u>(61,165)</u>	<u>(894,905)</u>	<u>(3,321,009)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of property		101,077					101,077
Operating transfers in	(186,801)	(540,000)	186,801	1,471,787		510,000	2,168,588
Operating transfers out	(186,801)	(438,923)	186,801	1,471,787	0	(438,527)	(1,165,328)
Net Other Financing Sources (Uses)						71,473	1,104,337
Net Change in Fund Balances	83,790	(1,411,050)	(148,640)	143,825	(61,165)	(823,432)	(2,216,672)
FUND BALANCES - Beginning of Year (Restated)	<u>3,554,500</u>	<u>2,785,683</u>	<u>1,577,527</u>	<u>(141,165)</u>	<u>67,293</u>	<u>1,169,615</u>	<u>9,013,453</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,638,290</u>	<u>\$ 1,374,633</u>	<u>\$ 1,428,887</u>	<u>\$ 2,660</u>	<u>\$ 6,128</u>	<u>\$ 346,183</u>	<u>\$ 6,796,781</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ (2,216,672)
 Amounts reported for governmental activities in the statement of net activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. There was an adjustment to the fixed assets during the current period which increased the fixed assets from prior year.	29,521
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,261,867) exceeded capital outlays \$2,783,032 in the current period.	1,521,165
Governmental funds report capital disposals as revenue for the amount received. However, in the statement of activities the gain or loss on the disposal of capital assets is recorded. This is the amount by which the cost exceeded the accumulated depreciation for the life of the assets.	(1,378)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in government funds.	24,452
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of principal repayments of debt.	797,521
Bond premium is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, bond premium is not reported as an expenditure in government funds.	34,673
Special assessments are recognized in the government funds when received, therefore this is the amount of difference recognizing the income when earned for the statement of net position.	(58,286)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net increase in compensated absences	(7,160)
Change in Net Position of Governmental Activities	\$ <u>123,836</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2013

	Sewer Utility	Water Utility	Total
ASSETS			
Current Assets			
Cash and investments	\$ 2,814,620	\$ 1,147,655	\$ 3,962,275
Accounts receivable customers	6,739	314,500	321,239
Due from other funds		129,161	129,161
Prepaid expenses	10,925		10,925
Inventories		41,090	41,090
Total Current Assets	2,832,284	1,632,406	4,464,690
Restricted Assets			
Cash	159,728		159,728
Accrued interest	3,235		3,235
Total Restricted Assets	162,963	0	162,963
Noncurrent Assets			
Other assets and deferred charges	46,212		46,212
Utility plant in service	24,577,350	19,081,152	43,658,502
Less accumulated depreciation	(14,762,638)	(7,505,258)	(22,267,896)
Net Noncurrent Assets	9,860,924	11,575,894	21,436,818
TOTAL ASSETS	\$ 12,856,171	\$ 13,208,300	\$ 26,064,471
LIABILITIES			
Current liabilities			
Accounts payable	\$ 25,665	\$ 7,716	\$ 33,381
Accrued liabilities	61,314	383,527	444,841
Accrued vacation and sick pay	98,189	61,664	159,853
Due to other funds	66,570	143,295	209,865
Unearned revenue		5,000	5,000
Current portion long-term liabilities	480,203	303,728	783,931
Total Current Liabilities	731,941	904,930	1,636,871
Long-Term Liabilities			
Advance from other funds		78,787	78,787
General obligation bonds	4,344,900	3,045,000	7,389,900
Clean water fund loans	2,243,149	76,003	2,319,152
Less unamortized bond discounts	(55,910)		(55,910)
Less current portion	(480,203)	(303,728)	(783,931)
Net Long-Term Liabilities	6,051,936	2,896,062	8,947,998
Total Liabilities	6,783,877	3,800,992	10,584,869
DEFERRED INFLOWS OF RESOURCES			
Property taxes		41,648	41,648
NET POSITION			
Net investment in capital assets	3,226,663	8,530,894	11,757,557
Restricted	162,963		162,963
Unrestricted	2,682,668	834,766	3,517,434
Total Net Position	6,072,294	9,365,660	15,437,954
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 12,856,171	\$ 13,208,300	\$ 26,064,471

See Accompanying Notes to the Basic Financial Statements

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Sewer Utility	Water Utility	Total
REVENUES			
Charges for services	\$ 1,826,778	\$ 1,900,883	\$ 3,727,661
Miscellaneous	120,953	18,714	139,667
Total Revenues	<u>1,947,731</u>	<u>1,919,597</u>	<u>3,867,328</u>
OPERATING EXPENSES			
Salaries and wages	298,379	264,444	562,823
Operating supplies	7,755	34,349	42,104
Repairs and maintenance	60,839	74,007	134,846
Office supplies	365	35,808	36,173
Employee benefits and payroll taxes	110,692	97,018	207,710
Depreciation	754,364	466,081	1,220,445
Other general expenses	71,552	70,918	142,470
Insurance	40,531	19,575	60,106
Legal and accounting	16,703	9,275	25,978
Fuel	13,684	11,666	25,350
Transportation		6,294	6,294
Chemicals	78,397	124,432	202,829
Purchased power	123,987	144,711	268,698
Tax equivalent		346,032	346,032
Contracted services	31,860	15,276	47,136
Total Operating Expenses	<u>1,609,108</u>	<u>1,719,886</u>	<u>3,328,994</u>
Operating Income/(Loss)	<u>338,623</u>	<u>199,711</u>	<u>538,334</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	38,487	707	39,194
Interest expense	(189,651)	(143,995)	(333,646)
Disposal of fixed assets	180		180
Net Non-Operating Revenues (Expenses)	<u>(150,984)</u>	<u>(143,288)</u>	<u>(294,272)</u>
Change in Net Position	187,639	56,423	244,062
Contributions in Aid of Construction	0	0	0
NET POSITION - Beginning of Year	<u>5,884,655</u>	<u>9,309,237</u>	<u>15,193,892</u>
NET POSITION - END OF YEAR	<u>\$ 6,072,294</u>	<u>\$ 9,365,660</u>	<u>\$ 15,437,954</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Sewer Utility	Water Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from user charges	\$ 1,826,777	\$ 1,941,535	\$ 3,768,312
Cash payments to employees for services	(298,418)	(262,655)	(561,073)
Cash payments for other operating expenses	(578,149)	(1,480,261)	(2,058,410)
Other operating revenues/expenses	123,012	60,168	183,180
Net Cash Provided by (Used For) Operating Activities	<u>1,073,222</u>	<u>258,787</u>	<u>1,332,009</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash payments for acquisition of capital assets	(870,840)	(518,988)	(1,389,828)
Cash payments for long-term debt	(352,677)	(264,906)	(617,583)
Cash included in restricted assets	(73,657)		(73,657)
Cash proceeds from sale of assets	180		180
Cash payments for interest expense on long-term debt	(189,651)	(151,971)	(341,622)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,486,645)</u>	<u>(935,865)</u>	<u>(2,422,510)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	38,487	707	39,194
Net Cash Provided by (Used For) Investing Activities	<u>38,487</u>	<u>707</u>	<u>39,194</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(374,936)	(676,371)	(1,051,307)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,189,556</u>	<u>1,824,026</u>	<u>5,013,582</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,814,620</u>	<u>\$ 1,147,655</u>	<u>\$ 3,962,275</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income/(loss)	\$ 338,623	\$ 199,711	\$ 538,334
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	754,364	445,320	1,199,684
Add sewer portion of depreciation		20,761	20,761
Changes in assets, liabilities, and deferred inflows			
Accounts receivable	(1)	40,652	40,651
Prepays and other assets	(45,439)	2,144	(43,295)
Inventories		2,539	2,539
Due from/to other funds	127,108	(322,184)	(195,076)
Accounts payable	(103,453)	(171,255)	(274,708)
Accrued liabilities	2,059	15,766	17,825
Accrued vacation and sick pay	(39)	1,789	1,750
Investment by municipality		(1,400)	(1,400)
Bond premium		(16,704)	(16,704)
Deferred revenue		41,648	41,648
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 1,073,222</u>	<u>\$ 258,787</u>	<u>\$ 1,332,009</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2013

	<u>Agency Funds</u>
ASSETS	
Current Assets	
Cash	\$ 3,738,933
Taxes receivable	<u>10,463,251</u>
TOTAL ASSETS	<u>\$ 14,202,184</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 8,373
Due to other funds	5,140,457
Due to other taxing districts	<u>9,053,354</u>
TOTAL LIABILITIES	<u>\$ 14,202,184</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Portage (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below.

A. Reporting Entity

The City of Portage is a municipal corporation governed by an elected Mayor/Council form of government.

The City's major operations include public safety, fire protection, street maintenance, health services, parks and recreation, general administrative services, and water and sewer utility operations.

The reporting entity for the City is based upon criteria set forth by the Governmental Accounting Standards Board. All functions of the City for which it exercises oversight responsibility are included. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report does not contain any component units.

B. Basis of Presentation

Government-Wide Statements

The statement of net position and the statement of activities present financial information about the City's governmental and business-type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for business-type activities and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Government-Wide Statements (Continued)

and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as other governmental funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General fund is the City's primary operating fund. It accounts for all financial activity that is not required to be accounted for in another fund.

Capital project fund and vehicle equipment replacement fund are used to account for funds received and expended for purchases of land, construction, renovation, expansion, and major improvements of streets and other city facilities.

Debt service fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the debt service fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Community development block grant fund is a program provided for ensuring the community's ability to conserve, rehabilitate and improve residential properties occupied by low-to-moderate income residents of the City.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the statements of net position. The City has presented the following major proprietary fund:

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Water and Sewer Fund

Water and sewer fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided. In addition to property taxes for the municipality, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

governmental units billed in the current year for the succeeding year are reflected as deferred revenues and due to other taxing units on the accompanying balance sheet. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar - 2013 tax roll:

Lien date and levy date	December 2013
Tax bills mailed	December 2013
Payment in full, or	January 31, 2014
First installment due	January 31, 2014
Second installment due	July 31, 2014
Personal property taxes in full	January 31, 2014
Tax sale - 2012 delinquent real estate taxes	October 2016

D. Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments. For purposes of the combined statements of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

E. Receivables

General accounts receivable have been adjusted for all known uncollectible accounts. No allowance is necessary at year end. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made in the accompanying Proprietary Fund financial statements because the water and sewer utilities have the right by law to place delinquent bills on the tax roll.

F. Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

G. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Inventories were considered not material to the financial statements; therefore no inventories are recorded at year end. Prepaid items represent payments made by the City for which benefits extend beyond year end.

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$1,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 years
Water and sewer system	30-50 years
Infrastructure	20-35 years
Furniture and equipment	5-20 years
Improvements	20 years
Library books	10 years
Computer and related hardware	5 years

I. Advances

Advances to and advances from governmental funds represent noncurrent portions of interfund receivables and payables. The governmental fund making the advance establishes a fund balance reserve equal to the amount of the advance.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation is attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees based on their contracts with more than one year of service.

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences (Continued)

Vacation - The City of Portage employees are granted vacation in varying amounts, based on length of service. Vacation leave earned in the preceding year must be used within one year of the employee's anniversary date.

The City's policy allows employees to earn varying amounts of sick pay each year employed. The City does not have a limit on sick leave.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources and, therefore, the liability is not reported.

Retirement Plans - City employees participate in the Wisconsin Retirement System. All contributions made by the City on behalf of its employees are reported as expenditures when paid.

L. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental fund types. If they are not to be liquidated with expendable available financial resources, a liability is recorded in the statement of net position. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the proprietary fund types as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

N. Deferred Outflows/Inflows

Deferred Outflows of Resources: The City reports decreases in net assets and fund balances that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statement of net position and governmental funds balance sheet. There were no deferred outflows of resources reported in this year's financial statements.

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows/Inflows (Continued)

Deferred Inflows of Resources: The City's government-wide and governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets and fund balance that relates to a future period. The City has only one type of item that qualifies for reporting in this category. Accordingly deferred property taxes are reported in the government-wide statement of net position and in the governmental funds balance sheet as a deferred inflow of resources since the property taxes are levied for use in the subsequent year.

O. Contributions in Aid of Construction - Proprietary Funds

Contributions in aid of construction represent amounts received from customers for construction and the value of property (plant) contributed to the utility. These amounts are not subject to repayment.

P. Economic Development and Housing Rehabilitation Loans Receivable

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed.

It is the City's policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as designated fund balance in the financial statements.

The City is limited by the Wisconsin Department of Commerce to the amount of program income from economic development loans it may retain and loan to other businesses. Program income includes the principal and interest received from economic development loan repayments. Based upon its current population, the City may retain \$500,000.

At December 31, 2013, the City has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

Q. Fund Balance Reporting

The City of Portage reports under provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. Nonspendable, such as fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Balance Reporting (Continued)

2. Restricted fund balance classification includes amounts that can be spent only for the specific purposes stipulated by constitution, external resources providers, or through enabling legislation,
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors (the City's highest level of decision-making authority),
4. Assigned fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund balance amounts are reported in conformance with generally accepted accounting principles and shall be reclassified not less than the end of each fiscal year for general purpose financial statements. The City will report inventories, prepaid expenses, long-term receivables, and amounts legally or contractually required to be maintained intact as nonspendable. The fund balance for the special revenue funds, debt service fund, and other funds established by regulatory authority will be classified as restricted.

The Board may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the Board. Commitments of fund balance, once made, can be modified only by majority vote of the Board.

The Board may authorize and direct an individual to assign fund balances for specific purposes; to the extent such assignment does not create a negative unassigned fund balance. As of December 31, 2013, the Board has not authorized any individual with the authority to assign funds.

NOTE 2 CASH AND INVESTMENTS

Investments of funds are restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association, maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, or by the University of Wisconsin Hospitals and Clinics Authority.

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investing pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories with certain conditions.

No violations of these restrictions occurred during the year.

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian. In addition, the state of Wisconsin has a State Guarantee Fund, which provides a maximum of \$400,000 per public depository above the amount provided by the FDIC. Due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available. However, since the risk that an economic event would occur of the magnitude that would deplete the funds has been assessed as minimal, this coverage has been included in computing the amounts in Category 1 below.

Investments: Wisconsin Statute 66.04(2) and 67.11(2) restrict investment of temporarily idle cash. The City has adopted an investment policy pursuant to these statutes, which allows the City to invest in time deposits, securities guaranteed by the U.S. Government, securities of the Wisconsin Local Government Pooled Investment Fund, the Wisconsin City Liquid Asset Fund and commercial paper if the security has the highest or second highest rating of a nationally recognized rating agency.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The City does not have an additional custodial credit policy.

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

The City's deposits and investments are categorized into three categories of custodial credit risk:

- Category 1 - Insured or registered which are collateralized with securities held by the City or by its agent in the City's name.
- Category 2 - Uninsured and unregistered deposits and investments, which are collateralized with securities, held by the counter party's trust department or agent in the City's name.
- Category 3 - Uncollateralized deposits and uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the City's name.

The City's cash and investment balances at December 31, 2013 were as follows:

	Category			Bank Balance	Carrying Amount
	1	2	3		
BMO Harris Bank	\$ 113,694	\$ 0	\$ 0	\$ 113,694	\$ 113,694
U.S. Bank	650,000		934,562	1,584,562	1,324,382
Bank of Wisconsin Dells	650,000	4,500,000	3,247,497	8,397,497	7,952,989
Ehlers Investment Partners	<u>2,021,737</u>			<u>2,021,737</u>	<u>2,021,737</u>
Totals	<u>\$3,435,431</u>	<u>\$4,500,000</u>	<u>\$ 4,182,059</u>	<u>\$12,117,490</u>	11,412,802
Petty cash					1,597
Morgan Stanley Smith Barney					256,199
Local government investment pool					4,234,940
Less: Cash held by fiduciary funds					<u>(3,738,933)</u>
Cash and Investments Reported on Statement of Net Position					<u>\$12,166,605</u>

The City had no significant type of investment during the year not included in the above schedule.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average investment balances. The difference between carrying amounts and bank balances is due to outstanding checks and deposits in transit.

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2013, the fair value of the LGIP's assets was substantially equal to the City's share as reported below. The investment in the LGIP is insured against defaults in principal payments by Financial Security Assurance Incorporated.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The City's investments at December 31, 2013 include the following:

	Credit Quality Rating	Credit Exposure As a Percentage of Total Investments	Maturities	Fair Value
Morgan Stanley Smith Barney	AAA	6%	2 years	\$ 256,199
Wisconsin Local Government Investment Pool	Unrated	<u>94%</u>	89 days average	<u>4,234,940</u>
Total		<u>100%</u>		<u>\$4,491,139</u>

Interest Rate Risk: The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investment Credit Risk: The City places no limit on the amount it may invest in any one issuer. At December 31, 2013, the City had no concentration of credit risk.

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 3 CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2013 were as follows:

	<u>Beginning Balance</u>	<u>Prior Years Adjustment</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities					
Land	\$ 2,257,864	\$ 0	\$ 0	\$ 0	\$ 2,257,864
Capital assets being depreciated					
Site improvements	1,514,469		64,331		1,578,800
Buildings	11,211,085		1,484,870		12,695,955
Vehicles	3,987,769	72,508	338,717	(43,000)	4,355,994
Infrastructure	28,869,754		631,425		29,501,179
Furniture and equipment	2,709,498	699	263,689		2,973,886
Total Capital Assets Being Depreciated	<u>48,292,575</u>	<u>73,207</u>	<u>2,783,032</u>	<u>(43,000)</u>	<u>51,105,814</u>
Less accumulated depreciation for					
Site improvements	(1,115,250)		(26,570)		(1,141,820)
Buildings	(4,623,383)		(213,315)		(4,836,698)
Vehicles	(2,757,150)	(43,773)	(304,174)	41,622	(3,063,475)
Infrastructure	(14,677,100)		(563,691)		(15,240,791)
Furniture and equipment	(2,093,945)	87	(154,117)		(2,247,975)
Total Accumulated Depreciation	<u>(25,266,828)</u>	<u>(43,686)</u>	<u>(1,261,867)</u>	<u>41,622</u>	<u>(26,530,759)</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>23,025,747</u>	<u>29,521</u>	<u>1,521,165</u>	<u>(1,378)</u>	<u>24,575,055</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 25,283,611</u>	<u>\$ 29,521</u>	<u>\$ 1,521,165</u>	<u>\$ (1,378)</u>	<u>\$ 26,832,919</u>
Business-Type Activities					
Land	\$ 500,618	\$ 0	\$ 0	\$ 0	\$ 500,618
Capital assets being depreciated					
Buildings	16,442,872		415,419		16,858,291
Furniture and equipment	25,365,684		974,409	(40,500)	26,299,593
Less accumulated depreciation	<u>(21,087,951)</u>		<u>(1,220,445)</u>	<u>40,500</u>	<u>(22,267,896)</u>
Total Business Type Assets Being Depreciated, Net of Accumulated Depreciation	<u>20,720,605</u>	<u>0</u>	<u>169,383</u>	<u>0</u>	<u>20,889,988</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,221,223</u>	<u>\$ 0</u>	<u>\$ 169,383</u>	<u>\$ 0</u>	<u>\$ 21,390,606</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 3 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$ 162,653
Public safety	502,686
Public works	247,565
Parks and recreation	87,290
Conservation and development	60,664
Education	<u>201,009</u>
Total Depreciation for Governmental Activities	<u>\$1,261,867</u>

NOTE 4 LONG-TERM OBLIGATIONS

Long-term obligations balances and activity for the year ended December 31, 2013 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds					
G.O. Bonds	\$ 6,060,000	\$ 0	\$ 300,000	\$ 5,760,000	\$310,000
G.O. Promissory Notes (Restated)	4,107,521		497,521	3,610,000	418,190
Total Bonds	<u>10,167,521</u>	<u>0</u>	<u>797,521</u>	<u>9,370,000</u>	<u>728,190</u>
Other Liabilities					
Vested employee benefits	1,083,575	7,160		1,090,735	10,000
Total Other Liabilities	<u>1,083,575</u>	<u>7,160</u>	<u>0</u>	<u>1,090,735</u>	<u>10,000</u>
Total Governmental Activity					
Long-Term Obligations	<u>\$11,251,096</u>	<u>\$ 7,160</u>	<u>\$ 797,521</u>	<u>\$10,460,735</u>	<u>\$739,190</u>
Business-Type Activities					
G.O. Bonds	\$2,390,000	\$ 0	\$ 15,000	\$ 2,375,000	\$ 25,000
G.O. Promissory Notes	5,310,900		296,000	5,014,900	444,410
Clean Water Fund Loans	2,625,735		306,583	2,319,152	314,521
Total Business Type Activities Long-term Obligations	<u>\$10,326,635</u>	<u>\$ 0</u>	<u>\$ 617,583</u>	<u>\$ 9,709,052</u>	<u>\$783,931</u>

Payments on bonds and loans are made by the debt service fund. Vested employee benefits will be liquidated by several of the governmental funds.

Total interest expense for the year was \$235,777 and interest and other fiscal charges paid during the year was \$260,229 for governmental activities.

The full faith, credit, and taxing powers of the City secure all general obligation debt, including business-type activities, if any. Bonds and notes payable are comprised of the following individual issues:

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

	Issue Dates	Interest Rates	Date of Maturity	Original Indebtedness	Balance 12/31/13
G.O. Refunding Bond	03/18/09	2.25-4.35%	04/01/22	810,000	\$ 720,000
G.O. Promissory Note	05/17/11	2.00-3.00%	04/01/21	1,890,000	1,770,000
G.O. Promissory Bond	04/01/12	0.55-3.50%	04/01/27	2,175,000	2,085,000
G.O. Promissory Note	08/02/12	0.50-2.00%	04/01/22	1,995,000	1,840,000
G.O. Promissory Bond	08/02/12	2.00-2.85%	04/01/29	3,130,000	<u>2,955,000</u>
Total General Obligation Debt*					<u>\$9,370,000</u>

Proprietary Funds

Clean Water Fund Loan	09/23/98	2.64%	05/01/18	4,341,108	\$ 1,340,798
G.O. Promissory Note*	11/01/04	2.75-4.45%	10/01/24	3,060,000	190,000
Clean Water Fund Loan	04/25/07	2.475%	05/01/26	121,379	76,003
Clean Water Fund Loan	03/26/08	2.365%	05/01/27	1,159,443	902,351
USDA Note	10/06/10	3.00%	10/01/50	3,645,000	3,494,900
G.O. Promissory Note*	05/17/11	2.00-3.00%	04/01/21	600,000	480,000
G.O. Promissory Note*	05/17/11	2.00-3.00%	04/01/21	850,000	850,000
G.O. Promissory Bond*	08/02/12	2.00-2.25%	04/01/23	2,390,000	<u>2,375,000</u>

Total Proprietary Funds Debt \$ 9,709,052

The legal debt limit and margin of indebtedness is set at 5% of equalized value by Wisconsin Statutes. The margin of indebtedness at December 31, 2013 is:

Equalized value certified by Wisconsin Department of Revenue for 2013 \$547,426,300

Margin of indebtedness at 5% 27,371,315

*Deduct long-term debt applicable to debt margin 13,265,000

Margin of Indebtedness \$ 14,106,315

Aggregate cash flow requirements for retirement of long-term principal and interest on bonds and notes payable as of December 31, 2013 are as follows:

	Governmental Activity Long-term Obligations		Business-Type Long-term Obligations		Total
	Principal	Interest	Principal	Interest	
2014	\$ 728,190	\$ 215,113	\$ 783,931	\$ 250,080	\$ 1,977,314
2015	809,420	201,426	762,444	226,666	1,999,956
2016	729,980	185,615	841,840	206,205	1,963,640
2017	721,680	169,760	830,410	184,762	1,906,612
2018	697,720	153,756	824,863	163,656	1,839,995
2019 and after	<u>5,683,010</u>	<u>669,680</u>	<u>5,665,564</u>	<u>1,987,053</u>	<u>14,005,307</u>
Totals	<u>\$ 9,370,000</u>	<u>\$1,595,350</u>	<u>\$9,709,052</u>	<u>\$3,018,422</u>	<u>\$23,692,824</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 5 INTERFUND BALANCES AND ACTIVITY

Interfund receivable and payable balances in the fund financial statements on December 31, 2013 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Fund	\$3,705,746
	Swimming Pool	\$ 39,024
	TIF 5	\$ 125,185
	TIF 4	\$ 680,114
	Mass Transit	\$ 17,513
	Sewer Utility	\$ 22,800
	Debt Service	\$ 143,741
	Water Utility	\$ 34,519
	School Liaison	\$ 431
Vehicle Repl.	TIF 4	\$ 612
Water Utility	Capital Project	\$ 45,470
	Sewer Utility	\$ 42,043
	Agency Fund	\$ 41,648
Library	Agency Fund	\$ 449,260
BID	Agency Fund	\$ 89,500
Debt Service	Agency Fund	\$ 668,312
	Sewer Utility	\$ 1,727
	Water Utility	\$ 108,776
	TIF 7	\$ 5,898
	Capital Project	\$ 30,000
Capital Project	General Fund	\$ 3,246
	TIF 6	\$ 121,724
	Agency Fund	\$ 19,019
Revolving Sidewalk	Agency Fund	\$ 30,729
Economic Development	Business Incubator	\$ 9,990
TIF 4	Agency Fund	\$ 14,810
TIF 5	Agency Fund	\$ 90,523
TIF 7	Agency Fund	\$ 30,910
	Capital Project	\$ 510,000

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 6 EMPLOYEE RETIREMENT PLANS

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district education support employees), and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g. teacher contracts), but expected to return year after year are considered to have met the one-year requirement.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General Employment category, including Teachers, and Executive and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2013 were:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.65%	6.65%
Executives and Elected Officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for the City employees covered by the WRS for the year ended December 31, 2013 was \$3,822,450; the employer's total payroll was \$3,949,693. The total required contribution for the year ended December 31, 2013 was \$571,428, which consisted of \$317,235, or 8.3% of payroll from the employer and \$254,193, or 6.7% of payroll from employees. Total contributions for the years ending December 31, 2012 and 2011 were \$493,121 and \$494,083, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service and (3) a formula factor. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 6 EMPLOYEE RETIREMENT PLANS (CONTINUED)

required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of the Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to:

Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931.

NOTE 7 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to providing retirement benefits, the City provides health care benefits for certain early retirement employees. The cost of providing these benefits for eligible participants aggregated \$73,484 for the year ended December 31, 2013. The balance for retired employees as of December 31, 2013 was \$165,077.

NOTE 8 RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages these risks through the purchase of various forms of commercial insurance. Certain of the commercial insurance policies have established deductible amounts whereby the district would be responsible for the portion of claims, losses, and damages under the deductible limits. All funds participate in the coverages provided by the commercial insurance carriers. Each fund would be responsible for its share of losses either below the deductible amounts or for losses exceeding the coverage limits of the commercial policies. There was no significant reduction in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage for the past three years.

NOTE 9 CONTINGENCIES AND COMMITMENTS

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material effect on the City's financial position or results of operations.

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9 CONTINGENCIES AND COMMITMENTS (CONTINUED)

The City participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for or including the year ended December 31, 2013 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 10 EXCESS OF ACTUAL EXPENDITURE OVER BUDGET

The following individual funds had an excess of actual expenditures over budget for the year ended December 31, 2013:

	Governmental Activities (Expenditures)
General Fund	\$ 74,517
Debt Service Fund	\$ 64,783
CDBG Fund	\$ 165,461
Special Revenue Funds	\$ 730,561

NOTE 11 FUND BALANCES

Portions of fund balances are nonspendable, restricted, committed, assigned, or unassigned and not available for current expenses or expenditures. Details of these fund classifications are as follows:

	Governmental Activities						Business - Type Activities
	General Fund	Capital Project Fund	Vehicle Equip. Fund	Rep. Service Fund	CDBG Fund	Other Governmental Funds	Utility Funds
Nonspendable	\$ 18,347	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,229	\$ 0
Restricted for:							
Capital project		1,374,633					
Vehicle equip.			1,428,887				
Debt service				2,660			
CDBG					6,128		
Other Sewer						341,954	162,963
Assigned	13,120						
Unassigned	<u>3,606,823</u>						
Total fund balances	<u>\$3,638,290</u>	<u>\$1,374,633</u>	<u>\$1,428,887</u>	<u>\$ 2,660</u>	<u>\$6,128</u>	<u>\$346,183</u>	<u>\$162,963</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 11 FUND BALANCES (CONTINUED)

Restricted net position balances in the government-wide statement of net position consist of the following:

Government activities:		
Capital project fund	\$1,374,633	
Vehicle equip. replacement fund	1,428,887	
Debt service fund	2,660	
CDBG fund	6,128	
Special revenue funds	126,912	
Capital project funds	<u>219,271</u>	
Total	<u>\$3,158,491</u>	
Business-type activities:		
Sewer utility	\$ 162,963	

NOTE 12 SEGMENTS OF ENTERPRISE ACTIVITIES

There are services provided by the City which are financed by user charges. The key financial data for the year ended December 31, 2013 for those services are as follows:

	Sewer	Water
Operating Revenues		
Sales	\$ 1,826,778	\$ 1,900,883
Other revenue	\$ 120,953	\$ 18,714
Operating Expenses		
Depreciation	\$ 754,364	\$ 466,081
Operating Income (Loss)	\$ 338,623	\$ 199,711
Change in net position	\$ 187,639	\$ 56,423
Capital Contributions	\$ 0	\$ 0
Total Assets	\$12,856,171	\$13,208,300
Net Working Capital (Deficit)	\$ 2,100,343	\$ 727,476
Total Liabilities	\$ 6,783,936	\$ 3,800,992
Bonds and Notes Payable	\$ 6,588,049	\$ 3,121,003
Total Net Position	\$ 6,072,294	\$ 9,365,660
Property, Plant and Equipment Additions	\$ 870,840	\$ 518,988
Deletions	\$ 0	\$ 40,500

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 13 RESTRICTED ASSETS

Mandatory segregations of assets are presented on the combined balance sheet as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is a restriction on net position.

Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.

Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

Capital Improvement - Used to report proceeds of revenue bond issuances that are restricted for use in construction.

Equipment Replacement Account - The Sewer Utility established an equipment replacement account to be used for significant mechanical equipment as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets at December 31, 2013:

Bond redemption account	\$ (309,185)
Capital improvement	468,913
Accrued interest	<u>3,235</u>
Total Restricted Assets	<u>\$ 162,963</u>

NOTE 14 FIRE PROTECTION AGREEMENT

The City has entered into an agreement with the Towns of Pacific, Caledonia, Lewiston, and Fort Winnebago to provide fire protection services. The towns are jointly responsible for the replacement of designated firefighting apparatus used by the City to provide fire/rescue services to the towns. The towns contribute a fixed sum annually to the vehicle and equipment replacement fund. The amount is based on the amortized replacement cost of firefighting apparatus owned by the towns. The towns contribute an additional amount annually to the Vehicle and Replacement Fund based on the amortized replacement cost of firefighting apparatus owned in common by the towns and the City. The towns' prorated contribution is 51% and the City is 49% of the established annual amortized replacement cost of said apparatus. Each of the four towns' annual contribution is determined on the basis of their respective percentage share of the aggregate equalized assessed valuation of the four towns and is payable to the City within the first quarter of the calendar year. The City made a payment of \$186,801 to the vehicle replacement fund for the year ending December 31, 2013.

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 15 AMBULANCE SERVICE AGREEMENT

During 1999, the City entered into an ambulance service agreement with Divine Savior Hospital and Nursing Home, Inc. The Towns of Caledonia, Fort Winnebago, Lewiston, and Pacific also have each separately entered into ambulance service agreements with the hospital. In the City's agreement with the hospital, the City is to purchase and then lease to the hospital, ambulances and related equipment necessary for the operation of the ambulance service. In order to lease the ambulances and related equipment to the hospital, the City issued General Obligation Promissory Notes in the amount of \$365,000. The City anticipates that the lease payments, should the lease run its full term, will be sufficient to pay all amounts due and owing under this borrowing.

The City is to fund the hospital for any shortfall (expenses, exceeding revenue) it experiences in providing ambulance service. The towns that have also entered into agreements have agreed to reimburse the City for their respective shares of any shortfall based on population percentages, to be adjusted annually on January 1 of each year. The City accounts for its share of the operation in the ambulance district special revenue fund.

NOTE 16 TAX INCREMENTAL DISTRICTS

This section contains the financial information of the City of Portage Tax Incremental Districts as recorded in the various funds of the City of Portage governmental activities.

The Districts were created under the provisions of Chapter 66.1105 of the Wisconsin State Statutes. The purpose of that chapter is to allow a municipality to recover development and improvement costs in a designated area from the property taxes generated on the increased valuation of the property after the creation of the district. The tax on the increased value is called a tax increment.

The statutes allow a municipality to collect tax increments until the net project costs have been fully recovered, or until 27 years after the creation date, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the City of Portage.

TAX INCREMENTAL DISTRICT NO. 3

The creation date of Tax Incremental District No. 3 was August 28, 1995. The estimated project plan costs are \$2,165,000.

ASSETS	
Cash and investments	\$66,479
TOTAL ASSETS	<u>\$66,479</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Due to other funds	\$ 0
Total Liabilities	<u>0</u>
Fund Balances Restricted	66,479
TOTAL LIABILITIES AND FUND BALANCES	<u>\$66,479</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 16 TAX INCREMENTAL DISTRICTS (CONTINUED)

TAX INCREMENTAL DISTRICT NO. 3 (CONTINUED)

	Year Ended	From Date of Creation
SOURCES OF FUNDS		
Tax increments	\$ 28,426	\$ 534,181
Intergovernmental	3	428,077
Commercial		3,353
Investment income		47
Proceeds from long-term debt		1,305,000
Miscellaneous		118,855
Transfer from other funds		148,652
Total Sources of Funds	28,429	2,538,165
USES OF FUNDS		
Capital and administrative expenditures	1,556	729,471
Principal on long-term debt	62,510	1,305,000
Interest and fiscal charges	69,385	437,215
Total Uses of Funds	133,451	2,471,686
Excess (Deficiency) of Sources of Funds Over Uses of Funds	(105,022)	66,479
FUND BALANCE - Beginning of Year	171,501	0
FUND BALANCE - END OF YEAR	\$ 66,479	\$ 66,479

TAX INCREMENTAL DISTRICT NO. 4

Tax Incremental District No. 4 was created on August 13, 2003. No amendments have been made. The project plan estimate of capital expenditures is as follows:

Land Acquisition	\$1,200,000
Water System Improvements	425,000
Sanitary Sewer System Improvements	385,000
Road Improvements	870,000
Storm Water Management and Mass Grading	400,000
Railroad Spur	200,000
Other Development Incentives	250,000
Administration/Organization	62,500
Total Capital Expenditures	\$3,792,500

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 16 TAX INCREMENTAL DISTRICTS (CONTINUED)

TAX INCREMENTAL DISTRICT NO. 4 (CONTINUED)

ASSETS	
Cash and investments	\$ 0
Due from other funds	<u>14,810</u>
TOTAL ASSETS	<u>\$ 14,810</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Due to other funds	\$680,726
Deferred revenue	<u>14,810</u>
Total Liabilities	<u>695,536</u>
Fund Balances Restricted	<u>(680,726)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,810</u>

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Tax increments	\$ 15,246	\$ 37,127
Intergovernmental		1,520,420
Proceeds from long-term debt		2,102,500
Miscellaneous		<u>20,551</u>
Total Sources of Funds	<u>15,246</u>	<u>3,680,598</u>
USES OF FUNDS		
Capital and administrative expenditures	17,168	3,263,233
Principal on long-term debt	68,300	410,000
Interest and fiscal charges	<u>46,005</u>	<u>688,091</u>
Total Uses of Funds	<u>131,473</u>	<u>4,361,324</u>
Excess (Deficiency) of Sources of Funds Over Uses of Funds	<u>(116,227)</u>	<u>(680,726)</u>
FUND BALANCE - Beginning of Year	<u>(564,499)</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ (680,726)</u>	<u>\$ (680,726)</u>

TAX INCREMENTAL DISTRICT NO. 5

The creation date of Tax Incremental District No. 5 was January 12, 2004. The project plan estimate of capital expenditures is as follows:

Portage Highlands Demolition and Site Preparation	\$1,545,000
Construction of Condominium Units	<u>404,000</u>
Total Capital Expenditures	<u>\$1,949,000</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 16 TAX INCREMENTAL DISTRICTS (CONTINUED)

TAX INCREMENTAL DISTRICT NO. 5 (CONTINUED)

ASSETS	
Cash and investments	\$ 0
Due from other funds	<u>90,523</u>
TOTAL ASSETS	<u>\$ 90,523</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Due to other funds	\$131,083
Deferred revenue	<u>90,523</u>
Total Liabilities	<u>221,606</u>
Fund Balances Restricted	<u>(131,083)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 90,523</u>

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Tax increments	\$ 104,221	\$ 918,837
Intergovernmental		9,363
Investment income		1,928
Proceeds from long-term debt		3,590,000
Miscellaneous		<u>2,372</u>
Total Sources of Funds	<u>104,221</u>	<u>4,522,500</u>
USES OF FUNDS		
Capital and administrative expenditures	1,689	1,908,922
Principal on long-term debt	150,000	2,112,206
Interest and fiscal charges	<u>9,442</u>	<u>632,455</u>
Total Uses of Funds	<u>161,131</u>	<u>4,653,583</u>
Excess (Deficiency) of Sources of Funds Over Uses of Funds	<u>(56,910)</u>	<u>(131,083)</u>
FUND BALANCE - Beginning of Year	<u>(74,173)</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ (131,083)</u>	<u>\$ (131,083)</u>

TAX INCREMENTAL DISTRICT NO. 6

The creation date of Tax Incremental District No. 6 was April 28, 2008. No amendments have been made. The project costs are expected to be recovered by 2030 which is 5 years earlier than the 27 year max life. The project plan estimate of capital expenditures is as follows:

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 16 TAX INCREMENTAL DISTRICTS (CONTINUED)

TAX INCREMENTAL DISTRICT NO. 6 (CONTINUED)

Cook Street Reconstruction	\$ 750,000
Unspecified Development Assistance	2,300,000
Market Square Parking	200,000
Canal Rehabilitation	<u>750,000</u>
Total Capital Expenditures	\$4,000,000

ASSETS

Cash and investments	\$ <u>23,465</u>
TOTAL ASSETS	<u>\$ 23,465</u>

LIABILITIES AND FUND BALANCES

Liabilities	
Due to other funds	\$ <u>121,724</u>
Total Liabilities	<u>121,724</u>

Fund Balances

Restricted	<u>(98,259)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 23,465</u>

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Intergovernmental	\$ <u>37,576</u>	\$ <u>43,034</u>
Total Sources of Funds	<u>37,576</u>	<u>43,034</u>
USES OF FUNDS		
Capital and administrative expenditures	<u>124,411</u>	<u>141,293</u>
Total Uses of Funds	<u>124,411</u>	<u>141,293</u>
Excess (Deficiency) of Sources of Funds Over Uses of Funds	<u>(86,835)</u>	<u>(98,259)</u>
FUND BALANCE - Beginning of Year	<u>(11,424)</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ (98,259)</u>	<u>\$ (98,259)</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 16 TAX INCREMENTAL DISTRICTS (CONTINUED)

TAX INCREMENTAL DISTRICT NO. 7

Tax Incremental District No. 7 was created on September 23, 2010. The project costs are expected to be recovered by 2033 which is 5 years earlier than the 27 year max life. The project plan estimate of capital expenditures is as follows:

East Wisconsin Improvements	\$1,000,000
Townsend-Brady Street Storm Sewer	200,000
Superior Street/Fairground Improvements	840,000
East Wisconsin Turning Lane to Ontario	25,000
East Wisconsin/Wauona Trail Signalization	150,000
East Wisconsin/Brooks Street Intersection Improvements	50,000
Townsend Street Wauona Trail Intersection Improvements	50,000
Revolving Loan Fund	<u>250,000</u>
Total Capital Expenditures	<u>\$2,565,000</u>

ASSETS

Cash and investments	\$ 27,417
Due from other funds	<u>540,910</u>
TOTAL ASSETS	<u>\$ 568,327</u>

LIABILITIES AND FUND BALANCES

Liabilities	
Due to other funds	\$ 0
Deferred revenue	<u>30,910</u>
Total Liabilities	<u>30,910</u>
Fund Balances Restricted	<u>537,417</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 568,327</u>

	<u>Year Ended</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Tax increments	\$ 30,418	\$ 76,168
Intergovernmental	1,773	2,742
Proceeds from long-term debt	<u>510,000</u>	<u>510,000</u>
Total Sources of Funds	<u>542,191</u>	<u>588,910</u>
USES OF FUNDS		
Capital and administrative expenditures	2,331	18,608
Interest and fiscal charges	<u>32,885</u>	<u>32,885</u>
Total Uses of Funds	<u>35,216</u>	<u>51,493</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 16 TAX INCREMENTAL DISTRICTS (CONTINUED)

TAX INCREMENTAL DISTRICT NO. 7 (CONTINUED)

Excess (Deficiency) of Sources of Funds Over Uses of Funds	506,975	537,417
FUND BALANCE - Beginning of Year	30,442	0
FUND BALANCE - END OF YEAR	\$ 537,417	\$ 537,417

NOTE 17 SUBSEQUENT EVENTS

Subsequent events were evaluated through August 13, 2014, which is the date the financial statements were available to be issued.

NOTE 18 PRIOR PERIOD ADJUSTMENT

For the fiscal year ended December 31, 2012, the City received bond proceeds used to advance refund a portion of two outstanding debt obligations. An escrow account was created to pay these obligations in future years. The escrow cash account was recorded on the City of Portage's financial statements in 2012.

The escrow cash was deposited with an escrow agent who is responsible for paying these debts. Therefore, the escrow cash account and the related debt should not have been included on the City's financial statements in 2012.

This is the reconciliation to restate the December 31, 2012 balances:

12/31/2012 Fund Balance for Debt Service Fund	\$ 2,692,772
Reclassify escrow cash	(2,833,937)
Beginning Fund Balance reported on Debt Service Statement of Revenues, Expenditures and Changes in Fund Balance, as adjusted	\$ (141,165)

The following adjustment is necessary to restate the beginning Net Position for the Statement of Activities:

12/31/2012 Net Position on Statement of Activities	\$24,443,647
Reclassify loan balances	1,318,858
Reclassify escrow cash	(2,833,937)
Beginning Net Position reported on Statement of Activities, as adjusted	\$22,928,568

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 4,092,026	\$ 4,092,026	\$ 4,101,780	\$ 9,754
Intergovernmental	2,693,023	2,693,023	2,718,127	25,104
Licenses and permits	167,781	167,781	188,962	21,181
Fines, forfeitures and penalties	137,800	137,800	148,872	11,072
Public charges for services	100,985	100,985	104,171	3,186
Other sources	74,801	74,801	159,811	85,010
Total Revenues	<u>7,266,416</u>	<u>7,266,416</u>	<u>7,421,723</u>	<u>155,307</u>
EXPENDITURES				
Current				
General government	1,019,411	1,019,411	957,647	61,764
Public safety	3,762,385	3,762,385	3,752,236	10,149
Public works	1,705,968	1,705,968	1,850,697	(144,729)
Parks and recreation	588,851	588,851	590,552	(1,701)
Total Expenditures	<u>7,076,615</u>	<u>7,076,615</u>	<u>7,151,132</u>	<u>(74,517)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>189,801</u>	<u>189,801</u>	<u>270,591</u>	<u>80,790</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(189,801)	(189,801)	(186,801)	3,000
Net Other Financing Sources (Uses)	<u>(189,801)</u>	<u>(189,801)</u>	<u>(186,801)</u>	<u>3,000</u>
Net Change in Fund Balances	0	0	83,790	83,790
FUND BALANCES - Beginning of Year	<u>3,554,500</u>	<u>3,554,500</u>	<u>3,554,500</u>	<u>0</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,554,500</u>	<u>\$ 3,554,500</u>	<u>\$ 3,638,290</u>	<u>\$ 83,790</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**BUDGETARY COMPARISON SCHEDULE FOR THE CAPITAL PROJECT FUND
BUDGET AND ACTUAL - CAPITAL PROJECT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 260,500	\$ 260,500	\$ 13,816	\$ (246,684)
Commercial revenue	0	0	22,953	22,953
Total Revenues	<u>260,500</u>	<u>260,500</u>	<u>36,769</u>	<u>(223,731)</u>
EXPENDITURES				
Capital outlay	<u>1,734,350</u>	<u>1,734,350</u>	<u>1,008,896</u>	<u>725,454</u>
Total Expenditures	<u>1,734,350</u>	<u>1,734,350</u>	<u>1,008,896</u>	<u>725,454</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,473,850)</u>	<u>(1,473,850)</u>	<u>(972,127)</u>	<u>501,723</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	62,000	62,000		(62,000)
Proceeds from sale of property			101,077	101,077
Operating transfers in (out)	<u>121,000</u>	<u>121,000</u>	<u>(540,000)</u>	<u>(661,000)</u>
Total Other Financing Sources (Uses)	<u>183,000</u>	<u>183,000</u>	<u>(438,923)</u>	<u>(621,923)</u>
Net Change in Fund Balance	(1,290,850)	(1,290,850)	(1,411,050)	(120,200)
FUND BALANCE - Beginning of Year	<u>2,785,683</u>	<u>2,785,683</u>	<u>2,785,683</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,494,833</u>	<u>\$ 1,494,833</u>	<u>\$ 1,374,633</u>	<u>\$ (120,200)</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**BUDGETARY COMPARISON SCHEDULE FOR THE VEHICLE EQUIP. REPLAC. FUND
BUDGET AND ACTUAL - VEHICLE EQUIP. REPLAC. FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Commercial revenue	\$ 1,000	\$ 1,000	\$ 3,292	\$ 2,292
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>3,292</u>	<u>2,292</u>
EXPENDITURES				
Capital outlay	<u>407,500</u>	<u>407,500</u>	<u>338,733</u>	<u>68,767</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(406,500)</u>	<u>(406,500)</u>	<u>(335,441)</u>	<u>71,059</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	94,000	94,000		(94,000)
Operating transfers in/(out)	<u>186,801</u>	<u>186,801</u>	<u>186,801</u>	
Net Other Financing Sources (Uses)	<u>280,801</u>	<u>280,801</u>	<u>186,801</u>	<u>(94,000)</u>
Net Change in Fund Balance	(125,699)	(125,699)	(148,640)	(22,941)
FUND BALANCE - Beginning of Year	<u>1,577,527</u>	<u>1,577,527</u>	<u>1,577,527</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,451,828</u>	<u>\$ 1,451,828</u>	<u>\$ 1,428,887</u>	<u>\$ (22,941)</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

BUDGETARY COMPARISON SCHEDULE FOR THE DEBT SERVICE FUND
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 624,272	\$ 624,272	\$ 624,272	\$ 0
Miscellaneous				
Total Revenues	<u>624,272</u>	<u>624,272</u>	<u>624,272</u>	<u>0</u>
EXPENDITURES				
Principal	1,350,093	1,350,093	1,415,104	(65,011)
Interest	537,358	537,358	537,130	228
Total Expenditures	<u>1,887,451</u>	<u>1,887,451</u>	<u>1,952,234</u>	<u>(64,783)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,263,179)</u>	<u>(1,263,179)</u>	<u>(1,327,962)</u>	<u>(64,783)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,263,179	1,263,179	1,471,787	208,608
Net Other Financing Sources (Uses)	<u>1,263,179</u>	<u>1,263,179</u>	<u>1,471,787</u>	<u>208,608</u>
Net Change in Fund Balance	0	0	143,825	143,825
FUND BALANCE - Beginning of Year (Restated)	<u>(141,165)</u>	<u>(141,165)</u>	<u>(141,165)</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ (141,165)</u>	<u>\$ (141,165)</u>	<u>\$ 2,660</u>	<u>\$ 143,825</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

BUDGETARY COMPARISON SCHEDULE FOR THE CDBG FUND
BUDGET AND ACTUAL - CDBG FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Intergovernmental	\$ 0	\$ 0	\$ 92,579	\$ 92,579
Commercial revenue	35,318	35,318	71,343	36,025
Total Revenues	<u>35,318</u>	<u>35,318</u>	<u>163,922</u>	<u>128,604</u>
EXPENDITURES				
Conservation and development	<u>59,626</u>	<u>59,626</u>	<u>225,087</u>	<u>(165,461)</u>
Net Change in Fund Balance	(24,308)	(24,308)	(61,165)	(36,857)
FUND BALANCE - Beginning of Year	<u>67,293</u>	<u>67,293</u>	<u>67,293</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 42,985</u>	<u>\$ 42,985</u>	<u>\$ 6,128</u>	<u>\$ (36,857)</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
FOR THE YEAR ENDED DECEMBER 31, 2013**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described earlier.

A budget has been adopted for the general fund, debt service fund, capital projects fund, and CDBG fund and comparisons of budget to actual are presented in the financial statements. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds. Budgetary comparisons are not required for proprietary funds.

The budgeted amounts presented include any amendments made. The City may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action. Supplemental appropriations during the year were not material. Appropriations lapse at year end unless specifically carried over. There is no carryover to the following year. Budgets are adopted at the function level of expenditure.

OTHER SUPPLEMENTAL INFORMATION

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMPARATIVE BALANCE SHEETS
GENERAL FUND
AS OF DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and investments	\$ 2,134,296	\$ 2,816,646
Receivables		
Accounts	165,785	242,142
Other receivables	118,787	168,839
Due from other funds	4,769,073	4,658,409
Due from other governments	1,735	
Prepaid items	18,347	15,623
Advance to other funds	602,367	80,187
TOTAL ASSETS	\$ 7,810,390	\$ 7,981,846
LIABILITIES		
Accounts payable	\$ 123,728	\$ 167,023
Accrued liabilities	332,696	251,264
Due to other funds	3,246	187,210
Unearned revenue	6,684	
Total Liabilities	466,354	605,497
DEFERRED INFLOWS OF RESOURCES		
Property taxes	3,705,746	3,821,849
FUND BALANCES		
Nonspendable	18,347	15,623
Assigned	13,120	
Unassigned	3,606,823	3,538,877
Total Fund Balances	3,638,290	3,554,500
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 7,810,390	\$ 7,981,846

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 4,092,026	\$ 4,101,780	\$ 9,754	\$ 3,958,886	\$ 3,940,174	\$ (18,712)
Intergovernmental	2,693,023	2,718,127	25,104	2,696,283	2,768,664	72,381
Licenses and permits	167,781	188,962	21,181	153,105	176,752	23,647
Fines, forfeitures and penalties	137,800	148,872	11,072	118,500	141,778	23,278
Public charges for services	100,985	104,171	3,186	79,495	86,118	6,623
Miscellaneous revenues	74,801	159,811	85,010	92,151	128,561	36,410
Total Revenues	<u>7,266,416</u>	<u>7,421,723</u>	<u>155,307</u>	<u>7,098,420</u>	<u>7,242,047</u>	<u>143,627</u>
EXPENDITURES						
Current						
General government	1,019,411	957,647	61,764	963,105	991,541	(28,436)
Public safety	3,762,385	3,752,236	10,149	3,631,409	3,692,348	(60,939)
Public works	1,705,968	1,850,697	(144,729)	1,696,735	1,784,688	(87,953)
Parks and recreation	588,851	590,552	(1,701)	599,284	597,684	1,600
Total Expenditures	<u>7,076,615</u>	<u>7,151,132</u>	<u>(74,517)</u>	<u>6,890,533</u>	<u>7,066,261</u>	<u>(175,728)</u>
Excess (Deficiency) of Revenues Over Expenditures	189,801	270,591	80,790	207,887	175,786	(32,101)
OTHER FINANCING SOURCES (USES)						
Operating transfers out	(189,801)	(186,801)	3,000	(251,000)	(251,000)	0
Net Other Financing Sources (Uses)	<u>(189,801)</u>	<u>(186,801)</u>	<u>3,000</u>	<u>(251,000)</u>	<u>(251,000)</u>	<u>0</u>
Net Change in Fund Balance	0	83,790	83,790	(43,113)	(75,214)	(32,101)
FUND BALANCE - Beginning of Year	<u>3,554,500</u>	<u>3,554,500</u>	<u>0</u>	<u>3,629,714</u>	<u>3,629,714</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,554,500</u>	<u>\$ 3,638,290</u>	<u>\$ 83,790</u>	<u>\$ 3,586,601</u>	<u>\$ 3,554,500</u>	<u>\$ (32,101)</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMPARATIVE BALANCE SHEETS
CAPITAL PROJECT FUND
AS OF DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and investments	\$ 1,927,006	\$ 2,881,437
Accounts receivable	340	12,029
Special assessment receivable	986	1,588
Due from other funds	143,989	267,908
TOTAL ASSETS	\$ 2,072,321	\$ 3,162,962
LIABILITIES		
Accounts payable	\$ 75,635	\$ 229,577
Due to other funds	585,470	120,700
Unearned revenue	17,564	13,617
Total Liabilities	678,669	363,894
DEFERRED INFLOWS OF RESOURCES		
Property taxes	19,019	13,385
FUND BALANCES		
Restricted	1,374,633	2,785,683
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 2,072,321	\$ 3,162,962

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - CAPITAL PROJECT FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Special assessments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 414	\$ 414
Intergovernmental	260,500	13,816	(246,684)	258,000	44,772	(213,228)
Commercial revenue		22,953	22,953	3,800	13,366	9,566
Total Revenues	<u>260,500</u>	<u>36,769</u>	<u>(223,731)</u>	<u>261,800</u>	<u>58,552</u>	<u>(203,248)</u>
EXPENDITURES						
Capital outlay	1,734,350	1,008,896	725,454	1,525,571	1,386,476	139,095
Total Expenditures	<u>1,734,350</u>	<u>1,008,896</u>	<u>725,454</u>	<u>1,525,571</u>	<u>1,386,476</u>	<u>139,095</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,473,850)</u>	<u>(972,127)</u>	<u>501,723</u>	<u>(1,263,771)</u>	<u>(1,327,924)</u>	<u>(64,153)</u>
OTHER FINANCING SOURCES (USES)						
Bond proceeds	62,000		(62,000)		3,890,000	3,890,000
Proceeds from sale of property		101,077	101,077			
Operating transfers out		(540,000)	(540,000)			
Operating transfers in	121,000		(121,000)	175,000		(175,000)
Net Other Financing Sources (Uses)	<u>183,000</u>	<u>(438,923)</u>	<u>(621,923)</u>	<u>175,000</u>	<u>3,890,000</u>	<u>3,715,000</u>
Net Change in Fund Balance	<u>(1,290,850)</u>	<u>(1,411,050)</u>	<u>(120,200)</u>	<u>(1,088,771)</u>	<u>2,562,076</u>	<u>3,650,847</u>
FUND BALANCE - Beginning of Year	<u>2,785,683</u>	<u>2,785,683</u>	<u>0</u>	<u>223,607</u>	<u>223,607</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,494,833</u>	<u>\$ 1,374,633</u>	<u>\$ (120,200)</u>	<u>\$ (865,164)</u>	<u>\$ 2,785,683</u>	<u>\$ 3,650,847</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMPARATIVE BALANCE SHEETS
VEHICLE EQUIP. REPLAC.FUND
AS OF DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and investments	\$ 2,684,504	\$ 2,198,968
Accounts receivable	61,579	61,579
Due from other funds	612	
Advance to other funds		765,443
TOTAL ASSETS	\$ 2,746,695	\$ 3,025,990
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 84	\$ 1,257
Due to other funds		194,125
Due to other governments	1,317,724	1,253,081
Total Liabilities	1,317,808	1,448,463
Fund Balances		
Restricted	1,428,887	1,577,527
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,746,695	\$ 3,025,990

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - VEHICLE EQUIP. REPLAC. FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Commercial revenue	1,000	3,292	2,292	1,000	7,398	6,398
Total Revenues	<u>1,000</u>	<u>3,292</u>	<u>2,292</u>	<u>1,000</u>	<u>7,398</u>	<u>6,398</u>
EXPENDITURES						
Capital outlay	407,500	338,733	68,767	225,500	223,507	1,993
Total Expenditures	<u>407,500</u>	<u>338,733</u>	<u>68,767</u>	<u>225,500</u>	<u>223,507</u>	<u>1,993</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(406,500)</u>	<u>(335,441)</u>	<u>71,059</u>	<u>(224,500)</u>	<u>(216,109)</u>	<u>8,391</u>
OTHER FINANCING SOURCES (USES)						
Loan proceeds	94,000		(94,000)			
Operating transfers in	186,801	186,801		216,000	251,000	35,000
Net Other Financing Sources (Uses)	<u>280,801</u>	<u>186,801</u>	<u>(94,000)</u>	<u>216,000</u>	<u>251,000</u>	<u>35,000</u>
Net Change in Fund Balance	(125,699)	(148,640)	(22,941)	(8,500)	34,891	43,391
FUND BALANCE - Beginning of Year	<u>1,577,527</u>	<u>1,577,527</u>	<u>0</u>	<u>1,542,636</u>	<u>1,542,636</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,451,828</u>	<u>\$ 1,428,887</u>	<u>\$ (22,941)</u>	<u>\$ 1,534,136</u>	<u>\$ 1,577,527</u>	<u>\$ 43,391</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMPARATIVE BALANCE SHEETS
DEBT SERVICE FUND
AS OF DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and investments	\$ 0	\$ 0
Due from other funds	814,713	751,206
TOTAL ASSETS	\$ 814,713	\$ 751,206
LIABILITIES		
Due to other funds	\$ 143,741	\$ 268,099
DEFERRED INFLOWS OF RESOURCES		
Property taxes	668,312	624,272
FUND BALANCES		
Restricted	2,660	(141,165)
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 814,713	\$ 751,206

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - DEBT SERVICE FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013		2012		Variance Favorable (Unfavorable)
	Final Budget	Actual	Final Budget	Actual	
REVENUES					
Taxes	\$ 624,272	\$ 624,272	\$ 0	\$ 856,736	\$ 0
Miscellaneous				6,653	6,653
Total Revenues	<u>624,272</u>	<u>624,272</u>	<u>0</u>	<u>856,736</u>	<u>6,653</u>
EXPENDITURES					
Principal	1,350,093	1,415,104	(65,011)	1,449,217	(1,000,512)
Interest and bond fees	537,358	537,130	228	554,886	(67,785)
Total Expenditures	<u>1,887,451</u>	<u>1,952,234</u>	<u>(64,783)</u>	<u>2,004,103</u>	<u>(1,068,297)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,263,179)</u>	<u>(1,327,962)</u>	<u>(64,783)</u>	<u>(1,147,367)</u>	<u>(1,061,644)</u>
NET OTHER FINANCING SOURCES (USES)					
Bond proceeds				910,000	910,000
Refunded debt principal payments				(910,000)	(910,000)
Operating transfers in	1,263,179	1,471,787	208,608	1,199,769	725,019
Net Other Financing Sources (Uses)	<u>1,263,179</u>	<u>1,471,787</u>	<u>208,608</u>	<u>1,199,769</u>	<u>725,019</u>
Net Change in Fund Balance	0	143,825	143,825	52,402	(336,625)
FUND BALANCE - Beginning of Year (Restated)	<u>(141,165)</u>	<u>(141,165)</u>	<u>0</u>	<u>143,058</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ (141,165)</u>	<u>\$ 2,660</u>	<u>\$ 143,825</u>	<u>\$ 195,460</u>	<u>\$ (336,625)</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMPARATIVE BALANCE SHEETS
CDBG FUND
AS OF DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and investments	\$ 6,131	\$ 67,293
Accounts receivable	1,277,671	1,211,169
TOTAL ASSETS	\$ 1,283,802	\$ 1,278,462
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 3	\$ 0
Unearned revenue	1,277,671	1,211,169
Total Liabilities	1,277,674	1,211,169
Fund Balances		
Restricted	6,128	67,293
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,283,802	\$ 1,278,462

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - CDBG FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Intergovernmental	\$ 0	\$ 92,579	\$ 92,579	\$ 0	\$ 0	\$ 0
Commercial	35,318	71,343	36,025	22,600	48,708	26,108
Total Revenues	<u>35,318</u>	<u>163,922</u>	<u>128,604</u>	<u>22,600</u>	<u>48,708</u>	<u>26,108</u>
EXPENDITURES						
Conservation and development	59,626	225,087	(165,461)	124,370	179,111	(54,741)
Total Expenditures	<u>59,626</u>	<u>225,087</u>	<u>(165,461)</u>	<u>124,370</u>	<u>179,111</u>	<u>(54,741)</u>
Net Change in Fund Balance	(24,308)	(61,165)	(36,857)	(101,770)	(130,403)	(28,633)
FUND BALANCE - Beginning of Year	67,293	67,293	0	197,696	197,696	0
FUND BALANCE - END OF YEAR	<u>\$ 42,985</u>	<u>\$ 6,128</u>	<u>\$ (36,857)</u>	<u>\$ 95,926</u>	<u>\$ 67,293</u>	<u>\$ (28,633)</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2013

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 1,080,926	\$ 211,739	\$ 1,292,665
Accounts receivable	290,194		290,194
Special assessments receivable		32,944	32,944
Prepaid expense	4,229		4,229
Due from other funds	1,194,993	30,729	1,225,722
TOTAL ASSETS	\$ 2,570,342	\$ 275,412	\$ 2,845,754
LIABILITIES			
Accounts payable	\$ 55,955	\$ 8,950	\$ 64,905
Due to other funds	1,000,491		1,000,491
Unearned revenue	188,401	31,944	220,345
Advance from other funds	523,580		523,580
Total Liabilities	1,768,427	40,894	1,809,321
DEFERRED INFLOWS OF RESOURCES			
Property taxes	675,003	15,247	690,250
FUND BALANCES			
Nonspendable	4,229		4,229
Restricted	122,683	219,271	341,954
Total Fund Balances	126,912	219,271	346,183
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 2,570,342	\$ 275,412	\$ 2,845,754

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 722,597	\$ 0	\$ 722,597
Special assessments		57,005	57,005
Intergovernmental	761,055	22	761,077
Public charges for services	194,480		194,480
Commercial	162,288	19,196	181,484
Miscellaneous	9,695		9,695
Total Revenues	<u>1,850,115</u>	<u>76,223</u>	<u>1,926,338</u>
EXPENDITURES			
General government	258,282		258,282
Public safety	5,645		5,645
Parks and recreation	61,991		61,991
Conservation and development	228,414		228,414
Education	628,624		628,624
Capital outlay	1,518,110	120,177	1,638,287
Total Expenditures	<u>2,701,066</u>	<u>120,177</u>	<u>2,821,243</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(850,951)</u>	<u>(43,954)</u>	<u>(894,905)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	510,000		510,000
Operating transfers out	(438,527)		(438,527)
Net Other Financing Sources (Uses)	<u>71,473</u>	<u>0</u>	<u>71,473</u>
Net Change in Fund Balance	(779,478)	(43,954)	(823,432)
FUND BALANCE - Beginning of Year	<u>906,390</u>	<u>263,225</u>	<u>1,169,615</u>
FUND BALANCE - END OF YEAR	<u>\$ 126,912</u>	<u>\$ 219,271</u>	<u>\$ 346,183</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMPARATIVE BALANCE SHEETS
SPECIAL REVENUE FUNDS
AS OF DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and investments	\$ 1,080,926	\$ 1,727,059
Accounts receivable	290,194	287,084
Prepaid expense	4,229	2,425
Due from other funds	1,194,993	742,039
TOTAL ASSETS	\$ 2,570,342	\$ 2,758,607
LIABILITIES		
Accounts payable	\$ 55,955	\$ 57,538
Due to other funds	1,000,491	172,399
Unearned revenue	188,401	189,774
Advance from other funds	523,580	765,443
Total Liabilities	1,768,427	1,185,154
DEFERRED INFLOWS OF RESOURCES		
Property taxes	675,003	667,063
FUND BALANCES		
Nonspendable	4,229	2,425
Restricted	122,683	903,965
Total Fund Balances	126,912	906,390
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 2,570,342	\$ 2,758,607

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - SPECIAL REVENUE FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 690,130	\$ 722,597	\$ 32,467	\$ 719,713	\$ 735,943	\$ 16,230
Intergovernmental	1,011,197	761,055	(250,142)	936,669	1,178,979	242,310
Public charges for services	198,683	194,480	(4,203)	101,098	92,102	(8,996)
Commercial	125,360	162,288	36,928	176,492	290,370	113,878
Miscellaneous	44,316	9,695	(34,621)	1,042,580	27,720	(1,014,860)
Total Revenues	<u>2,069,686</u>	<u>1,850,115</u>	<u>(219,571)</u>	<u>2,976,552</u>	<u>2,325,114</u>	<u>(651,438)</u>
EXPENDITURES						
General government	119,662	258,282	(138,620)	107,143	154,912	(47,769)
Public safety	4,200	5,645	(1,445)	54,177	3,536	50,641
Parks and recreation	76,387	61,991	14,396	61,950	57,055	4,895
Conservation and development	335,014	228,414	106,600	178,522	124,270	54,252
Education	604,460	628,624	(24,164)	614,802	754,280	(139,478)
Capital outlay	830,782	1,518,110	(687,328)	1,783,813	578,091	1,205,722
Total Expenditures	<u>1,970,505</u>	<u>2,701,066</u>	<u>(730,561)</u>	<u>2,800,407</u>	<u>1,672,144</u>	<u>1,128,263</u>
Excess (Deficiency) of Revenues Over Expenditures	99,181	(850,951)	(950,132)	176,145	652,970	476,825
OTHER FINANCING SOURCES (USES)						
Bond proceeds	20,000			41,320	2,500,000	2,458,680
Sale of equipment	177,040	510,000	332,960			
Operating transfers in	(488,695)	(438,527)	50,168	(182,611)	(1,924,788)	(1,742,177)
Operating transfers out				(141,291)	575,212	716,503
Net Other Financing Sources (Uses)	<u>(291,655)</u>	<u>71,473</u>	<u>383,128</u>	<u>(141,291)</u>	<u>575,212</u>	<u>716,503</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(192,474)	(779,478)	(567,004)	34,854	1,228,182	1,193,328
FUND BALANCE - Beginning of Year	906,390	906,390	0	(321,792)	(321,792)	0
FUND BALANCE - END OF YEAR	<u>\$ 713,916</u>	<u>\$ 126,912</u>	<u>\$ (567,004)</u>	<u>\$ (286,938)</u>	<u>\$ 906,390</u>	<u>\$ 1,193,328</u>

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMPARATIVE BALANCE SHEETS
CAPITAL PROJECT FUNDS
AS OF DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and investments	\$ 211,739	\$ 256,844
Special assessments receivable	32,944	90,628
Due from other funds	30,729	39,419
TOTAL ASSETS	\$ 275,412	\$ 386,891
LIABILITIES		
Accounts payable	\$ 8,950	\$ 39
Unearned revenue	31,944	90,628
Due to other funds		12,266
Total Liabilities	40,894	102,933
DEFERRED INFLOWS OF RESOURCES		
Property taxes	15,247	20,733
FUND BALANCES		
Restricted	219,271	263,225
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 275,412	\$ 386,891

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - CAPITAL PROJECT FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013		2012		Variance Favorable (Unfavorable)
	Final Budget	Actual	Final Budget	Actual	
REVENUES					
Special assessments	\$ 60,000	\$ 57,005	\$ (2,995)	\$ 44,051	\$ (35,949)
Intergovernmental		22			
Commercial revenue	352,800	19,196	(333,604)	298	98
Total Revenues	<u>412,800</u>	<u>76,223</u>	<u>(336,577)</u>	<u>80,200</u>	<u>(35,851)</u>
EXPENDITURES					
Capital outlay	452,818	120,177	332,641	40,382	317,618
Total Expenditures	<u>452,818</u>	<u>120,177</u>	<u>332,641</u>	<u>40,382</u>	<u>317,618</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(40,018)</u>	<u>(43,954)</u>	<u>(3,936)</u>	<u>3,967</u>	<u>281,767</u>
FUND BALANCE - Beginning of Year	<u>263,225</u>	<u>263,225</u>	<u>0</u>	<u>259,258</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 223,207</u>	<u>\$ 219,271</u>	<u>\$ (3,936)</u>	<u>\$ (18,542)</u>	<u>\$ 281,767</u>

FEDERAL AND STATE SINGLE AUDIT AND
GOVERNMENT AUDITING STANDARDS REPORTS AND SCHEDULES

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Administering Agency Pass-Through Agency Award Description	Federal Catalog Number	Program or Award Amount	Accrued Receivable January 1, 2013	\$	0	\$	Revenues		Expenditures	Accrued Receivable December 31, 2013	
							Grantor Reimbursements	Local Share			
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>											
Economic Development	14.228			\$	0	\$	0	\$	33,781	\$	0
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>											
Community Development Block Grants	14.218	500,000					92,579		225,087		
<u>U.S. DEPARTMENT OF JUSTICE</u>											
Edward Byrne Memorial Justice Assistance Grant	16.804	3,520					1,510		1,510		
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>											
Wisconsin Department of Transportation Transit Aids Public Transportation for Non-Urban	20.509	409,342					368,370		375,011		92,546
							<u>85,905</u>		<u>635,389</u>		<u>92,546</u>
							<u>462,459</u>		<u>166,289</u>		

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Administering Agency Pass-Through Agency Award Description	State I.D. Number	Accrued Receivable January 1, 2013	Revenues		Expenditures	Accrued Receivable December 31, 2013
			Reimbursements	Grantor		
<u>WISCONSIN DEPT. OF TRANSPORTATION</u>						
Transit of Operating Aids	395.104	\$ 43,874	\$ 157,946	\$ 157,946	\$ 43,874	
<u>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</u>						
DNR	370.503		13,816	13,816		
TOTAL STATE ASSISTANCE		\$ 43,874	\$ 171,762	\$ 171,762	\$ 43,874	

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards include the federal and state grant activity of the City of Portage and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

MILLER, BRUSSELL, EBEN AND GLAESKE LLC

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 585

PORTAGE, WISCONSIN

53901

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

Council Members
City of Portage
Portage, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portage (the "City") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 13-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Portage's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Portage's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Miller, Brussell, Ebben and Glaeske LLC

Portage, Wisconsin
August 13, 2014

MILLER, BRUSSELL, EBEN AND GLAESKE LLC

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 585

PORTAGE, WISCONSIN

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES**

Council Members
City of Portage
Portage, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the City of Portage's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2013. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Those standards, *OMB Circular A-133*, and the *Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City of Portage's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City of Portage complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal and state programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the City of Portage is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Guidelines, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 13-2, that we consider to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Council Members
City of Portage
Page Three

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State Single Audit Guidelines. Accordingly, this report is not suitable for any other purpose.

Miller, Brussell, Ebben and Glaeske LLC

Portage, Wisconsin
August 13, 2014

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None reported

Noncompliance material to the financial statements? Yes No

Federal Awards

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(1)? Yes No

Identification of major federal award programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.509	Transit Aids Public Transportation for Non-Urban

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

Auditee qualified as a low-risk auditee? Yes No

State Awards

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

Section I - Summary of Auditor's Results (Continued)

Any audit findings disclosed that are required to be reported in accordance with *State Single Audit Guidelines*? _____ Yes X No

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program</u>
395.104	Transit Operating Aids

Section II - Financial Statement Findings

Financial Statement Significant Deficiencies

13-1 Preparation of the City's Financial Statements

Condition: The City does not have management personnel with necessary expertise to prepare the financial statements, related notes and GASB 34 conversion entries necessary to report in accordance with generally accepted accounting principles. Due to limited resources, management has decided to accept certain risks relevant to financial reporting and relies on the auditor to assist with the preparation of the City's financial statements.

Criteria: Internal controls over preparation of the financial statements, including footnote disclosures, should be in place to provide reasonable assurance that a misstatement in the financial statements would be prevented or detected.

Cause: The additional cost associated with hiring staff experienced in preparation of the City's financial statements, including additional training, outweighs the derived benefits.

Effect: Because management relies on the auditor to assist with preparation of the financial statements, the City's system of internal control may not prevent, detect or correct misstatements in the financial statements.

Recommendation: We recommend City personnel continue reviewing the financial statements by competent staff and approve them before issuance. We will continue to work with the City, providing information and training where needed, to make the City's personnel more knowledgeable about its responsibility for the financial statements.

Management Views and Corrective Action Plan: See corrective action plan 13-1.

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013**

Section III - Federal Award Findings and Questioned Costs

Federal Awards Significant Deficiencies

13-2 Financial Reporting for Federal Assistance

Conditions: OMB Circular A-133 requires the City to prepare appropriate financial statements, including the schedules of expenditures of federal awards. While the current staff of the City maintains financial records supporting amounts reported in the schedules of expenditures of federal awards, the City contracts with its auditor to compile the data from these records and prepare the single audit report for the City.

Criteria: Having staff with expertise in federal reporting to prepare the City's single audit report is an internal control intended to prevent, detect and correct a potential misstatement in the schedules of expenditures of federal awards, or accompanying notes to the schedule.

Cause: The additional cost associated with hiring staff sufficiently experienced to prepare the City's single audit report, including the additional training time, outweigh the derived benefits.

Effect: Because management relies on its auditor to assist with the preparation of the financial statements, including single audit reports, the City's system of internal control may not prevent, detect or correct misstatements in these financial statements.

Recommendation: We recommend City personnel continue reviewing the City's single audit report prepared by its auditor. While it may not be cost beneficial to hire additional staff to prepare these items, a thorough review of this information by appropriate staff of the City is necessary to ensure all federal programs are properly reported in the City's single audit report.

Management Views and Corrective Action Plan: See corrective action plan 13-2.

Federal Awards Findings and Questioned Costs

No findings or questioned costs.

**CITY OF PORTAGE
PORTAGE, WISCONSIN**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2013**

Significant Deficiency 13-1 Preparation of the City's Financial Statements

Recommendation - See schedule of findings and questioned costs 13-1.

Management Views - Management agrees with the finding and the recommendation.

Corrective Action Planned - Management and the Board will continue to designate competent staff to oversee and review the financial reports and approve them before issuance. However, it is not feasible or cost effective to add staff with the competence to prepare these reports.

Anticipated Completion Date - This action will be ongoing.

Significant Deficiency 13-2 Financial Reporting for Federal and State Assistance

Management Views - Management agrees with the finding and the recommendation.

Corrective Action Planned - Management and the Board will continue to designate competent staff to oversee and review the financial reports and approve them before issuance. However, it is not feasible or cost effective to add staff with the competence to prepare these reports.

Anticipated Completion Date - This action will be ongoing.