

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 <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name PORTER TOWNSHIP	County CASS
Fiscal Year End FEBRUARY 28, 2007	Opinion Date JUNE 19, 2007	Date Audit Report Submitted to State JULY 20, 2007	

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. | <input checked="" type="checkbox"/> <input type="checkbox"/> | 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. | <input type="checkbox"/> <input checked="" type="checkbox"/> | 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. | <input checked="" type="checkbox"/> <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> <input type="checkbox"/> | 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. | <input checked="" type="checkbox"/> <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> <input type="checkbox"/> | The local only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> <input type="checkbox"/> | 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. | <input type="checkbox"/> <input checked="" type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> <input type="checkbox"/> | 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. | <input checked="" type="checkbox"/> <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> <input type="checkbox"/> | 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	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) Karl L. Drake, CPA		Telephone Number 517-937-9333
Street Address 3775 Kimmel Road		City Horton
		State MI
		Zip 49246
Authorizing CPA Signature 	Printed Name Karl L. Drake	License Number 1101016526

**TOWNSHIP
OF
PORTER**

CASS COUNTY MICHIGAN

FINANCIAL STATEMENTS

MARCH 31, 2007

**Karl L. Drake
Certified Public Accountant**

TOWNSHIP OF PORTER

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INDEPENDENT AUDITOR'S REPORT

Township Board
Township of Porter
Cass County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Township of Porter, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Porter's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Porter as of March 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2007, on our consideration of the Township of Porter's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

The administration's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 29 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board.

Township Board
Township of Porter

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Porter's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.
Certified Public Accountant

June 19, 2007

This section of the Township of Porter's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2007. It is best read in conjunction with the Township's financial statements that follow this section.

Overview

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Township of Porter financially and the two types of statements present different views of the Township. The government-wide statements reflect information about the activities of the entire Township, presenting an aggregate view and a longer-term view of the Township's overall financial status. The fund financial statements focus on individual components of Township government, reporting the Township's operations in more detail and demonstrating how services were financed in the short term.

Government-wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole using accounting methods similar to those used by private-sector companies. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid. The two government-wide statements report the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health or position. Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of the Township's roads.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as public works, roads and general administration. Property taxes and state revenue sharing finance most of these activities.
- *Business-type activities* - Operation and maintenance of the sanitary sewer system is included here. The Township charges fees to customers to cover the costs of providing this service.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. The Township Board establishes funds as needed to help it control and manage money for particular purposes or to demonstrate that it is meeting legal responsibilities.

The Township currently has two types of funds:

Governmental funds - Most of the Township's basic services are included in governmental funds that focus on how money flows in and out and the balances remaining at year-end that are available for spending. Activity is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Township that helps you determine whether there are more or fewer resources that can be spent in the near future to finance the Township's programs. We describe the relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

Proprietary funds - Services for which the Township charges customers a fee are reported in proprietary funds. Proprietary fund statements provide both long and short-term financial information. The Township's enterprise fund, the Sewer Fund, is a type of proprietary fund.

The Township as a Whole

The statement of net assets presents the perspective of the Township as a whole. Table 1 provides a summary of the Township's net assets as of March 31, 2007 and 2006, in thousands of dollars.

TABLE 1	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
ASSETS						
Current and Other Assets	\$ 89.0	\$ 96.0	\$ 11,571.5	\$ 15,364.9	\$ 11,660.5	\$ 15,460.9
Capital Assets	336.9	352.9	16,910.5	15,122.7	17,247.4	15,475.6
TOTAL ASSETS	425.9	448.9	28,482.0	30,487.6	28,907.9	30,936.5
LIABILITIES						
Current Liabilities	70.1	4.1	8,958.9	11,131.8	9,029.0	11,135.9
Long-Term Liabilities	---	---	15,300.0	16,250.0	15,300.0	16,250.0
TOTAL LIABILITIES	70.1	4.1	24,258.9	27,381.8	24,329.0	27,385.9
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	336.9	352.9	391.1	-1,977.3	728.0	-1,624.4
Restricted	---	---	3,943.7	5,067.4	3,943.7	5,067.4
Unrestricted	18.9	91.9	-111.7	15.7	-92.8	107.6
TOTAL NET ASSETS	\$ 355.8	\$ 444.8	\$ 4,223.1	\$ 3,105.8	\$ 4,578.9	\$ 3,550.6

TOWNSHIP OF PORTER

Management's Discussion and Analysis

The Township as a Whole (Continued)

In both the governmental and business-type activities, capital assets are depreciated on a straight-line basis.

In the business-type activities, \$15,300,000 of the long-term debt represents sewer bond proceeds and will be repaid from special assessment revenues as the debt service comes due.

The Township's combined net assets were \$4,578.9 thousand at March 31, 2007. Capital assets (net of related debt) totaling 728.0 thousand compares the historical cost, less depreciation, to the long-term debt used to finance the acquisition of those assets. In the business-type activities the Township currently has \$3,943.7 thousand of restricted net assets. (Restricted net assets are reported separately to reflect any assets that cannot be used for daily operations due to legal constraints from debt covenants.) The \$-92,739 in combined unrestricted net assets reflects the accumulated results of all past years' operations.

The following table shows the revenue and expense activity during the current and past fiscal years and the change in net assets (in thousands of dollars), as reported in the statement of activities.

TABLE 2	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
REVENUE						
Program Revenue						
Charges for services	\$ 18.4	\$ 20.4	\$ 530.6	\$ 81.8	\$ 549.0	\$ 102.2
General Revenue						
Property taxes	173.4	163.6	---	---	173.4	163.6
State Entitlements	258.9	261.5	---	---	258.9	261.5
Special Assessments	---	---	1,860.4	3,582.6	1,860.4	3,582.6
Interest earnings	2.1	0.8	177.7	282.0	179.8	282.8
Other	202.0	108.1	---	---	202.0	108.1
TOTAL REVENUE	654.8	554.4	2,568.7	3,946.4	3,223.5	4,500.8
EXPENSES						
General Government	316.4	284.2	---	---	316.4	284.2
Public Safety	384.0	187.4	---	---	384.0	187.4
Public Works	27.3	68.2	---	---	27.3	68.2
Recreation	---	---	---	---	---	---
Interest On Long-Term Debt	---	---	649.1	619.1	649.1	619.1
Depreciation (Unallocated)	16.1	16.1	---	---	16.1	16.1
Sewer	---	---	802.3	66.2	802.3	66.2
Transfers Out	---	42.4	---	---	---	42.4
TOTAL EXPENSES	743.8	598.3	1,451.4	685.3	2,195.2	1,283.6
CHANGE IN NET ASSETS	\$ -89.0	\$ -43.9	\$ 1,117.3	\$ 3,261.1	\$ 1,028.3	\$ 3,217.2

Governmental Activities

Property tax revenue increased by \$10,000.

License and permit revenue increased by \$37,000. Most of this increase was related to permits necessary for sewer hook-ups.

Expenditures increased by over \$188,000, primarily due to payments to Newberg Township for fire services for northern Porter Township.

Business-Type Activities

A sewer system is being installed, and is finishing the construction stages. The Township is receiving operating and debt service revenue from this project. The Township has entered into a 20-year contract with the county for this project. A sewage treatment plant has been built to service the new sewer system.

The Township's Funds

An analysis of the Township's major funds follows the government-wide financial statements. As noted earlier, the Township creates funds to help manage money for specific purposes and to demonstrate accountability for certain activities. The Township's major governmental fund is the General Fund.

The General Fund pays for most of the Township's governmental services and supports capital improvements. The General Fund is supported mainly by property taxes and state shared revenue. At March 31, 2007, the governmental funds reported a combined fund balance of \$18,986, a decrease of \$72,891 from the previous year.

General Fund Budgetary Highlights

The budget was amended during the past fiscal year for election expenses, plumbing inspection fees and the Newberg Township fire protection expenses.

TOWNSHIP OF PORTER

Management's Discussion and Analysis

Capital Asset and Debt Administration

At the end of the 2006-07 fiscal year, the Township managed capital assets valued at over \$17 million including property, buildings, roads, drains, equipment, and sewer lines.

	Capital Assets					
	Net of Accumulated Depreciation (dollars are in thousands)					
	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Non-Depreciable Assets						
Land	\$ 10	\$ 10	\$ ---	\$ ---	\$ 10	\$ 10
Depreciable Assets						
Buildings	311	475	---	---	311	475
Sewer System	---	---	16,910	15,123	16,910	15,123
Vehicles	---	---	---	---	---	---
Equipment	16	34	---	---	16	34
Total	\$ 337	\$ 519	\$ 16,910	\$ 15,123	\$ 17,247	\$ 15,642

Economic Factors and Next Year's Budgets and Rates

The board is attempting to cut back on expenses to build up the financial reserves. No road work was completed the last fiscal year. This year the budget includes resources to do some road work.

As for the Township's business-type activity, currently revenue is increasing from the sewage treatment plant. An operational budget is being finalized.

Contacting the Township's Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township Clerk, 69373 Baldwin Prairie Road, Union, MI 49130.

Government-Wide Financial Statements

STATEMENT OF NET ASSETS

MARCH 31, 2007

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 76,141	\$ 3,792,537	\$ 3,868,678
Due From Other Governmental Units	---	---	---
Accounts Receivable	12,932	39,411	52,343
Prepaid Expenditures	---	---	---
Total Current Assets	<u>89,073</u>	<u>3,831,948</u>	<u>3,921,021</u>
Non-current Assets			
Capital Assets	519,282	17,344,100	17,863,382
Less: Accumulated Depreciation	<u>-182,418</u>	<u>-433,603</u>	<u>-616,021</u>
Total Non-current Assets	<u>336,864</u>	<u>16,910,497</u>	<u>17,247,361</u>
Other Assets			
Special Assessments Receivable	---	7,739,522	7,739,522
TOTAL ASSETS	<u>\$ 425,937</u>	<u>\$ 28,481,967</u>	<u>\$ 28,907,904</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 5,460	\$ ---	\$ 5,460
Due to Other Governmental Units	64,627	---	64,627
Accrued Interest	---	269,417	269,417
Bonds Payable, Due within One Year	---	950,000	950,000
Total Current Liabilities	<u>70,087</u>	<u>1,219,417</u>	<u>1,289,504</u>
Non-current Liabilities			
Bonds Payable	---	15,300,000	15,300,000
Compensated Absences and Severance Pay	---	---	---
Total Non-current Liabilities	<u>---</u>	<u>15,300,000</u>	<u>15,300,000</u>
Other Liabilities			
Deferred Revenue Special Assessments	---	7,739,522	7,739,522
TOTAL LIABILITIES	<u>70,087</u>	<u>24,258,939</u>	<u>24,329,026</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	336,864	391,080	727,944
Restricted for Debt Service	---	3,831,754	3,831,754
Restricted for Construction	---	111,919	111,919
Unrestricted	<u>18,986</u>	<u>-111,725</u>	<u>-92,739</u>
TOTAL NET ASSETS	<u>355,850</u>	<u>4,223,028</u>	<u>4,578,878</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 425,937</u>	<u>\$ 28,481,967</u>	<u>\$ 28,907,904</u>

See Accompanying Notes to Financial Statements

TOWNSHIP OF PORTER

Government-Wide Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2007

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges For Services	Operating Grants	Governmental Activities	Business Type Activities	
FUNCTIONS/PROGRAMS						
Governmental Activities						
General Government	\$ 316,424	\$ 21	\$ ---	\$ -316,403	\$ ---	\$ -316,403
Public Safety	383,984	5,880	---	-378,104	---	-378,104
Public Works	27,309	12,551	---	-14,758	---	-14,758
Recreational and Cultural	---	---	---	---	---	---
Interest on Long-Term Debt	---	---	---	---	---	---
Depreciation (Unallocated)	16,106	---	---	-16,106	---	-16,106
Transfer to Other Government	---	---	---	---	---	---
Total Governmental Activities	<u>743,823</u>	<u>18,452</u>	<u>---</u>	<u>-725,371</u>	<u>---</u>	<u>-725,371</u>
Business-Type Activities						
Sewer	802,347	530,666	---	---	-271,681	-271,681
Interest on Bonds Payable	<u>649,079</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>-649,079</u>	<u>-649,079</u>
Total Business-Type Activities	<u>1,451,426</u>	<u>530,666</u>	<u>---</u>	<u>---</u>	<u>-920,760</u>	<u>-920,760</u>
Total Activities	<u>\$ 2,195,249</u>	<u>\$ 549,118</u>	<u>\$ ---</u>	<u>\$ -725,371</u>	<u>\$ -920,760</u>	<u>\$ -1,646,131</u>
General Revenue						
Taxes						
Property Taxes, Levied for General Operations				\$ 173,401	\$ ---	\$ 173,401
Property Taxes, Levied for Debt Service				---	---	---
State of Michigan Aid, Unrestricted				258,869	---	258,869
Special Assessment				---	1,418,279	1,418,279
Special Assessment Interest				---	442,090	442,090
Interest Earnings				2,090	177,664	179,754
Other				<u>202,014</u>	<u>---</u>	<u>202,014</u>
Total General Revenue				<u>636,374</u>	<u>2,038,033</u>	<u>2,674,407</u>
CHANGE IN NET ASSETS				-88,997	1,117,273	1,028,276
NET ASSETS - BEGINNING OF YEAR				<u>444,847</u>	<u>3,105,755</u>	<u>3,550,602</u>
NET ASSETS - END OF YEAR				<u>\$ 355,850</u>	<u>\$ 4,223,028</u>	<u>\$ 4,578,878</u>

See Accompanying Notes to Financial Statements.

Fund Financial Statements

BALANCE SHEET - GOVERNMENTAL FUNDS

MARCH 31, 2007

	General	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 76,141	\$ ---	\$ 76,141
Taxes and Fees Receivable	12,384	---	12,384
Due from Other Governmental Units	---	---	---
Due from Other Funds	548	---	548
Inventories	---	---	---
Prepaid Expenditures	---	---	---
TOTAL ASSETS	\$ 89,073	\$ ---	\$ 89,073
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 5,460	\$ ---	\$ 5,460
Accrued Salaries and Withholdings	---	---	---
Due to Other Funds	---	---	---
Due to Other Governments	64,627	---	64,627
Deferred Revenue	---	---	---
TOTAL LIABILITIES	70,087	---	70,087
FUND BALANCES			
Reserved for Inventories	---	---	---
Unreserved, Designated	100	---	100
Unreserved and Undesignated	18,886	---	18,886
TOTAL FUND BALANCES	18,986	---	18,986
TOTAL LIABILITIES AND FUND BALANCES	\$ 89,073	\$ ---	\$ 89,073
TOTAL GOVERNMENTAL FUND BALANCES			\$ 18,986
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:			
Cost of the Capital Assets is			\$ 519,282
Accumulated Depreciation is			<u>-182,418</u>
			336,864
Long-term Liabilities are not due and payable in the current period and are not reported in the fund			
Bonds Payable			---
Compensated absences			---
Accrued interest is not included as a liability in governmental funds			<u>---</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES			\$ 355,850

See Accompanying Notes to Financial Statements.

TOWNSHIP OF PORTER

Fund Financial Statements

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2007

	General	Other Funds	Totals
REVENUE			
Property Taxes	\$ 173,401	\$ ---	\$ 173,401
State Grants	258,869	---	258,869
Permits and Licenses	115,181	---	115,181
Charges for Services	18,452	---	18,452
Interest	2,090	---	2,090
Other	86,833	---	86,833
TOTAL REVENUE	654,826	---	654,826
EXPENDITURES			
General Government	316,424	---	316,424
Public Safety	383,984	---	383,984
Public Works	27,309	---	27,309
Recreational and Cultural	---	---	---
Debt Service	---	---	---
Capital Outlay	---	---	---
TOTAL EXPENDITURES	727,717	---	727,717
EXCESS OF REVENUE OVER EXPENDITURES	-72,891	---	-72,891
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
Transfers to Other Governments	---	---	---
TOTAL OTHER FINANCING SOURCES <USES>	---	---	---
NET CHANGE IN FUND BALANCES	-72,891	---	-72,891
FUND BALANCES - BEGINNING OF YEAR	91,877	---	91,877
FUND BALANCES - END OF YEAR	\$ 18,986	\$ ---	\$ 18,986

See Accompanying Notes to Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

YEAR ENDED MARCH 31, 2007

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ -72,891**

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

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	-16,106	
Capital Outlay	<u>---</u>	
		-16,106

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid ---

- Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) ---

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds ---

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ -88,997**

TOWNSHIP OF PORTER

Proprietary Fund

STATEMENT OF NET ASSETS

MARCH 31, 2007

	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash	\$ 3,792,537
Accounts Receivable	39,411
Prepaid Expenses	<u>---</u>
Total Current Assets	<u>3,831,948</u>
Non-current Assets	
Special Assessment Receivable	7,739,522
Fixed Assets - Net	<u>16,910,497</u>
Total Non-current Assets	<u>24,650,019</u>
TOTAL ASSETS	<u>\$ 28,481,967</u>
LIABILITIES	
Current Liabilities	
Current Portion of Bonds Payable	\$ 950,000
Accrued Interest	<u>269,417</u>
Total Current Liabilities	<u>1,219,417</u>
Long-Term Liabilities	
Bonds Payable	15,300,000
Deferred Revenue - Special Assessment	<u>7,739,522</u>
Total Long-Term Liabilities	<u>23,039,522</u>
TOTAL LIABILITIES	<u>24,258,939</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	391,080
Restricted for Debt Service	3,831,754
Restricted for Sewer Construction	111,919
Unrestricted	<u>-111,725</u>
TOTAL NET ASSETS	<u>\$ 4,223,028</u>

See Accompanying Notes to Financial Statements.

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2007

	<u>Sewer Fund</u>
OPERATING REVENUE	
Charges for Services	<u>\$ 530,666</u>
OPERATING EXPENSES	
Administrative Expense	74,526
Management Fees	210,567
Office Supplies	947
Telephone	16,788
Insurance	3,904
Bond Fees	450
Printing	1,258
Depreciation	433,603
Maintenance	18,129
Utilities	<u>42,175</u>
TOTAL OPERATING EXPENSES	<u>802,347</u>
OPERATING INCOME <LOSS>	-271,681
NON-OPERATING REVENUE <EXPENSES>	
Special Assessment	1,418,279
Interest Income - Special Assessments	442,090
Interest Income - Other	177,664
Interest Expense	<u>-649,079</u>
TOTAL NON-OPERATING REVENUE <EXPENSES>	<u>1,388,954</u>
CHANGE IN NET ASSETS	1,117,273
NET ASSETS - BEGINNING	<u>3,105,755</u>
NET ASSETS - ENDING	<u><u>\$ 4,223,028</u></u>

See Accompanying Notes to Financial Statements.

TOWNSHIP OF PORTER

Proprietary Fund

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED MARCH 31, 2007

	<u>Sewer Fund</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 500,377
Cash Payments for Goods and Services	-368,744
Cash Payments to Employees	---
Cash Payments for Employee Benefits	---
	<hr/>
NET CASH PROVIDED <USED> BY OPERATING ACTIVITIES	131,633
	<hr/>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	---
	<hr/>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Increase <Decrease> in Accrued Interest	-12,396
Interest Expense	-649,079
Increase <Decrease> in Bonds Payable	-850,000
Special Assessment Revenue	1,418,279
Special Assessment Interest	442,090
	<hr/>
NET CASH PROVIDED FROM CAPITAL AND RELATED FINANCING ACTIVITIES	348,894
	<hr/>
CASH FLOW FROM INVESTING ACTIVITIES	
Receipts of Interest and Dividends	177,664
Sale of Assets	---
Purchase of Assets	-2,221,434
	<hr/>
NET CASH PROVIDED <USED> BY INVESTING ACTIVITIES	-2,043,770
	<hr/>
NET INCREASE <DECREASE> IN CASH	-1,563,243
	<hr/>
CASH - BEGINNING OF YEAR	5,355,780
	<hr/>
CASH - END OF YEAR	\$ 3,792,537
	<hr/> <hr/>
RECONCILIATION OF OPERATING INCOME <LOSS> TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income <Loss>	-271,681
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	433,603
Decrease <Increase> in Accounts Receivable	-30,289
Decrease <Increase> in Prepaid Expenses	---
Increase <Decrease> in Accounts Payable	---
	<hr/>
NET CASH PROVIDED <USED> BY OPERATING ACTIVITIES	\$ 131,633
	<hr/> <hr/>

See Accompanying Notes to Financial Statements.

STATEMENT OF NET ASSETS

MARCH 31, 2007

ASSETS

Cash	\$ 548
Accounts Receivable	<u>---</u>

TOTAL ASSETS	<u>\$ 548</u>
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LIABILITIES

Due to Other Funds	\$ 548
Due to Other Entities	---
Due to Other Taxing Units	<u>---</u>

TOTAL LIABILITIES	<u>\$ 548</u>
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TOWNSHIP OF PORTER

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

The Township of Porter covers an area of approximately 54 square miles located in Cass County, Michigan. The Township operates under an elected Board of Trustees consisting of five members and provides various services to its residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

B. BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

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

GOVERNMENTAL FUNDS

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 Building and Site Funds) that are legally restricted to expenditures for specified purposes.

TOWNSHIP OF PORTER

NOTES TO FINANCIAL STATEMENTS

B. BASIS OF PRESENTATION (CONTINUED)

PROPRIETARY FUNDS

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

FIDUCIARY FUNDS

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others, and include the Tax Collection Fund.

C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Fund are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

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 functional level.

D. PROPERTY TAXES

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the subsequent year. Taxes are due and payable as of February 28. The County of Cass prepares the tax bills for the Township, and the Township collects the taxes prior to return to the County. The property tax revenues in the accompanying financial statements were recognized as those levied during the year.

All unpaid taxes become delinquent after February 28, at which time the uncollected real taxes are returned to Cass County for collection and to be added to the delinquent tax rolls. The County of Cass purchases delinquent real property taxes of the Township of Porter. The County sells tax notes, the proceeds of which are used to pay the Township for the taxes. This will take place in June 2007. These taxes have been recorded as revenue for the current year.

The Township is authorized to assess 1 mill for general operations. Millage rates levied for 2006 were .7281 mills for operations. Total taxable value of real and personal property in the Township was \$160,967,606.

The Township is responsible for the collection of delinquent personal property taxes.

E. CASH EQUIVALENTS

The Township considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

F. FINANCIAL INSTRUMENTS

The Township does not require collateral to support financial instruments subject to credit risk.

G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

H. FUND EQUITY

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

TOWNSHIP OF PORTER

NOTES TO FINANCIAL STATEMENTS

I. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

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

Buildings and additions	20-50 years
Vehicles	5-10 years
Other equipment	5-10 years

J. LONG-TERM OBLIGATIONS

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

K. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with United States generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

L. ESTIMATES

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

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS:

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Township, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township is in compliance with State law regarding their cash deposits.

The Township maintains all of its cash deposits at three banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC)	\$ 276,091	\$ 278,904
Uninsured & Uncollateralized	<u>3,592,587</u>	<u>3,652,205</u>
Total Deposits	<u>\$ 3,868,678</u>	<u>\$ 3,931,109</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

The construction funds for the sewer project (\$111,919) are maintained by Cass County, and are considered uninsured.

TOWNSHIP OF PORTER

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - ACCUMULATED FUND DEFICITS

There is an accumulated deficit in the Sewer Fund at March 31, 2007. Unrestricted net assets finished the year with a deficit of \$111,725. The Township is completing construction of the sewer system, and considers this fund deficit temporary until the system is completed and fully operational.

NOTE 4 - DUE TO/FROM OTHER FUNDS

Due to/due from at March 31, 2007, consisted of the following:

Due To:		Due From:	
General Fund	<u>\$ 548</u>	Trust and Agency	<u>\$ 548</u>

NOTE 5 - CAPITAL ASSETS

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

	Balance April 1, 2006	Additions	Disposals and Adjustments	Balance March 31, 2007
Assets not being depreciated:				
Land	\$ 10,000	\$ ---	\$ ---	\$ 10,000
Capital assets being depreciated:				
Buildings	475,000	---	---	475,000
Vehicles	---	---	---	---
Equipment	34,282	---	---	34,282
Subtotal	509,282	---	---	509,282
Accumulated depreciation:				
Buildings	151,875	11,875	---	163,750
Vehicles	---	---	---	---
Equipment	14,437	4,231	---	18,668
Subtotal	166,312	16,106	---	182,418
Net capital assets being depreciated	342,970	-16,106	---	326,864
Net capital assets	<u>\$ 352,970</u>	<u>\$ -16,106</u>	<u>\$ ---</u>	<u>\$ 336,864</u>

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Capital asset activity of the Township's Business-type activities was as follows:

	Balance April 1, 2006	Additions	Disposals And adjustments	Balance March 31, 2007
Assets not being depreciated:				
Land	\$ ---	\$ ---	\$ ---	\$ ---
Capital assets being depreciated:				
Building and building improvements	---	---	---	---
Sewer System	15,122,666	2,221,434	---	17,344,100
Equipment	---	---	---	---
Subtotal	15,122,666	2,221,434	---	17,344,100
Accumulated depreciation:				
Building and building improvements	---	---	---	---
Sewer System	---	433,603	---	433,603
Equipment	---	---	---	---
Subtotal	---	433,603	---	433,603
Net capital assets being depreciated	15,122,666	1,787,831	---	16,910,497
Net capital assets	\$ 15,122,666	\$ 1,787,831	\$ ---	\$ 16,910,497

NOTE 6 - EXPENDITURES IN EXCESS OF BUDGET

During the year ended March 31, 2007, the Township incurred expenditures that were in excess of the amounts budgeted as follows:

	Budget	Actual	Variance
General Fund			
General Government	\$ 296,995	\$ 316,424	\$ 19,429
Public Safety	276,300	383,984	107,684

TOWNSHIP OF PORTER

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RETIREMENT PLAN

During the year ended March 31, 2007, the Township did not participate in any retirement plan.

NOTE 8 - ACCUMULATED SICK AND VACATION PAY

Amounts accumulated for accrued sick and vacation pay are immaterial and have not been entered in the accounting records.

NOTE 9 - RISK MANAGEMENT AND LITIGATION

The Township 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. For the past several years the Township has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At March 31, 2007, various claims exist, but no provision has been entered into the accounting records because possible losses cannot be reasonably estimated.

NOTE 10 - BONDS PAYABLE

On April 1, 2004, the Township made an agreement with Cass County to pay bonds for the construction of a sewer system. The bonds total \$17,150,000, and principal payments are due May 1 beginning in 2005 and ending in 2024. Interest is payable on May 1 and November 1 each year. Interest rates range from 3.00% to 4.625%.

NOTE 10 - BONDS PAYABLE (CONTINUED)

The bonds are payable as follows:

Year ending March 31	Bond Principal	Interest Rate	Interest Due May 1	Interest Due November 1	Total Due
2008	\$ 950,000	3.500%	\$ 323,300	\$ 306,675	\$ 1,579,975
2009	900,000	3.500	306,675	290,925	1,497,600
2010	900,000	3.000	290,925	277,425	1,468,350
2011	900,000	3.250	277,425	262,800	1,440,225
2012	900,000	3.500	262,800	247,050	1,409,850
2013	900,000	3.500	247,050	231,300	1,378,350
2014	900,000	3.750	231,300	214,425	1,345,725
2015	900,000	4.000	214,425	196,425	1,310,850
2016	900,000	4.000	196,425	178,425	1,274,850
2017	900,000	4.125	178,425	159,863	1,238,288
2018	900,000	4.200	159,862	140,962	1,200,824
2019	900,000	4.300	140,963	121,613	1,162,576
2020	900,000	4.400	121,612	101,812	1,123,424
2021	900,000	4.500	101,813	81,563	1,083,376
2022	900,000	4.500	81,562	61,312	1,042,874
2023	900,000	4.500	61,313	41,063	1,002,376
2024	900,000	4.500	41,062	20,812	961,874
2025	900,000	4.625	20,813	---	920,813
	<u>\$ 16,250,000</u>		<u>\$ 3,257,750</u>	<u>\$ 2,934,450</u>	<u>\$ 22,442,200</u>

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township maintains one Enterprise Fund providing sewer services. Segment information for the year ended March 31, 2007, is as follows:

Operating Revenues	\$ 530,666
Operating Expenses Before Depreciation	368,744
Depreciation	433,603
Operating Income <Loss>	-271,681
Net Earnings	1,117,273
Total Assets	28,481,967
Long-Term Debt	16,250,000
Total Net Assets	4,223,028

TOWNSHIP OF PORTER

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - SPECIAL ASSESSMENT

A Special Assessment district has been established by the Township to collect monies for the payment of the Bonds for the sewer project. These assessments could be paid interest free until May 1, 2005, or in annual installments over 20 years, including interest. The Township records all uncollected special assessments as deferred revenue.

Total special assessment	\$ 12,555,226
Amounts collected - prior years	-3,444,278
Amounts Collected - current year	<u>-1,371,426</u>
Receivable/Deferred Revenue	<u>\$ 7,739,522</u>

NOTE 13 - FIRE AND AMBULANCE DEPARTMENTS

Beginning October 1, 2005, the Township fire protection and ambulance services were contracted with Southeast Public Safety Authority. (SEPSA) The cash resources of the Fire Fund (\$3,437) were transferred to SEPSA, as were the vehicles and equipment owned by the Township. Beginning April 1, 2006, the Township began paying SEPSA \$11,032.90 per month for these services. Total amount paid to SEPSA during the year ended March 31, 2007 was \$132,395.

NOTE 14 - NEWBERG TOWNSHIP AGREEMENT

Effective April 1, 1999, Porter Township contracted with Newberg Township to provide fire and ambulance services to the northern part of Porter Township. In prior years, the cost of the contract was 2% of the state equalized value of the property in this district. This continued through March 31, 2006. Beginning in this current year, the Townships have re-negotiated this contract. In the year ending March 31, 2007, the cost of the contract will be based on the average of state equalized value and taxable value of the properties in the District. Porter Township paid the March 31, 2006 amount due (\$78,718) and has accrued the March 31, 2007 amount (\$64,627) in the current fiscal year. The amount due to Newberg Township (\$64,627) at March 31, 2007 is payable as follows:

April 31, 2007	\$ 30,000
June 15, 2007	4,947
July 15, 2007	4,947
August 15, 2007	4,947
September 15, 2007	4,947
October 15, 2007	4,947
November 15, 2007	4,946
December 15, 2007	4,946

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF PORTER

General Fund

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED MARCH 31, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
REVENUE				
Property Taxes	\$ 188,570	\$ 188,570	\$ 173,401	\$ -15,169
State Shared Revenue	271,000	271,000	258,869	-12,131
Permits and Licenses	78,250	78,250	115,181	36,931
Charges for Services	19,050	19,050	18,452	-598
Interest	1,000	1,000	2,090	1,090
Other	75,000	75,000	86,833	11,833
Transfers In	---	---	---	---
TOTAL REVENUE	632,870	632,870	654,826	21,956
EXPENDITURES				
General Government	294,495	296,995	316,424	-19,429
Public Safety	191,300	276,300	383,984	-107,684
Public Works	30,000	30,000	27,309	2,691
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	10,000	10,000	---	10,000
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	525,795	613,295	727,717	-114,422
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	107,075	19,575	-72,891	-92,466
BUDGETARY FUND BALANCE - April 1, 2006	91,877	91,877	91,877	---
BUDGETARY FUND BALANCE - March 31, 2007	\$ 198,952	\$ 111,452	\$ 18,986	\$ -92,466

BALANCE SHEET

MARCH 31, 2007

ASSETS

Cash	\$ 76,141
Investments	---
Contract Receivable	---
Taxes and Fees Receivable	12,384
Due from Other Funds	<u>548</u>

TOTAL ASSETS \$ 89,073

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 5,460
Payroll Taxes Payable	---
Due to Other Funds	---
Due to Other Governments	<u>64,627</u>
TOTAL LIABILITIES	<u>70,087</u>

FUND BALANCE

Reserved	100
Unreserved - Designated	---
Unreserved - Undesignated	<u>18,886</u>
TOTAL FUND BALANCE	<u>18,986</u>

TOTAL LIABILITIES AND FUND BALANCE \$ 89,073

TOWNSHIP OF PORTER

General Fund

STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2007

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Taxes And Penalties			
Property taxes	\$ 130,020	\$ 117,175	\$ -12,845
Administration fees	50,000	47,484	-2,516
Set fee	8,500	8,730	230
Penalties and interest	50	12	-38
Total Taxes And Penalties	188,570	173,401	-15,169
Licenses And Permits			
Dog licenses	100	81	-19
Mobile home fees	150	138	-12
Cable vision fees	9,000	8,499	-501
Electrical permits	13,000	13,179	179
Sewer Electrical Permits	---	8,265	8,265
Building permits	20,000	29,375	9,375
Mechanical permits	7,000	11,917	4,917
Plumbing permits	9,000	7,448	-1,552
Sewer Plumbing Permits	20,000	36,279	16,279
Total Licenses And Permits	78,250	115,181	36,931
State Revenue			
State Shared Revenue	271,000	258,869	-12,131
Other	---	---	---
Total State Revenue	271,000	258,869	-12,131
Charges For Services			
Zoning enforcement	500	5	-495
Zoning appeals and compliance	4,800	4,500	-300
Land division applications	1,500	1,300	-200
Copies	150	21	-129
Grave openings	4,000	4,755	755
Cemetery lot sales	2,000	2,850	850
Zoning book sales	100	75	-25
Dust Control	6,000	4,946	-1,054
Total Charges For Services	19,050	18,452	-598

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE (CONTINUED)			
Interest	1,000	2,090	1,090
Refunds and Reimbursements	75,000	64,260	-10,740
Sale of Fixed Assets	---	22,573	22,573
Transfers In	---	---	---
TOTAL REVENUE	\$ 632,870	\$ 654,826	\$ 21,956

EXPENDITURES

General Government

Legislative Board

Salaries and wages	\$ 9,200	\$ 8,420	\$ 780
Payroll taxes	10,000	8,594	1,406
Website	170	345	-175
Office supplies	8,000	9,970	-1,970
Postage	10,375	12,060	-1,685
Operating Supplies	17,000	1,475	15,525
Audit fees	5,000	5,250	-250
Payroll processing	1,500	1,011	489
Legal fees	40,000	29,581	10,419
Tax roll	10,000	9,944	56
Conferences and workshops	2,500	1,809	691
Printing and publishing	2,000	779	1,221
Insurance and bonds	5,000	9,502	-4,502
Miscellaneous	---	---	---
Bank charges	100	---	100
Membership dues	3,000	2,847	153
Clean Up Day	6,500	3,467	3,033
<i>Total Legislative Board</i>	130,345	105,054	25,291

TOWNSHIP OF PORTER

General Fund

STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL (CONTINUED)

YEAR ENDED MARCH 31, 2007

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
General Government (Continued)			
<i>Supervisor</i>			
Salaries and wages	\$ 14,700	\$ 14,600	\$ 100
Mileage	---	---	---
<i>Total Supervisor</i>	<u>14,700</u>	<u>14,600</u>	<u>100</u>
<i>Elections</i>			
Salaries and wages	4,500	4,160	340
Office supplies	500	1,840	-1,340
Postage	---	---	---
Mileage	---	260	-260
Conferences	---	270	-270
Printing	---	351	-351
Equipment repair	---	---	---
<i>Total Elections</i>	<u>5,000</u>	<u>6,881</u>	<u>-1,881</u>
<i>Assessor</i>			
Inspection Fees	25,000	25,802	-802
Postage	1,500	200	1,300
Printing and Publishing	---	---	---
<i>Total Assessor</i>	<u>26,500</u>	<u>26,002</u>	<u>498</u>
<i>Board of Review</i>			
Salaries and wages	3,000	1,145	1,855
Mileage	---	44	-44
Printing	---	96	-96
Conferences	---	388	-388
<i>Total Board of Review</i>	<u>3,000</u>	<u>1,673</u>	<u>1,327</u>
<i>Clerk</i>			
Salaries and wages	17,850	19,338	-1,488
Mileage	---	---	---
<i>Total Clerk</i>	<u>17,850</u>	<u>19,338</u>	<u>-1,488</u>

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
General Government (Continued)			
<i>Treasurer</i>			
Salaries and wages	19,100	19,100	---
Mileage	---	---	---
<i>Total Treasurer</i>	<u>19,100</u>	<u>19,100</u>	<u>---</u>
<i>Township Hall</i>			
Clerical	45,000	75,240	-30,240
Telephone	4,500	5,791	-1,291
Utilities	3,000	3,490	-490
Mileage	---	1,986	-1,986
Equipment repair	3,000	4,796	-1,796
Building maintenance	3,500	9,420	-5,920
Trash, lawn, snow	1,500	1,525	-25
Safe deposit box	---	35	-35
<i>Total Township Hall</i>	<u>60,500</u>	<u>102,283</u>	<u>-41,783</u>
<i>Cemeteries</i>			
Clerical	---	36	-36
Grave Openings/Closings	---	4,778	-4,778
Office Supplies	---	30	-30
Mileage	---	64	-64
Veteran's Flags	---	180	-180
Lawn, Trash, Snow	20,000	16,132	3,868
Conferences	---	273	-273
Memberships and Dues	---	---	---
Ground Maintenance	---	---	---
<i>Total Cemeteries</i>	<u>20,000</u>	<u>21,493</u>	<u>-1,493</u>
Total General Government	<u>\$ 296,995</u>	<u>\$ 316,424</u>	<u>\$ -19,429</u>

TOWNSHIP OF PORTER

General Fund

STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2007

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
Public Safety			
<i>Building Inspector</i>			
Inspection fees	\$ 20,000	\$ 23,208	\$ -3,208
<i>Mechanical Inspector</i>			
Inspection fees	6,800	14,805	-8,005
<i>Electrical Inspector</i>			
Inspection fees	13,000	18,475	-5,475
<i>Fire Department</i>			
SEPSA	130,000	132,394	-2,394
North Porter Service Fee	78,000	143,345	-65,345
<i>Total Fire Department</i>	208,000	275,739	-67,739
<i>Plumbing Inspector</i>			
Inspection Fees	16,000	36,623	-20,623
<i>Zoning</i>			
Salaries and Wages	5,000	6,919	-1,919
Office Supplies	---	313	-313
Mileage	---	640	-640
Printing and Publishing	---	619	-619
Conferences	---	300	-300
<i>Total Zoning</i>	5,000	8,791	-3,791
<i>Zoning Administrator</i>			
Salaries	7,500	6,180	1,320
Mileage	---	163	-163
<i>Total Zoning Administrator</i>	7,500	6,343	1,157
Total Public Safety	\$ 276,300	\$ 383,984	\$ -107,684

	Budget	Actual	Variance Favorable <Unfavorable>
Public Works			
<i>Highways and Roads</i>			
Administration	\$ ---	\$ ---	\$ ---
Dust Control	12,000	8,576	3,424
Drains	18,000	18,733	-733
<i>Total Highways and Roads</i>	30,000	27,309	2,691
Total Public Works	30,000	27,390	2,691
Capital Outlay			
Township Hall	10,000	---	10,000
Fire Department	---	---	---
Total Capital Outlay	10,000	---	10,000
Transfer to Other Governments	---	---	---
TOTAL EXPENDITURES	\$ 613,295	\$ 727,717	\$ -114,422

BALANCE SHEET

MARCH 31, 2007

ASSETS

Cash	<u>\$ 548</u>
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LIABILITIES

Due to Other Funds	548
Due to Other Governments	<u>---</u>
	<u>\$ 548</u>

**CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

YEAR ENDED MARCH 31, 2007

	03-31-06			03-31-07
	<u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u>
ASSETS				
Cash	\$ 2,990	\$ 4,514,890	\$ 4,517,332	\$ 548
LIABILITIES				
Due to General Fund	\$ 2,990	\$ 174,529	\$ 176,971	\$ 548
Due to Sewer Fund	---	113,610	113,610	---
Due to County	---	2,754,303	2,754,303	---
Due to Schools	---	1,453,509	1,453,509	---
Due to Other	---	18,939	18,939	---
	<u>\$ 2,990</u>	<u>\$ 4,514,890</u>	<u>\$ 4,517,332</u>	<u>\$ 548</u>

PORTER TOWNSHIP

**CURRENT TAX COLLECTION FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

YEAR ENDED MARCH 31, 2007

RECEIPTS

Tax Collections	<u>\$ 4,514,890</u>
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DISBURSEMENTS

Township General Fund	\$ 176,971
Constantine Schools	1,048,465
White Pigeon Schools	290,570
Three Rivers Schools	38,017
Cassopolis Schools	76,457
State of Michigan	1,104
Township Sewer Fund	113,610
Cass County	2,754,303
Other	<u>17,835</u>
	<u>\$ 4,517,332</u>

**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***

To the Township Board
Porter Township

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Porter, as of and for the year ended March 31, 2007, which collectively comprise the Township of Porter's basic financial statements and have issued our report thereon dated June 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Porter's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Porter's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Porter's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Porter's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Porter's financial statements that is more than inconsequential will not be prevented or detected by the Township of Porter's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Financial Statements Preparation

The Township does not have procedures in place to prepare financial statements in accordance with United States generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

Budgets

As noted in the financial statements, some of the expenditure activities of the Township exceeded the amounts appropriated.

The Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the Township monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

Audit Adjustments

As part of the audit process, several adjustments, including adjusting the financial records from cash to accrual basis, were recommended to management and made to adjust various general ledger balances as of March 31, 2007. These journal entries were necessary in order for the financial statements to be materially correct.

Accounting Records

The financial records maintained by the Township Clerk were not reconciled with the records of the Township Treasurer on a regular basis. We recommend that these records be reconciled monthly, and reports given to the Township Board documenting this reconciliation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Porter's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Porter'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.

We noted certain matters that we reported to management of the Township of Porter in a separate letter dated June 19, 2007.

This report is intended solely for the information and use of management, the Township Board, and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.



Karl L. Drake, P.C.
Certified Public Accountant

June 19, 2007

Karl L. Drake, P.C.
Certified Public Accountant

3775 Kimmel Road

(517) 937-9333 Phone / 563-2552

Fax

June 19, 2007

To the Township Board
Porter Township

I have recently completed the audit of the books and records of Porter Township for the year ended March 31, 2007, and would like to take this opportunity to make the following comments and recommendations.

Financial Position

The General Fund finished the year with a fund balance of \$18,986. This is a decrease from the prior year level by \$72,891. Township revenue increased by over \$100,000, but expenditures also increased, largely due to the settlement of the Newberg Township-North Porter fire service fee agreement.

The Sewer Fund finished the year with net assets of \$4,223,028. All of these net assets are restricted, either for construction or for debt service. The unrestricted portion of the net assets is in a deficit position by \$111,725. This situation should correct itself when operational revenue exceeds expenses as more people are hooked up to the system.

Budget Variances

During this fiscal year, the general fund expenditures exceeded budgeted amounts by over \$114,000. This is a violation of State of Michigan law. It is necessary, if a budgetary category is going to be overspent, to amend the budget at a Township Board meeting.

SAS 112

The audit report has been changed to reflect the latest pronouncements, including Statement of Accounting Standards # 112. The final two pages of the audit report reflect the reporting changes necessitated by the new standard.

Accounting Records

During this fiscal year, the Clerk's accounting records were not reconciled with the Treasurer's balances on a consistent basis. At year-end, several adjustments needed to be made to the Clerk's records to reconcile them. We recommend that these records be reconciled on a monthly basis, to provide accurate reporting information to the Township Board.

Fund Balance Accounting Software

Currently, all accounting information is entered into the accounting software using journal entries. This works, but there are other methods (cash receipts, cash disbursements, etc.) which incorporate features of the software that would make it easier to take advantage of the options available to improve and facilitate the accounting process. We recommend that additional training courses be attended to learn to fully utilize the software. This would streamline the data entry, and improve the reporting features currently available.

Thank you for the opportunity to work with you. Please call my office if there are any questions regarding any aspect of the audit.

Sincerely,

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, CPA