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	Portland Area Municipal Authority	Ionia

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
12/31/06	6/19/07	6/27/07

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)	☒	N/A

Certified Public Accountant (Firm Name)	Telephone Number
Abraham & Gaffney, P.C.	(517) 351-6836

Street Address	City	State	Zip
3511 Coolidge Road, Suite 100	East Lansing	MI	48823

Authorizing CPA Signature	Printed Name	License Number
Aaron M. Stevens	Aaron M. Stevens, CPA	1101024055

Portland Area Municipal Authority
Ionia County, Michigan

FINANCIAL STATEMENTS

December 31, 2006

Portland Area Municipal Authority

Ionia County, Michigan

December 31, 2006

MEMBERS

Mr. Keith Cook	Chairperson
Mr. Bob Showerman	Treasurer
Mr. Thomas Buck	Secretary
Mr. Gerald Krausz	Trustee

Portland Area Municipal Authority

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December 31, 2006

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Principals
Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

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INDEPENDENT AUDITOR'S REPORT

Members of the Commission
Portland Area Municipal Authority
Portland, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Portland Area Municipal Authority as of and for the year ended December 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Portland Area Municipal Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Portland Area Municipal Authority as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 19, 2007

BASIC FINANCIAL STATEMENTS

Portland Area Municipal Authority

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

December 31, 2006

	Capital Projects Fund	Adjustments	Statement of Net Assets
ASSETS			
Current assets			
Cash	$ 959	$ -	$ 959
Due from other governmental units - local	1,996	-	1,996
TOTAL ASSETS	$ 2,955	-0-	2,955
LIABILITIES			
Current liabilities			
Accounts payable	$ 400	-	400
Due to other governmenatl units - local	620	-	620
TOTAL LIABILITIES	1,020	-0-	1,020
FUND BALANCE/NET ASSETS			
Fund balance			
Unreserved - undesignated	1,935	(1,935)	-
TOTAL LIABILITIES AND FUND BALANCE	$ 2,955	-0-	-0-
NET ASSETS			
Unrestricted		$ 1,935	$ 1,935

See accompanying notes to financial statements.

Portland Area Municipal Authority

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

	Capital Projects Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Current			
Site improvements	$ 3,730	$ -	$ 3,730
Insurance	733	-	733
Accounting fees	750	-	750
NET PROGRAM EXPENSE	5,213	-0-	5,213
PROGRAM REVENUES			
Operating grants and contributions	1,483	-	1,483
Capital grants and contributions	3,730	-	3,730
TOTAL PROGRAM REVENUES	5,213	-0-	5,213
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-
CHANGE IN NET ASSETS	-	-	-0-
Fund balance/Net assets			
Beginning of year	1,935	-	1,935
End of year	$ 1,935	$ -0-	$ 1,935

See accompanying notes to financial statements.

NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Portland Area Municipal Authority (PAMA) was created July 18, 1984, pursuant to the Provisions of Act 31, Extra Session of 1948, of the Public Acts of Michigan. The Authority has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the joint venture agreement between the constituent municipalities.

PAMA was created by a joint venture between the Township of Portland, the City of Portland, and the Township of Danby. The governing body of PAMA is a commission which is comprised of five (5) commissioners: two (2) appointed by the City of Portland, two (2) appointed by the Township of Portland, and one (1) appointed by the Township of Danby.

PAMA is charged with the responsibility of acquiring, financing, equipping, and improving an emergency services building for use by the municipalities noted above. The constituent municipalities are responsible for their share of the costs incurred by PAMA according to the following percentages:

City of Portland	40 %
Portland Township	40
Danby Township	20

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of PAMA. PAMA is considered a "joint venture" of the constituent municipalities.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the Government-wide statements) present information for the Authority as a whole.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges for services and grants and contributions that are restricted to meeting the operations or capital requirements of that function.

FUND FINANCIAL STATEMENTS

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of this fund present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

The only fund of the Authority is:

a. Capital Projects Fund - The Capital Projects Fund is the general operating fund of the Authority. It is used to account for all financial resources.

The Government-wide financial statements and the fund level statements are presented together as there are no differences between them.

NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

5. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since its inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH

PAMA's deposits consist of a checking account which is reported as cash on the Statement of Net Assets and Governmental Fund Balance Sheet.

In accordance with Michigan Compiled Laws, PAMA is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (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.

NOTE B: CASH - CONTINUED

4. The United States government or Federal agency obligations repurchase agreements.

5. Bankers acceptances of United States banks.

6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of $100,000 for deposits in an insured bank for savings deposits and $100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of $100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation, or Government National Mortgage Association.

Deposits of PAMA are at federally insured banks located in the State of Michigan with all accounts maintained in the name of PAMA.

As of December 31, 2006, the carrying amount and bank balance for the checking account as reported on the Statement of Net Assets and Governmental Fund Balance Sheet was $959, which was fully insured.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). There were no ratings as of December 31, 2006.

Interest rate risk

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio by avoiding over concentration in securities from a specific issuer or business sector.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS

Members of the Commission
Portland Area Municipal Authority
Portland, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Portland Area Municipal Authority as of and for the year ended December 31, 2006, which collectively comprise the Authority'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.

Internal Control Over Financial Reporting

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

Our consideration of 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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 a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We identified the following control deficiency that we consider to be a significant deficiency in internal control over financial reporting:

PREPARATION OF FINANCIAL STATEMENTS

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Authority rests with the Authority's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at Portland Area Municipal Authority. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Authority's annual financial statements and notes to the financial statements in accordance with GAAP. The Authority relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the Authority consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand the requirements of preparing the financials statements and so that they may take responsibility for the statements and the appropriate disclosures.

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 Authority'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 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 do not believe that the significant deficiency described above is a material weakness.

This report is intended solely for the information and use of management and the Commission of the Portland Area Municipal Authority, others within the organization, and the applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 19, 2007