Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☒Twp ☐Village ☐Other	CHARTER TOWNSHIP OF PORTAGE	HOUGHTON

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
DECEMBER 31, 2005	MAY 12, 2006	JUNE 29, 2006

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

	YES	NO	**Check each applicable box below.** (See instructions for further detail.)
1.	☒	☐	All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.	☐	☒	There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.	☒	☐	The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.	☒	☐	The local unit has adopted a budget for all required funds.
5.	☒	☐	A public hearing on the budget was held in accordance with State statute.
6.	☒	☐	The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.	☒	☐	The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.	☒	☐	The local unit only holds deposits/investments that comply with statutory requirements.
9.	☒	☐	The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.	☒	☐	There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.	☐	☒	The local unit is free of repeated comments from previous years.
12.	☐	☒	The audit opinion is UNQUALIFIED.
13.	☐	☒	The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.	☒	☐	The board or council approves all invoices prior to payment as required by charter or statute.
15.	☒	☐	To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number
BRUCE A. RUKKILA, CPA, PC	906-482-6601

Street Address	City	State	Zip
310 SHELDEN AVENUE	HOUGHTON	MI	49931

Authorizing CPA Signature	Printed Name	License Number
Bruce A. Rukkila	BRUCE A. RUKKILA, CPA, PC	263812

CHARTER TOWNSHIP OF PORTAGE
HOUGHTON COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL FINANCIAL INFORMATION

December 31, 2005

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Bruce A Rukkila, CPA, PC

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INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Board of Trustees
Charter Township of Portage
Houghton, Michigan

We have audited the accompanying general purpose financial statements of the Charter Township of Portage, as of and for the year ended December 31, 2005. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose 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 and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not adopted the reporting format of Government Accounting Standards Board Statement No. 34.

In our opinion, except for the effects on the general purpose financial statements of the omission described in the preceding paragraph, the dollar amount of which we have not determined, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Charter Township of Portage, as of December 31, 2005, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2006 on our consideration of the Charter Township of Portage's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented as supplemental information and are not a required part of the general purpose financial statements of the Charter Township of Portage. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the effects on the financial statements of the omissions described previously, the dollar amount of which we have not determined, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

May 12, 2006

Certified Public Accountants

Bruce A Rukkila, CPA, PC

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Supervisor and Board of Trustees
Charter Township of Portage
Houghton, Michigan

We have audited the financial statements of the Charter Township of Portage as of and for the year ended December 31, 2005, and have issued our report thereon dated May 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:
As part of obtaining reasonable assurance about whether the Charter Township of Portage's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, a 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting:
In planning and performing our audit, we considered the Charter Township of Portage's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC

May 12, 2006

Certified Public Accountants

CHARTER TOWNSHIP OF PORTAGE
COMBINED BALANCE SHEETS- ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2005

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Types		Account Groups		TOTALS (Memorandum Only)	
ASSET AND OTHER DEBITS:	General	Special Revenue	Enterprise	Non-expendable Trust	Trust and Agency	General Fixed Assets	General Long-Term Obligations	2005	2004
Cash	$ 379,297	$ 88,923	$ 98,540	$ -	$ 9,360	$ -	$ -	$ 576,120	$ 634,429
Receivables	1,785	1,193	154,684	3,666	-	-	-	161,328	196,180
Inventory	-	-	26,712	-	-	-	-	26,712	27,145
Due from other funds	283,536	-	-	-	-	-	-	283,536	276,536
Prepaid expenses	22,240	10,789	5,359	-	-	-	-	38,388	39,007
Restricted cash	-	-	127,581	222,368	-	-	-	349,949	288,468
Restricted investments	-	-	-	649,829	-	-	-	649,829	651,758
Fixed assets	-	-	3,796,324	-	-	1,753,343	-	5,549,667	5,535,587
Accumulated depreciation	-	-	(1,600,677)	-	-	-	-	(1,600,677)	(1,514,503)
Amount to be provided for retirement of long term debt	-	-	-	-	-	-	64,634	64,634	89,564
TOTAL ASSETS AND OTHER DEBITS	$ 686,858	$ 100,905	$ 2,608,523	$ 875,863	$ 9,360	$ 1,753,343	$ 64,634	$ 6,099,486	$ 6,224,171
LIABILITIES:									
Accounts payable	$ 7,479	$ 178	$ 17,968	$ (1)	$ -	$ -	$ -	$ 25,624	$ 20,292
Due to other funds	-	14,833	259,343	-	9,360	-	-	283,536	276,536
Accrued vacation/sick pay	-	-	-	-	-	-	15,265	15,265	18,063
Current maturities on bond payable	-	-	50,000	-	-	-	-	50,000	44,000
Bonds payable- net of current maturities	-	-	585,000	-	-	-	-	585,000	627,000
User deposits	-	-	16,622	-	-	-	-	16,622	16,547
Lease payable	-	-	-	-	-	-	49,369	49,369	71,501
Due to other governmental units	-	-	-	-	-	-	-	-	634
Accrued expenses	3,254	1,120	1,550	-	-	-	-	5,924	5,854
Deferred revenue	13,140	10,750	140,313	-	-	-	-	164,203	211,228
TOTAL LIABILITIES	23,873	26,881	1,070,796	(1)	9,360	-	64,634	1,195,543	1,291,655
FUND EQUITY AND OTHER CREDITS:									
Contributed capital	-	-	1,062,058	-	-	-	-	1,062,058	1,104,098
Retained earnings	-	-	475,669	-	-	-	-	475,669	533,737
Investment in general fixed assets	-	-	-	-	-	1,753,343	-	1,753,343	1,748,343
Reserved fund balance	-	-	-	875,864	-	-	-	875,864	852,035
Unreserved fund balance	662,985	74,024	-	-	-	-	-	737,009	694,303
TOTAL FUND EQUITY AND OTHER CREDITS	662,985	74,024	1,537,727	875,864	-	1,753,343	-	4,903,943	4,932,516
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	$ 686,858	$ 100,905	$ 2,608,523	$ 875,863	$ 9,360	$ 1,753,343	$ 64,634	$ 6,099,486	$ 6,224,171

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

CHARTER TOWNSHIP OF PORTAGE
COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
Year Ended December 31, 2005

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Special Revenue	2005	2004
REVENUES:				
Taxes	$ 77,197	$ 59,800	$ 136,997	$ 130,227
Federal	11,520	-	11,520	11,621
State	245,304	1,549	246,853	245,051
Charges for services	33,065	29,802	62,867	54,013
Interest	9,587	1,751	11,338	9,546
Other	25,499	9,628	35,127	46,279
TOTAL REVENUES	402,172	102,530	504,702	496,737
EXPENDITURES:				
Assessor	20,524	-	20,524	11,146
Supervisor	19,988	-	19,988	15,421
Clerk	19,977	-	19,977	19,593
Treasurer	30,653	-	30,653	28,783
Zoning and Planning	3,291	-	3,291	4,292
General Services	24,000	-	24,000	96,489
Township Board	5,776	-	5,776	4,492
Town Hall	27,189	-	27,189	16,057
Cemetery Operating	-	73,988	73,988	-
Other Activities	116,850	-	116,850	123,106
Recreation	15,621	-	15,621	9,266
Motor Vehicle Pool	35,265	-	35,265	38,959
Constable	3,197	-	3,197	3,335
Liquor Law Enforcement	-	2,281	2,281	-
Elections	4,230	-	4,230	8,667
Maintenance Buildings	10,866	-	10,866	14,206
Roads and Streets	12,550	-	12,550	3,845
Building Inspector	5	-	5	7,341
Sanitary Landfill	400	-	400	400
Fire Protection	-	54,671	54,671	-
TOTAL EXPENDITURES	350,382	130,940	481,322	405,398
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	51,790	(28,410)	23,380	91,339
OTHER FINANCING SOURCES (USES):				
Transfer in	-	19,327	19,327	38,436
Transfer out	-	-	-	(16,767)
TOTAL OTHER FINANCING SOURCES (USES)	-	19,327	19,327	21,669
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	51,790	(9,083)	42,707	113,008
FUND BALANCE, BEGINNING OF YEAR	611,195	83,107	694,302	634,015
FUND BALANCE, END OF YEAR	$ 662,985	$ 74,024	$ 737,009	$ 747,023

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

CHARTER TOWNSHIP OF PORTAGE
COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended December 31, 2005

	General			Special Revenue		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
Taxes	$ 94,000	$ 77,197	$ (16,803)	$ 57,000	$ 59,800	$ 2,800
Federal	-	11,520	11,520	-	-	-
State	235,000	245,304	10,304	1,900	1,549	(351)
Charges for services	-	33,065	33,065	40,000	29,802	(10,198)
Interest	4,000	9,587	5,587	-	1,751	1,751
Other	10,000	25,499	15,499	-	9,628	9,628
TOTAL REVENUES	343,000	402,172	59,172	98,900	102,530	3,630
EXPENDITURES:						
Assessor	23,000	20,524	2,476	-	-	-
Supervisor	22,000	19,988	2,012	-	-	-
Clerk	25,000	19,977	5,023	-	-	-
Treasurer	31,000	30,653	347	-	-	-
Zoning and Planning	5,000	3,291	1,709	-	-	-
General Services	24,000	24,000	-	-	-	-
Township Board	18,000	5,776	12,224	-	-	-
Town Hall	25,000	27,189	(2,189)	-	-	-
Cemetery Operating				75,000	73,988	1,012
Other Activities	138,000	116,850	21,150	-	-	-
Recreation	27,000	15,621	11,379	-	-	-
Motor Vehicle Pool	70,000	35,265	34,735	-	-	-
Constable	3,600	3,197	403	-	-	-
Liquor Law Enforcement	-	-	-	2,400	2,281	119
Elections	4,500	4,230	270	-	-	-
Maintenance Buildings	21,000	10,866	10,134	-	-	-
Roads and Streets	70,000	12,550	57,450	-	-	-
Building Inspector	-	5	(5)	-	-	-
Sanitary Landfill	500	400	100	-	-	-
Industrial Council	110,400	-	110,400			
Fire Protection	-	-	-	129,000	54,671	74,329
TOTAL EXPENDITURES	618,000	350,382	267,618	206,400	130,940	75,460
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	275,000	51,790	326,790	107,500	(28,410)	79,090
OTHER FINANCING SOURCES (USES):						
Transfer in	-	-	-	25,000	19,327	5,673
Transfer out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	25,000	19,327	5,673
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND AND OTHER FINANCING USES	$ 275,000	51,790	$ 326,790	$ 82,500	(9,083)	$ 73,417
FUND BALANCE, BEGINNING OF YEAR		611,195			83,107	
FUND BALANCE, END OF YEAR		$ 662,985			$ 74,024	

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

CHARTER TOWNSHIP OF PORTAGE
COMBINED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
Year Ended December 31, 2005

	Proprietary Funds	Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Non Expendable Trust	2005	2004
OPERATING REVENUES:				
Charges for services	$ 306,686	$ -	$ 306,686	$ 295,099
Parts, meters, hook-up fees	4,401	-	4,401	2,925
Other	15,146	25,500	40,646	5,462
TOTAL OPERATING REVENUES	326,233	25,500	351,733	303,486
EXPENSES:				
Salaries	41,238	-	41,238	34,022
Payroll taxes	4,973	-	4,973	4,047
Employee benefits	12,706	-	12,706	10,286
Supplies	9,072	-	9,072	4,014
Utilities	5,068	-	5,068	5,034
Insurance	1,322	-	1,322	4,234
Repairs and maintenance	1,781	-	1,781	3,535
Professional services	48,622	5,319	53,941	5,938
Depreciation	86,173	-	86,173	86,470
Purchase services	182,678	-	182,678	222,644
Miscellaneous	8,501	-	8,501	4,704
TOTAL EXPENSES	402,134	5,319	407,453	384,928
OPERATING INCOME (LOSS)	(75,901)	20,181	(55,720)	(81,442)
NON-OPERATING REVENUES (EXPENSES):				
Transfer out	-	(19,327)	(19,327)	(21,669)
Interest income	5,610	23,206	28,816	3,293
Dividend income	-	543	543	384
Capital gains & (losses)	-	(774)	(774)	(344)
Interest expense	(29,817)	-	(29,817)	(37,411)
TOTAL NON-OPERATING REVENUES (EXPENSES):	(24,207)	3,648	20,559	55,747
NET INCOME (LOSS)	(100,108)	23,829	(76,279)	(137,189)
RETAINED EARNINGS, BEGINNING OF YEAR	533,737	852,035	1,385,772	1,433,162
ADJUSTMENTS TO FUND EQUITY				
Depreciation on Contributed Capital	42,040	-	42,040	42,040
FUND BALANCE, END OF YEAR	$ 475,669	$ 875,864	$ 1,351,533	$ 1,338,013

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

CHARTER TOWNSHIP OF PORTAGE
COMBINED STATEMENTS OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
Year Ended December 31, 2005

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Non-Expendable Trust	2005	2004
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating Income (Loss)	$ (75,901)	$ 20,181	$ (55,720)	$ (62,301)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	86,173	0	86,173	86,470
(Increase) Decrease in accounts receivable	36,248	(358)	35,890	(1,057)
(Increase) Decrease in prepaid expenses	(1,883)	0	(1,883)	(65)
(Increase) Decrease in due from other governmental unit	0	0	0	0
(Increase) Decrease in due from other funds	5,598	0	5,598	4,476
(Increase) Decrease in inventory	433	0	433	(1,144)
Increase (Decrease) in accounts payable	2,296	0	2,296	5,989
Increase (Decrease) in due to other funds	42,422	0	42,422	(17,000)
Increase (Decrease) in user deposits	75	0	75	100
Increase (Decrease) in accrued expenses	495	0	495	66
Increase (Decrease) in current maturities	0	0	0	0
Increase (Decrease) in deferred revenue	(37,419)	0	(37,419)	(7,415)
NET CASH PROVIDED BY OPERATING ACTIVITIES	58,537	19,823	78,360	8,119
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating transfers out from other funds	0	(19,327)	(19,327)	(21,699)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITII	0	(19,327)	(19,327)	(21,699)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Bond proceeds	325,000	0	325,000	0
Reductions of long-term debt	(361,000)	0	(361,000)	(35,000)
Interest paid on long-term debt	(29,817)	0	(29,817)	(37,411)
Purchase of fixed assets	(9,081)	0	(9,081)	0
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(74,898)	0	(74,898)	(72,411)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale and maturities of investments	0	116,357	116,357	878,929
Purchase of investments	0	(115,202)	(115,202)	(875,575)
Interest on investments and deposits	5,610	23,205	28,815	31,941
Dividends on investments	0	543	543	384
NET CASH FLOWS FROM INVESTING ACTIVITIES	5,610	24,903	30,513	35,679
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(10,751)	25,399	14,648	(50,312)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	236,871	196,969	433,840	484,152
CASH AND RESTRICTED CASH, END OF YEAR	$ 226,120	$ 222,368	$ 448,488	$ 433,840

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting policies of the Charter Township of Portage conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

THE FINANCIAL REPORTING ENTITY

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

FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The various funds are grouped in the financial statements into three broad fund types and four generic funds as follows:

GOVERNMENTAL FUND TYPES

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The Fire Protection, Cemetery Operating, and Liquor Law Enforcement Funds are special revenue type funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUND TYPES

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

FIDUCIARY FUND TYPE

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Non-expendable Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Non-expendable Trust Funds are reported in the financial statements as a Fiduciary Fund Type.

FIXED ASSETS AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. A public domain's ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized along with other general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-Term Debt Account Group are not "funds." Their purpose is related only to the measurement of financial position. They are not involved with measurement of results of operations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary funds are accounted for on a cost of a services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Operating statements of proprietary fund types present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided using the straight-line method and the following estimated useful lives:

Water System	30-50 years
Sewer System	40 years
Machinery and Equipment	5-10 years

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds, expendable trust funds, and agency funds are accounted for using the modified accrual basis. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charge for services, sales, fees, fines, rentals, and others are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are not accrued in the governmental fund types and Expendable Trust and Agency Funds.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt which is generally recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned, and expenses are recognized when incurred.

The Trust and Agency Fund is accounted for on the basis of cash receipts and cash disbursements.

BUDGETARY DATA

The Township follows these procedures in establishing the budgetary data:

a. Each October, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following January 1, and submits this proposed budget to the Township Board of Trustees at the regular October meeting.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.

c. Pursuant to the statute, the proposed budget as approved by the Board of Trustees, is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at the next board meeting.

d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.

e. Budget appropriation's lapse at the end of the fiscal year.

ENCUMBRANCES

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

PROPERTY TAXES

Property taxes are levied on assessed values of property located in the Township and become an enforceable lien on the property. Assessed values are established annually (the first Monday in March) and equalized by the State. Township property taxes are levied on December l, and are payable without a penalty through the following February 12. Property taxes are recognized as revenue in the year for which levied, in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes). Property taxes levied on December 1 and collected in December are recorded as deferred revenue on the General Fund and Fire Fund.

The Township collects its own property taxes, and also collects property taxes for the County, School District, and the Public Library within its jurisdiction. Collections and remittances of all property taxes are accounted for in the Trust and Agency Fund.

The 2004 taxable valuation of the Charter Township of Portage amounted to $61,292,254 on which ad valorem taxes of $77,353 were levied for Township operating purposes (1.2781 mills) and $59,501 for Township fire protection (.9832 mills). These amounts are recorded as revenue and/or deferred revenue on the Township's records for the fiscal year ending December 31, 2005.

TOTAL COLUMNS ON COMBINED BALANCE SHEETS - ALL FUNDS

The total columns on the combined statements of this report are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation which requires that inter-fund eliminations be made in the aggregation of this data.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND INVESTMENTS

For the purpose of the statement of cash flows, cash is defined as checking, money market, certificates of deposits, and savings accounts. Investments consist of the Perpetual Care Trust and are stated at cost, plus accrued interest.

INVENTORY

Inventory is valued at cost as determined on the first-in, first-out method for the Water Fund. Inventory consists of expendable supplies and materials which are accounted for under the consumption method and accordingly are recorded as expenditures when they are used.

ESTIMATES

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

NOTE B - CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligation of the United States, or any agency or instrumentality of the United States; United States Government or Federal Agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local governments in Michigan. Financial institutions eligible for deposits of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of township funds. The Township Board in accordance with Public Act 196 of 1997 adopted an investment policy.

CASH DEPOSITS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Proprietary Funds	Fiduciary Funds	Total Government
Cash and investments	$ 468,220	$ 226,122	$ 881,557	$ 1,575,899

NOTE B - CASH AND INVESTMENTS (Continued)

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings and certificates of deposit)	$ 904,563
Investments	649,829
Petty cash and cash on hand	21,507
Total	$ 1,575,899

Governmental Accounting Standards Board (GASB) Statement No. 3, requires reporting risk disclosures. At December 31, 2005, the book value of the Township's demand deposits, consisting primarily of certificates of deposit and other cash equivalents, was $904,563 with a corresponding bank balance of $1,097,863. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to $100,000. Of the bank balance, approximately $899,324, representing approximately 82% of the Township's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the $899,324 was insured and $198,539 was neither insured nor collateralized.

INVESTMENTS

The investment of the Township's perpetual care funds is governed by state statutes. In general, state statutes provide that the Township is authorized to invest its funds in certificates of deposits, savings accounts and deposit accounts in a bank which is a member of the Federal Deposit Insurance Corporation. In addition, it may also invest in bonds, securities and other obligations of the United States in which the principal and interest are fully guaranteed by the United States, and investments in commercial paper rated prime at the time of purchase and which matures not more than 270 days after the date of purchase.

Investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

1. Insured or registered, or securities held by the entity or its agent in the entity's name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the entity's name.
3. Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent but not in the entity's name.

At December 31, 2005, the Township's investments were as follows:

	Categories			Carrying	Market
	1	2	3	Amount	Value
Cash Equivalents	$ 0	$ 32,210	$ 0	$ 32,210	$ 32,210
Certificates of Deposit	0	20,000	0	20,000	20,000
U.S. Government Securities	0	597,619	0	597,619	584,647
Total	$ 0	$ 649,829	$ 0	$ 649,829	$ 636,857

NOTE C - INTER-FUND RECEIVABLES AND PAYABLES

The amounts of inter-fund receivables and payables at December 31, 2005 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General	$ 283,536	Cemetery Fund	$ 14,833
		Sewer Fund	207,247
		Portage Water Fund	44,615
		Dakota Water Fund	7,481
		Tax Collection Fund	9,360
TOTALS	$ 283,536	TOTALS	$ 283,536

NOTE D - RECEIVABLES

The detail of receivables at December 31, 2005 are as follows:

Receivables	General	Special Revenue	Proprietary	Non-expendable Trust	Total Government
Accounts	$ 764	$ 0	$ 14,371	$ 0	$ 764
Interest	0	0	0	3,666	3,666
Taxes	1,021	1,193	0	0	16,585
Special assessment	0	0	140,314	0	140,314
Total receivables	$ 1,785	$ 1,193	$ 154,685	$ 3,666	$ 161,329

NOTE E - PROPERTY, PLANT, AND EQUIPMENT

A summary of the changes in the General Fixed Assets Account Group is as follows:

	Balance 12/31/04	Additions	Subtractions	Balance 12/31/05
Land	$ 578,659	$ 0	$ 0	$ 578,659
Buildings	485,043	0	0	485,043
Vehicles	359,291	5,000	0	364,291
Machinery	85,976	0	0	85,976
Equipment	197,562	0	0	197,562
Other Equipment	41,812	0	0	41,812
	$ 1,748,343	$ 5,000	$ 0	$ 1,753,343

NOTE F - WATER AND SEWER FUND FIXED ASSETS

Changes in the Water and Sewer Funds Fixed Assets in 2005 are as follows:

	Balance 12/31/04	Additions	Subtractions	Balance 12/31/05
Sewer Fund	$ 1,410,682	$ 0	$ 0	$ 1,410,682
Portage Water Fund	1,578,152	9,081	0	1,587,233
Dakota Heights Water Fund	673,958	0	0	673,958
Woodland Water Fund	124,452	0	0	124,452
	$ 3,787,244	$ 9,081	$ 0	$ 3,796,325

NOTE G - ACCUMULATED UNPAID VACATION AND SICK LEAVE

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

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

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

Accumulated unpaid vacation and sick leave at December 31, 2005 and 2004 were $15,265 and $18,063, respectively.

NOTE H - LONG-TERM DEBT

Portage Water Bonds

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

WATER SUPPLY & DISTRIBUTION SYSTEM REVENUE BONDS
December 31, 2005

	July 1	November 1		
Year	Interest	Interest	Principal	Total
2006	$ 8,328	$ 8,328	$ 25,000	$ 41,656
2007	5,098	5,098	25,000	35,196
2008	4,787	4,787	25,000	34,574
2009	4,470	4,470	25,000	33,940
2010	4,061	4,061	30,000	38,122
2011	3,642	3,642	30,000	37,284
2012	3,214	3,214	30,000	36,428
2013	2,776	2,776	30,000	35,552
2014	2,328	2,328	35,000	39,656
2015	1,786	1,786	35,000	38,572
2016	1,231	1,231	35,000	37,462
TOTALS	$ 41,721	$ 41,721	$ 325,000	$ 408,442

Special assessment bonds were issued in 1986 in the amount of $135,000 for the purpose of defraying part of the cost of water supply and distribution system improvements. The bonds are being repaid from collections on certain special assessment rolls. In addition, the Township has pledged its full faith and credit for repayment of the bonds. The bonds bear an interest rate not to exceed 6.125% per annum.

NOTE H - LONG-TERM DEBT (Continued)

Bonds maturing after July 1, 1987 are subject to redemption prior to maturity, in inverse order, at the option of the Township on any interest payment date after January 1, 1986. The payment schedule for the bonds is as follows:

WATER SPECIAL ASSESSMENT BONDS
December 31, 2005

	January 1	July 1		
Year	Interest	Interest	Principal	Total
2006	$ 1,286	$ 1,286	$ 5,000	$ 7,572
2007	1,133	1,133	5,000	7,266
2008	980	980	5,000	6,960
2009	827	827	4,000	5,654
2010	705	704	5,000	6,409
2011	92	92	3,000	3,184
TOTALS	$ 5,023	$ 5,022	$ 27,000	$ 37,045

Dakota Heights Water Fund

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

2000 WATER SUPPLY & DISTRIBUTION SYSTEM REVENUE BONDS
December 31, 2005

	February 1	August 1		
Year	Interest	Interest	Principal	Total
2006	$ 4,118	$ 4,118	$ 3,000	$ 11,236
2007	4,050	4,050	3,000	11,100
2008	3,982	3,983	3,000	10,965
2009	3,915	3,915	3,000	10,830
2010	3,847	3,848	3,000	10,695
2011	3,780	3,780	3,000	10,560
2012	3,712	3,713	3,000	10,425
2013-2017	17,551	17,551	16,000	51,102
2018-2022	15,525	15,525	20,000	51,050
2023-2027	13,050	13,050	26,000	52,100
2028-2032	9,878	9,878	32,000	51,756
2033-2037	5,940	5,940	40,000	51,880
2038-2040	1,283	1,283	28,000	30,566
TOTALS	$ 90,631	$ 90,634	$ 183,000	$ 364,265

NOTE H - LONG-TERM DEBT (Continued)

Pilgrim Estates (Woodland Water Fund)

On May 1, 2003, the Township issued $127,000 of general obligation - limited tax bonds for the purpose of paying all or part of the cost of certain capital improvements in the Pilgrim Estates area.

The bond issue or $5,000 portions of the bond is subject to redemption at the option of the Township in whole or in part, in such order as determined by the Township, on any interest payment date on or after March 1, 2004, at par and accrued interest to the date fixed for redemption. The bond maturing on March 1, 2011 (the "Term Bond") is subject to mandatory redemption in part, by lot, at par, plus accrued interest o the date fixed for redemption without premium on March 1 of each of the years and in the principal amounts set forth in the forth in the debt schedule as follows:

2003 GENERAL OBLIGATION LIMITED TAX BOND
December 31, 2005

	March 1		
Year	Interest	Principal	Total
2006	$ 3,420	$ 17,000	$ 20,420
2007	2,839	17,000	19,839
2008	2,257	17,000	19,257
2009	1,676	17,000	18,676
2010	1,094	17,000	18,094
2011	513	15,000	15,513
TOTALS	$ 11,799	$ 100,000	$ 111,799

Capital Lease Agreements

On August 2, 1999, the Township entered into a municipal lease-purchase agreement with Government Capital Corporation in the amount of $49,900 for a 1989 Ford 4X4 Pumper. This lease has an annual percentage rate of 6.79% and fixed payments will be made annually which will include interest. The lease with Government Capital Corporation will expire April 1, 2006, at which time the Township will legally own the pumper.

Year	Principal	Interest	Total
2006	$ 7,269	$ 510	$ 7,779

On December 22, 2004, the Township entered into a municipal lease-purchase agreement with Ford Motor Credit Company in the amount of $70,750 for a 2004 Sterling 660 Dump Truck. This lease has an annual percentage rate of 5% and fixed payments will be made annually which will include interest. The lease with Government Capital Corporation will expire April 1, 2006, at which time the Township will legally own the pumper.

Year	Principal	Interest	Total
2006	$ 14,080	$ 1,483	$ 15,563
2007	14,080	1,484	15,564
2008	13,940	1,483	15,423
TOTALS	$ 42,100	$ 4,450	$ 46,550

NOTE H - LONG-TERM DEBT (Continued)

The following is a summary of the changes in long-term debt principal for the year ended December 31, 2005:

	Balance 12/31/04	Additions	Reductions	Balance 12/31/05
Enterprise				
Portage Water Fund:				
Water Supply Bond	$ 336,000	$ 325,000	$ 336,000	$ 325,000
Special Assessment	32,000	0	5,000	27,000
Dakota Heights Water Fund	186,000	0	3,000	183,000
Woodland Water Fund	117,000	0	17,000	100,000
Sub-Total	671,000	325,000	361,000	635,000
General Fund				
Dump Truck	56,250	0	14,150	42,100
Special Revenue				
Fire Protection Fund	15,251	0	7,982	7,269
Sub-Total	71,501	0	22,132	49,369
TOTALS	$ 742,501	$ 325,000	$ 383,132	$ 684,369

SUMMARY SCHEDULE OF LONG-TERM DEBT
December 31, 2005

Year	Interest	Principal	Total
2006	$ 32,877	$ 71,349	$ 104,226
2007	24,885	64,080	88,965
2008	23,239	63,940	87,179
2009	20,100	49,000	69,100
2010	18,320	55,000	73,320
2011	15,541	51,000	66,541
2012	13,853	33,000	46,853
2013-2017	51,344	151,000	202,344
2018-2022	31,050	20,000	51,050
2023-2027	26,100	26,000	52,100
2028-2032	19,756	32,000	51,756
2033-2037	11,880	40,000	51,880
2038-2040	2,566	28,000	30,566
TOTALS	$ 291,511	$ 684,369	$ 975,880

NOTE I - BOND PAYMENT AND RESERVE REQUIREMENTS

PORTAGE WATER FUND

Bond and Interest Redemption Account

The 1986 Water Fund System Special Assessment Bonds requires that the Township set aside each quarter on or after April 1, an amount not less than 1/2 of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment date. The Township's Bond and Interest Redemption Account balance at December 31, 2005 should be $6,592 which is in compliance with bond requirements.

Bond Reserve Account

The 1986 Water Fund System Improvement Bonds require that the Township establish a bond reserve account to be used for payment on the bonds in the event of default. At December 31, 2005, there was $27,000 in the Bond Reserve account which is in compliance with bond requirements.

DAKOTA HEIGHTS WATER FUND

Bond and Interest Redemption Account

Water Supply System Revenue Bonds, Series 2000 requires that the Township set aside each quarter on or after April 1, an amount not less than 1/2 of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment date. The Township's Bond and Interest Redemption Account balance at December 31, 2005 was $7,117, which is in compliance with bond requirements.

Bond Reserve Account

Water Supply System Revenue Bonds, Series 2000 requires that the Township deposit $275 per quarter into a bond reserve account to be used for payment on the bonds in the event of default. The Township's Bond Reserve Account balance at December 31, 2005 was $5,784, which is in compliance with bond requirements.

Repair, Replacement, and Improvement Account

Water Supply System Revenue Bonds, Series 2000 requires that the Township deposit into a repair, replacement, and improvement account (RRI) at least $2,100 per quarter, less the amount, if any, deposited in the Bond Reserve Account. The Township's RRI Account balance at December 31, 2005 should be $38,325, which is $9,611 short of compliance with bond requirements.

NOTE J - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintained four Enterprise Funds which provided water and sewer services. Segment information for the year ended December 31, 2005 is as follows:

	Sewer	Portage Water	Dakota Water	Woodland Water
Operating Revenues	$125,124	$120,871	$22,872	$57,364
Depreciation	$35,460	$30,820	$17,059	$2,834
Operating Income (Loss)	($87,994)	($11,537)	($580)	$24,210
Non-operating Revenue (Expense)	$3	($14,006)	($7,955)	($2,249)
Net Income (Loss)	($87,991)	($25,543)	($8,535)	($21,961)
Property, Plant, and Equipment:				
Additions	$0	$9,081	$0	$0
Net Working Capital (Deficit)	($252,797)	$15,792	($12,377)	$53,881
Total Assets	$541,673	$1,119,951	$641,348	$305,551
Total Equity	$322,019	$682,151	$446,263	$87,295

NOTE K - DEFERRED REVENUE

Deferred revenues are those where asset recognition criteria has been met, but for which revenue recognition criteria have not been met. The following schedule details deferred revenue as of December 31, 2005:

Fund	Property Taxes	Special Assessments	Total
General Fund	$ 13,140	$ 0	$ 13,140
Special Revenue:			
Fire Protection Fund	10,750	0	10,750
Enterprise:			
Portage Water Fund	0	22,783	22,783
Woodland Water Fund	0	117,530	117,530
TOTALS	$ 23,890	$ 140,313	$ 164,203

NOTE L - DEFINED CONTRIBUTION PLAN

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

The Township's total payroll in 2005 was $207,874. The Township's contributions were calculated using the eligible wage amount of $151,636. The Township made the required 5% contribution amounting to $7,803.

NOTE M - BUDGET OVER EXPENDITURES

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended December 31, 2005, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Fund	Total Appropriations	Amount of Expenditures	Budget Variances
General Fund:			
Town Hall	$25,000	$27,189	($2,189)
Building Inspector	$0	$5	($5)

NOTE N - RISK MANAGEMENT

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

NOTE O - DEFICIT FUND BALANCE

The Cemetery Operating Fund financial statements show a deficit of $16,470 at December 31, 2005.

NOTE P - SUBSEQUENT EVENTS

On September 29, 2005 the Township signed a purchase agreement in the amount of $185,000 with Wisconsin Kenworth for the purchase of a fire truck for the Hurontown Fire Department. The fire truck will be paid through grant proceeds of $35,000 and note in the amount of $120,000 from U.S. Rural Development, and the balance of $30,000 paid by the Township. The note from the U.S. Rural Development has an interest rate of 4.25% dated March 15, 2006.

The Township sold the cemetery vault for $172,000 to Michigan Technological University in June, 2006.

NOTE Q - RECLASSIFICATIONS

Certain reclassifications have been made to the 2004 financial statements to conform to the 2005 classifications.

SUPPLEMENTAL FINANCIAL INFORMATION

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended December 31, 2005 and 2004

	2005	2004
REVENUES:		
Property tax	$ 77,197	$ 73,607
Payments in lieu of tax (PILT)	11,520	11,621
State shared revenues	245,304	243,467
Administration fees	33,065	22,677
Interest	9,587	4,256
Other:		
Collection fees	441	7,995
Land division	1,100	1,700
Easement fees	7,402	7,148
Miscellaneous	11,548	2,293
Building and electrical permits	2,068	7,563
Tower fees	2,940	2,870
Total other	25,499	29,569
TOTAL REVENUES	402,172	385,197
EXPENDITURES:		
ASSESSOR:		
Tax supplies	6,760	1,085
Contract labor	8,537	9,120
Miscellaneous	5,227	941
Total assessor	20,524	11,146
SUPERVISOR:		
Salaries	17,928	14,712
Supplies	101	18
Travel expenses	1,341	670
Miscellaneous	618	21
Total supervisor	19,988	15,421
CLERK:		
Salaries	19,636	19,064
Office supplies	341	9
Equipment	-	70
Miscellaneous	-	450
Total clerk	19,977	19,593
TREASURER:		
Salaries	17,666	18,545
Supplies	237	81
Tax supplies	5,556	9,684
Equipment	2,056	-
Miscellaneous	5,138	473
Total treasurer	30,653	28,783

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (Continued)
Years Ended December 31, 2005 and 2004

	2005	2004
ZONING AND PLANNING:		
Salaries	2,160	1,666
Supplies	202	388
Printing and publishing	520	1,163
Travel expenses	150	150
Miscellaneous	259	925
Total zoning and planning	3,291	4,292
GENERAL SERVICES:		
Professional services	12,069	10,954
Supplies	100	-
Tower rent and expenses	1,389	1,469
Miscellaneous	10,442	4,165
Total general services	24,000	16,588
TOWNSHIP BOARD:		
Salaries	4,470	4,120
Contributions	495	745
Miscellaneous	811	(373)
Total township board	5,776	4,492
TOWN HALL:		
Salaries	9,469	6,397
Supplies	1,652	1,597
Utilities	6,528	5,457
Repairs and maintenance	6,568	711
Miscellaneous	2,972	1,895
Total town hall	27,189	16,057
OTHER ACTIVITIES:		
Salaries	32,994	38,130
Payroll taxes	12,309	12,999
Employee benefits	28,002	27,245
Printing and publishing	1,757	1,051
Insurance	26,321	18,799
Board of review	1,498	441
Street lights	11,545	11,386
Miscellaneous	2,424	13,055
Total other activities	116,850	123,106
RECREATION:		
Salaries	7,451	3,624
Supplies	1,249	864
Utilities	1,514	1,255
Repairs and maintenance	757	2,920
Miscellaneous	4,650	603
Total recreation	15,621	9,266

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (Continued)
Years Ended December 31, 2005 and 2004

	2005	2004
MOTOR VEHICLE POOL:		
Salaries	7,369	6,622
Supplies	674	1,589
Repairs and maintenance	19,466	23,347
Fuel	7,361	6,725
Miscellaneous	395	676
Total motor vehicle pool	35,265	38,959
CONSTABLE:		
Salaries	2,940	2,940
Insurance	257	395
Total constable	3,197	3,335
ELECTIONS:		
Salaries	127	1,054
Supplies	762	888
Printing and publishing	42	254
Miscellaneous	1,259	2,736
Contract labor	2,040	3,735
Total elections	4,230	8,667
MAINTENANCE BUILDING:		
Salaries	1,227	2,986
Supplies	4,080	4,595
Utilities	4,116	4,132
Repairs and maintenance	623	198
Miscellaneous	820	2,295
Total maintenance building	10,866	14,206
ROADS AND REPAIRS:		
Salaries	718	1,638
Supplies	288	340
Street signs	598	1,342
Oiling roads	10,946	-
Miscellaneous	-	525
Total roads and repairs	12,550	3,845
BUILDING INSPECTOR:		
Fees	5	6,793
Travel expenses	-	548
Total building inspector	5	7,341
SANITARY LANDFILL:		
Insurance	400	400
TOTAL EXPENDITURES	350,382	325,497

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (Continued)
Years Ended December 31, 2005 and 2004

	2005	2004
EXCESS OF REVENUES OVER EXPENDITURES	51,790	59,700
OTHER FINANCING USES:		
Transfer out	-	16,767
EXCESS OF REVENUES AND OVER EXPENDITURES AND OTHER FINANCING USES	51,790	42,933
FUND BALANCE, BEGINNING OF YEAR	611,195	568,262
FUND BALANCE, END OF YEAR	$ 662,985	$ 611,195

CHARTER TOWNSHIP OF PORTAGE
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
December 31, 2005

	Fire Protection	Cemetery Operating	Liquor law Enforcement	TOTALS (Memorandum Only) 2005	2004
ASSET AND OTHER DEBITS:					
Cash	$ 91,120	$ (5,654)	$ 3,457	$ 88,923	$ 87,175
Taxes receivables	1,193	-	-	1,193	1,073
Due from other funds	-	-	-	-	13,427
Prepaid expenses	6,652	4,137	-	10,789	6,256
TOTAL ASSETS AND OTHER DEBITS	$ 98,965	$ (1,517)	$ 3,457	$ 100,905	$ 107,931
LIABILITIES:					
Accounts payable	$ 58	$ 120	$ -	$ 178	$ 1,236
Due to other funds	-	14,833	-	14,833	7,833
Accrued expenses	1,120	-	-	1,120	1,254
Deferred revenue	10,750	-	-	10,750	14,500
TOTAL LIABILITIES	11,928	14,953	-	26,881	24,823
FUND EQUITY					
Fund balance	87,037	(16,470)	3,457	74,024	83,108
TOTAL LIABILITIES, FUND EQUITY	$ 98,965	$ (1,517)	$ 3,457	$ 100,905	$ 107,931

CHARTER TOWNSHIP OF PORTAGE
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2005

	Fire Protection	Cemetery Operating	Liquor Law Enforcement	Totals (Memorandum Only) 2005	2004
REVENUES:					
Taxes	$ 59,800	$ -	$ -	$ 59,800	$ 56,620
State	-	-	1,549	1,549	1,584
Charges for services	-	29,802	-	29,802	31,336
Interest	1,751	-	-	1,751	5,290
Other	1,239	8,389	-	9,628	16,710
TOTAL REVENUES	62,790	38,191	1,549	102,530	111,540
EXPENDITURES:					
Salaries	4,225	35,551	2,040	41,816	42,724
Payroll taxes	323	6,355	156	6,834	5,709
Employee benefits	-	8,879	-	8,879	21,456
Supplies	1,688	3,364	85	5,137	4,174
Utilities	10,682	6,725	-	17,407	15,164
Insurance	5,468	3,414	-	8,882	13,454
Professional services	-	32	-	32	-
Printing & publishing	-	102	-	102	-
Repairs and maintenance	17,222	2,085	-	19,307	13,472
Contract labor	-	3,601	-	3,601	1,348
Fuel	1,192	826	-	2,018	1,506
Miscellaneous	4,820	3,054	-	7,874	4,563
Loan payments	9,051	-	-	9,051	9,051
TOTAL EXPENDITURES	54,671	73,988	2,281	130,940	132,621
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,119	(35,797)	(732)	(28,410)	(21,081)
OTHER FINANCING SOURCES (USES):					
Transfer in	-	19,327	-	19,327	38,436
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	8,119	(16,470)	(732)	(9,083)	17,355
FUND BALANCE, BEGINNING OF YEAR	78,918	-	4,189	83,107	65,753
FUND BALANCE (DEFICIT), END OF YEA	$ 87,037	$ (16,470)	$ 3,457	$ 74,024	$ 83,108

CHARTER TOWNSHIP OF PORTAGE
FIRE PROTECTION FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended December 31, 2005 and 2004

	2005	2004
REVENUES:		
Taxes	$ 59,800	$ 56,620
Interest	1,751	362
Other	1,239	2,778
TOTAL REVENUES	62,790	59,760
EXPENDITURES:		
Salaries	4,225	5,480
Payroll taxes	323	407
Supplies	1,688	1,489
Utilities	10,682	10,453
Insurance	5,468	7,762
Repairs and maintenance	17,222	13,101
Fuel	1,192	1,482
Miscellaneous	4,820	3,495
Loan payments	9,051	9,051
TOTAL EXPENDITURES	54,671	52,720
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,119	7,040
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	78,918	71,879
FUND BALANCE, END OF YEAR	$ 87,037	$ 78,919

CHARTER TOWNSHIP OF PORTAGE
CEMETERY OPERATING FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended December 31, 2005 and 2004

	2005	2004
REVENUES:		
Charges for services	$ 29,802	$ 31,336
Interest	-	4,928
Other	8,389	13,932
TOTAL REVENUES	38,191	50,196
EXPENDITURES:		
Salaries	35,551	35,204
Payroll taxes	6,355	5,146
Employee benefits	8,879	21,456
Supplies	3,364	2,685
Utilities	6,725	4,711
Insurance	3,414	5,570
Professional services	32	-
Printing and publishing	102	-
Repairs and maintenance	2,085	371
Contract labor	3,601	1,348
Fuel	826	24
Miscellaneous	3,054	1,068
TOTAL EXPENDITURES	73,988	77,583
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35,797)	(27,387)
OTHER FINANCING SOURCES (USES):		
Transfer in	19,327	38,436
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(16,470)	11,049
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	-	(11,049)
FUND BALANCE (DEFICIT), END OF YEAR	$ (16,470)	$ -

CHARTER TOWNSHIP OF PORTAGE
LIQUOR LAW ENFORCEMENT FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended December 31, 2005 and 2004

	2005	2004
REVENUES:		
State	$ 1,549	$ 1,584
EXPENDITURES:		
Salaries	2,040	2,040
Payroll taxes	156	156
Supplies	85	-
Insurance	-	122
TOTAL EXPENDITURES	2,281	2,318
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(732)	(734)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	4,189	4,923
FUND BALANCE, END OF YEAR	$ 3,457	$ 4,189

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS- ALL ENTERPRISE FUNDS
Year Ended December 31, 2005

	Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	TOTALS (Memorandum Only) 2005	2004
ASSET AND OTHER DEBITS:						
Current Assets:						
Cash	$ (43,292)	$ 68,806	$ 1,824	$ 71,202	98,540	$ 145,372
Receivables	7,759	28,281	799	117,845	154,684	190,934
Inventory	-	26,712	-	-	26,712	27,145
Due from other funds	-	-	-	-	-	5,599
Prepaid expenses	2,391	2,794	84	90	5,359	3,473
Total current assets	(33,142)	126,593	2,707	189,137	285,295	372,523
Restricted cash	-	85,965	41,616	-	127,581	91,499
General fixed assets:						
Fixed Assets	1,410,682	1,587,232	673,958	124,452	3,796,324	3,787,244
Accumulated depreciation	(835,867)	(679,839)	(76,933)	(8,038)	(1,600,677)	(1,514,503)
Total general fixed assets	574,815	907,393	597,025	116,414	2,195,647	2,272,741
TOTAL ASSETS AND OTHER DEBITS	$ 541,673	$ 1,119,951	$ 641,348	$ 305,551	$ 2,608,523	$ 2,736,763
LIABILITIES:						
Current Liabilities:						
Accounts payable	$ 11,789	$ 6,024	$ 155	$ -	$ 17,968	$ 15,673
Due to other funds	207,247	44,615	7,481	-	259,343	216,921
Current maturities on bond payable	-	30,000	3,000	17,000	50,000	44,000
User deposits	-	11,611	4,375	636	16,622	16,547
Accrued expenses	619	767	74	90	1,550	1,054
Deferred revenue	-	22,783	-	117,530	140,313	177,733
Total current liabilities	219,655	115,800	15,085	135,256	485,796	471,928
Long-term liabilities:						
Bonds payable net of current maturities	-	322,000	180,000	83,000	585,000	627,000
TOTAL LIABILITIES	219,655	437,800	195,085	218,256	1,070,796	1,098,928
FUND EQUITY AND OTHER CREDITS:						
Contributed capital	314,356	312,790	434,912	-	1,062,058	1,104,098
Retained earnings	7,662	369,361	11,351	87,295	475,669	533,737
TOTAL FUND EQUITY	322,018	682,151	446,263	87,295	1,537,727	1,637,835
TOTAL LIABILITIES AND FUND EQUITY	$ 541,673	$ 1,119,951	$ 641,348	$ 305,551	$ 2,608,523	$ 2,736,763

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS- ALL ENTERPRISE FUNDS
Year Ended December 31, 2005

	Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	Totals (Memorandum Only) 2005	Totals (Memorandum Only) 2004
OPERATING REVENUE						
Charges for services	$ 121,483	$ 106,422	$ 22,718	$ 56,063	$ 306,686	$ 295,099
Parts, meters, hook-up fees	1,200	3,099	-	102	4,401	2,925
Other	2,440	11,352	155	1,199	15,146	5,462
TOTAL OPERATING REVENUE	125,123	120,873	22,873	57,364	326,233	303,486
EXPENSES:						
Salaries	16,089	21,696	1,683	1,770	41,238	34,022
Payroll taxes	2,016	2,459	258	240	4,973	4,047
Employee benefits	5,883	6,570	112	141	12,706	10,286
Supplies	2,639	6,088	147	198	9,072	4,014
Utilities	3,030	2,038	-	-	5,068	5,034
Insurance	486	836	-	-	1,322	4,234
Repairs and maintenance	826	667	-	-	1,493	3,535
Professional services	26,555	22,067	-	-	48,622	5,938
Depreciation	35,460	30,820	17,059	2,834	86,173	86,470
Purchase services	119,359	33,812	2,280	27,227	182,678	222,644
Miscellaneous	774	5,357	1,914	744	8,789	4,704
TOTAL EXPENSES	213,117	132,410	23,453	33,154	402,134	384,928
OPERATING INCOME(LOSS)	(87,994)	(11,537)	(580)	24,210	(75,901)	(81,442)
NON-OPERATING REVENUES (EXPENSES):						
Interest income	3	3,730	415	1,462	5,610	6,641
Interest expense	-	(17,736)	(8,370)	(3,711)	(29,817)	(37,411)
TOTAL NON-OPERATING REVENUES (EXPENSES)	3	(14,006)	(7,955)	2,249	(24,207)	(30,770)
NET INCOME (LOSS)	(87,991)	(25,543)	(8,535)	21,961	(100,108)	(112,212)
RETAINED EARNINGS, BEGINNING OF YEAR	73,963	384,814	9,626	65,334	533,737	603,909
ADJUSTMENTS TO FUND EQUITY						
Depreciation on Contributed Capital	21,690	10,090	10,260	-	42,040	42,040
RETAINED EARNINGS, END OF YEAR	$ 7,662	$ 369,361	$ 11,351	$ 87,295	$ 475,669	$ 533,737

CHARTER TOWNSHIP OF PORTAGE
COMBINING STATEMENTS OF CASH FLOWS
ALL ENTERPRISE FUNDS
Year Ended December 31, 2005

	Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	TOTALS (Memorandum Only) 2005	2004
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating Income (Loss)	$ (87,994)	$ (11,537)	$ (580)	$ 24,210	$ (75,901)	$ (81,442)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	35,460	30,820	17,059	2,834	86,173	86,470
(Increase) Decrease in accounts receivable	939	7,286	(31)	28,054	36,248	(163)
(Increase) Decrease in prepaid expenses	(653)	(1,056)	(85)	(89)	(1,883)	(65)
(Increase) Decrease in due from other governmental unit	0	0	0	0	0	0
(Increase) Decrease in due from other funds	0	3,804	0	1,794	5,598	4,476
(Increase) Decrease in inventory	0	433	0	0	433	(1,144)
Increase (Decrease) in accounts payable	2,582	2,680	(12)	(2,954)	2,296	5,989
Increase (Decrease) in due to other funds	48,422	(6,000)	0	0	42,422	(17,000)
Increase (Decrease) in user deposits	0	75	0	0	75	100
Increase (Decrease) in accrued expenses	148	304	14	29	495	66
Increase (Decrease) in current maturities	0	0	0	0	0	0
Increase (Decrease) in deferred revenue	0	(7,830)	0	(29,589)	(37,419)	(7,415)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(1,096)	18,979	16,365	24,289	58,537	37,453
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Bond proceeds	0	325,000	0	0	325,000	0
Reductions of long-term debt	0	(341,000)	(3,000)	(17,000)	(361,000)	(35,000)
Interest paid on long-term debt	0	(17,736)	(8,370)	(3,711)	(29,817)	(37,411)
Purchase of fixed assets	0	(9,081)	0	0	(9,081)	0
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	0	(42,817)	(11,370)	(20,711)	(74,898)	(72,411)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments and deposits	3	3,730	415	1,462	5,610	6,641
NET CASH FLOWS FROM INVESTING ACTIVITIES	3	3,730	415	1,462	5,610	6,641
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(1,093)	(20,108)	5,410	5,040	(10,751)	(28,317)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	(42,199)	174,878	38,029	66,163	236,871	312,769
CASH AND RESTRICTED CASH, END OF YEAR	$ (43,292)	$ 154,770	$ 43,439	$ 71,203	$ 226,120	$ 284,452

CHARTER TOWNSHIP OF PORTAGE
SEWER FUND
DETAILED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
Years Ended December 31, 2005 and 2004

	2005	2004
OPERATING REVENUE		
Charges for services	$ 121,483	$ 121,500
Parts, meters, hook-up fees	1,200	1,200
Other	2,440	744
TOTAL OPERATING REVENUE	125,123	123,444
EXPENSES:		
Salaries	16,089	15,919
Payroll taxes	2,016	1,870
Employee benefits	5,883	4,641
Supplies	2,639	1,006
Utilities	3,030	2,886
Insurance	486	1,942
Repairs and maintenance	826	3,499
Professional services	26,555	5,669
Depreciation	35,460	35,601
Water purchases	-	-
Sewage use charges	119,359	169,370
Miscellaneous	774	2,063
TOTAL EXPENSES	213,117	244,466
OPERATING INCOME(LOSS)	(87,994)	(121,022)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	3	1,381
NET INCOME (LOSS)	(87,991)	(119,641)
RETAINED EARNINGS, BEGINNING OF YEAR	73,963	171,914
ADJUSTMENTS TO FUND EQUITY		
Depreciation on Contributed Capital	21,690	21,690
RETAINED EARNINGS, END OF YEAR	$ 7,662	$ 73,963

CHARTER TOWNSHIP OF PORTAGE
WATER FUND- PORTAGE
DETAILED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
Years Ended December 31, 2005 and 2004

	2005	2004
OPERATING REVENUE		
Charges for services	$ 106,422	$ 107,190
Parts, meters, hook-up fees	3,099	925
Other	11,352	4,333
TOTAL OPERATING REVENUE	120,873	112,448
EXPENSES:		
Salaries	21,696	15,914
Payroll taxes	2,459	1,838
Employee benefits	6,570	5,025
Supplies	6,088	2,506
Utilities	2,038	2,148
Insurance	836	2,292
Repairs and maintenance	667	-
Professional services	22,067	269
Depreciation	30,820	30,976
Water purchases	33,812	34,238
Sewage use charges	-	-
Miscellaneous	5,357	2,751
TOTAL EXPENSES	132,410	97,957
OPERATING INCOME(LOSS)	(11,537)	14,491
NON-OPERATING REVENUES (EXPENSES):		
Interest income	1,592	2,540
Interest special assessment	2,138	1,912
Interest expense	(17,736)	(23,214)
TOTAL NON-OPERATING REVENUES (EXPENSES):	(14,006)	(18,762)
NET INCOME (LOSS)	(25,543)	(4,271)
RETAINED EARNINGS, BEGINNING OF YEAR	384,814	378,995
ADJUSTMENTS TO FUND EQUITY		
Depreciation on Contributed Capital	10,090	10,090
RETAINED EARNINGS, END OF YEAR	$ 369,361	$ 384,814

CHARTER TOWNSHIP OF PORTAGE
WATER FUND- DAKOTA HEIGHTS
DETAILED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
Years Ended December 31, 2005 and 2004

	2005	2004
OPERATING REVENUE		
Charges for services	$ 22,718	$ 21,758
Parts, meters, hook-up fees	-	25
Other	155	13
TOTAL OPERATING REVENUE	22,873	21,796
EXPENSES:		
Salaries	1,683	681
Payroll taxes	258	98
Employee benefits	112	58
Supplies	147	212
Depreciation	17,059	17,059
Water purchases	2,280	1,969
Miscellaneous	1,914	75
TOTAL EXPENSES	23,453	20,152
OPERATING INCOME(LOSS)	(580)	1,644
NON-OPERATING REVENUES (EXPENSES):		
Interest income	57	158
Interest special assessment	358	-
Interest expense	(8,370)	(8,505)
TOTAL NON-OPERATING REVENUES (EXPENSES):	(7,955)	(8,347)
NET INCOME (LOSS)	(8,535)	(6,703)
RETAINED EARNINGS, BEGINNING OF YEAR	9,626	6,069
ADJUSTMENTS TO FUND EQUITY		
Depreciation on Contributed Capital	10,260	10,260
RETAINED EARNINGS, END OF YEAR	$ 11,351	$ 9,626

CHARTER TOWNSHIP OF PORTAGE
WATER FUND- WOODLAND ROAD
DETAILED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
Years Ended December 31, 2005 and 2004

	2005	2004
OPERATING REVENUE		
Charges for services	$ 56,063	$ 44,651
Parts, meters, hook-up fees	102	775
Other	1,199	372
TOTAL OPERATING REVENUE	57,364	45,798
EXPENSES:		
Salaries	1,770	1,508
Payroll taxes	240	241
Employee benefits	141	562
Supplies	198	290
Depreciation	2,834	2,834
Water purchases	27,227	17,067
Miscellaneous	744	(149)
TOTAL EXPENSES	33,154	22,353
OPERATING INCOME(LOSS)	24,210	23,445
NON-OPERATING REVENUES (EXPENSES):		
Interest income	1,462	650
Interest expense	(3,711)	(5,692)
TOTAL NON-OPERATING REVENUES (EXPENSES):	(2,249)	(5,042)
NET INCOME (LOSS)	21,961	18,403
RETAINED EARNINGS, BEGINNING OF YEAR	65,334	46,931
RETAINED EARNINGS, END OF YEAR	$ 87,295	$ 65,334

CHARTER TOWNSHIP OF PORTAGE
TRUST AND AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended December 31, 2005

TAX COLLECTION FUND

	Balance 12/31/04	Additions	Deductions	Balance 12/31/05
ASSETS:				
Cash	$ 52,855	$ 4,724,039	$ 4,785,534	$ 9,360
TOTAL ASSETS	$ 52,855	$ 4,724,039	$ 4,785,534	$ 9,360
LIABILITIES:				
Due to other funds	$ 51,782	$ 163,197	$ 205,619	$ 9,360
Due to other governmental units	1,073	2,026,037	2,027,110	0
TOTAL LIABILITIES	$ 52,855	$ 2,189,234	$ 2,232,729	$ 9,360

CHARTER TOWNSHIP OF PORTAGE
GENERAL LONG-TERM DEBT ACCOUNT GROUP
STATEMENT OF LONG-TERM DEBT
December 31, 2005

AMOUNT TO BE PROVIDED FOR THE PAYMENT OF LONG-TERM DEBT:

Amounts to be provided by future tax levies and charges for services	$ 64,634
TOTAL AMOUNTS AVAILABLE AND TO BE PROVIDED FOR PAYMENT OF LONG-TERM DEBT	$ 64,634

LONG-TERM DEBT:

Accumulated and unpaid vacation/sick pay benefits	$ 15,265
Lease payable	49,369
TOTAL LONG-TERM DEBT PAYABLE	$ 64,634

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LETTER OF COMMENTS AND RECOMMENDATIONS

Honorable Supervisor and Board of Trustees
Charter Township of Portage
Houghton, Michigan

We have audited the general purpose financial statements of the Charter Township of Portage, for the year ended December 31, 2005, and have issued our report thereon dated May 12, 2006. As part of our audit, we made a study and evaluation of the Township's internal control structure only to the extent we considered necessary as required by auditing standards generally accepted in the United States of America.

Under generally accepted auditing standards, the purpose of an evaluation of the internal control structure is to establish a basis for reliance on the system in determining the nature, timing and extent of other auditing procedures and to assist in planning and performing the audit. Our audit would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

The following suggestions are submitted to assist in improving procedures and controls.

Budget Over Expenditures

Comparing actual to budgeted expenditures shows that over expenditures have occurred. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Over expenditures occurred in the General Fund:

Fund	Total Appropriations	Amount of Expenditures	Budget Variances
General Fund:			
Town Hall	$25,000	$27,189	($2,189)
Building Inspector	$0	$5	($5)

We recommend that timely revisions be made to the budget appropriations so that these over expenditures do not occur in the future.

Insured Deposits

We noted that approximately eighty-two percent (82%) of the Township's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We recommend that deposits be extended to various financial institutions to decrease the risk of loss to the Township.

Deficit Fund Balance

The Cemetery Operating Fund financial statements show a deficit of $16,470 at December 31, 2005. The proceeds from the sale of the cemetery vault (Note P) increased the fund balance as of June 2006 and eliminated the deficit.

In accordance with Public Act 275 of 1980, the Township must formulate and file a deficit elimination plan (DEP) with the State Treasurer to correct the deficit situation. This DEP must contain: (1) a copy of current trial balances showing the deficit eliminated; (2) copy of Township resolution noting the plans for eliminate the deficit; and (3) a projected budget, approved by the Township, itemizing the revenues, expenditures and the changes in the fund balance.

Segregation of Duties

General principles of internal control call for segregation of the functions of recording transactions, authorization of transactions and custody of assets.

We advise that someone independent of the cash receipts and depositing duties, trace the written receipts to the bank deposit and bank statement and also prepare the monthly bank reconciliations. At the minimum, the Clerk should review all bank statements.

Bank Accounts

According to the State of Michigan, Department of Treasury's Uniform Accounting Procedures Manual dual signatures are required for all checking accounts (except the separate tax collection checking account). The dual signatures must be the clerk (or deputy clerk) and the treasurer (or deputy treasurer). It was noted that the supervisor has signature authority on various accounts. It is recommended that the Township review all bank accounts and change the signatures to meet the requirements of the Department of Treasury.

It was also noted that bank accounts opened during the year were not authorized in the board minutes. All opening and closing of bank accounts must be approved and noted in the minutes.

Bond Reserve Requirements

At December 31, 2005 there was a shortage of funds deposited to meet the bond requirement funds as outline in Note I. The Township needs to deposit additional funds and review the schedules and deposit/transfer funds on a quarterly basis to meet the requirements.

GASB 34 (3rd year of repeat)

Although the Local Audit and Finance Division of the Michigan Department of Treasury has allowed a reporting exception to the implementation of Governmental Accounting Standards Board Statement No. 34 (GASB 34) for various Michigan local cities and municipalities, we recommend the Township adopt the major changes from GASB 34 to comply with GAAP. This requires the Township to issue government-wide financial statements based on full accrual accounting. This change will also require the Township to place a value on all capital assets, calculate depreciation, record offsetting long-term debt, and report information regarding the net value of assets on the government-wide financial statements.

We would like to thank the staff for the excellent cooperation we received during our audit. We appreciate the opportunity to present the above suggestions and are prepared to discuss them at your convenience.

Bruce A. Rukkila, CPA, PC

May 12, 2006

Certified Public Accountants