

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORT**

**CHARTER TOWNSHIP OF IRONWOOD
GOGEBIC COUNTY, MICHIGAN**

December 31, 2007

Reset Form

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Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name	CHARTER TOWNSHIP OF IRONWOOD	County	GOGEBIC	Type	TOWNSHIP	MuniCode	
Opinion Date-Use Calendar	Jun 26, 2008	Audit Submitted-Use Calendar	Jun 30, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- 5. Did the local unit adopt a budget for all required funds?
- 6. Was a public hearing on the budget held in accordance with State statute?
- 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- 12. Is the local unit free of repeated reported deficiencies from previous years?
- 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- 15. Has the local unit complied with GA5B 34 and other generally accepted accounting principles (GAAP)?
- 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- 18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 699,461.00
General Fund Expenditure:	\$ 650,466.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 551,273.00
Governmental Activities Long-Term Debt (see instructions):	\$ 2,191.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	ANTHONY	Last Name	POLLACK	Ten Digit License Number	1101013282				
CPA Street Address	301 N SUFFOLK ST	City	IRONWOOD	State	MI	Zip Code	49938	Telephone	+1 (906) 932-4430
CPA Firm Name	JOKI MAKELA & POLLACK	Unit's Street Address	N10892 LAKE ROAD	City	IRONWOOD	LU Zip	49938		

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JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
MEMBERS

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and Members of the Board
Charter Township of Ironwood
Ironwood, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Charter Township of Ironwood, as of and for the year ended December 31, 2007, which collectively comprise the basic financial statements of Charter Township of Ironwood as listed in the table of contents. These financial statements are the responsibility of the Township'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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and with the standards prescribed by the State Treasurer. 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, the business-type activities, each major fund and the aggregate remaining fund information of Charter Township of Ironwood as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2008, on our consideration of Charter Township of Ironwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 12 and page 47 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary 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 Charter Township of Ironwood's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Other Financial Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Toti, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
June 26, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHARTER TOWNSHIP OF IRONWOOD

Year ended December 31, 2007

Management's Discussion and Analysis

This section of the Charter Township of Ironwood's (Township) annual financial report presents our discussion and analysis of the Township's financial performance during the year ended December 31, 2007. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the year ended December 31, 2007.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual method of accounting which is the accounting method used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental and business-type activities of the Township that include all services performed by the Township.

The statement of net assets shows the Township's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets or deficit of the Township. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the financial position of the Township generally is. It helps management determine if the Township will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenses results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township.

Fund Financial Statements

The Township's fund financial statements show detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund, Water Fund and Sewer Fund. All other funds are considered nonmajor and are reported as one column.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements (Continued)

Governmental funds are reported in the fund financial statements and contain the same functions reported as governmental activities in the government-wide financial statements. However, the fund statements provide a different view of the Township's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to the government-wide financial statements to assist in understanding the differences between these two perspectives.

Proprietary funds are reported in the fund financial statements and generally report services for which the Township charges customers a fee. These funds are reported as business-type activities in government-wide financial statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund Township programs. Fiduciary fund financial statements report similarly to proprietary funds.

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets

The following are condensed statements of net assets with a detailed analysis of the statements below.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

	<u>December 31, 2007</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Current Assets:			
Cash and investments	\$ 367,261	\$ 108,586	\$ 475,847
Receivables	304,876	151,598	456,474
Other current assets	28,653		28,653
Internal balances	<u>264,873</u>	<u>(143,139)</u>	<u>121,734</u>
Total Current Assets	\$ 965,663	\$ 117,045	\$ 1,082,708
Noncurrent Assets:			
Restricted cash		\$ 11,883	\$ 11,883
Other investments		320,558	320,558
Capital assets, net of accumulated depreciation	<u>\$ 421,854</u>	<u>172,292</u>	<u>594,146</u>
Total Noncurrent Assets	\$ 421,854	\$ 504,733	\$ 926,587
Total Assets	<u>\$ 1,387,517</u>	<u>\$ 621,778</u>	<u>\$ 2,009,295</u>

LIABILITIES

Current Liabilities:			
Accounts payable	\$ 25,719	\$ 10,448	\$ 36,167
Deferred revenues	3,652		3,652
Other current liabilities	<u>302,177</u>		<u>302,177</u>
Total Current Liabilities	\$ 331,548	\$ 10,448	\$ 341,996
Long-term liability - accrued sick time	<u>2,191</u>		<u>2,191</u>
Total Liabilities	<u>\$ 333,739</u>	<u>\$ 10,448</u>	<u>\$ 344,187</u>

NET ASSETS

Investment in capital assets	\$ 421,854	\$ 172,292	\$ 594,146
Restricted		11,883	11,883
Unrestricted	<u>631,924</u>	<u>427,155</u>	<u>1,059,079</u>
Total Net Assets	<u>\$ 1,053,778</u>	<u>\$ 611,330</u>	<u>\$ 1,665,108</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

	<u>December 31, 2006</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Current Assets:			
Cash and investments	\$ 408,323	\$ 62,696	\$ 471,019
Receivables	352,975	143,616	496,591
Internal balances	<u>156,590</u>	<u> </u>	<u>156,590</u>
Total Current Assets	\$ 917,888	\$ 206,312	\$ 1,124,200
Noncurrent Assets:			
Restricted cash		\$ 11,882	\$ 11,882
Other investments		252,611	252,611
Capital assets, net of accumulated depreciation	<u>483,427</u>	<u>263,974</u>	<u>747,401</u>
Total Noncurrent Assets	\$ <u>483,427</u>	\$ <u>528,467</u>	\$ <u>1,011,894</u>
Total Assets	<u>\$ 1,401,315</u>	<u>\$ 734,779</u>	<u>\$ 2,136,094</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 28,488	\$ 20,439	\$ 48,927
Deferred revenues	312,243	1,946	314,189
Other current liabilities	<u> </u>	<u>156,641</u>	<u>156,641</u>
Total Liabilities	\$ <u>340,731</u>	\$ <u>179,026</u>	\$ <u>519,757</u>
NET ASSETS			
Investment in capital assets	\$ 483,427	\$ 263,974	\$ 747,401
Restricted	154,355		154,355
Unrestricted	<u>422,802</u>	<u>291,779</u>	<u>714,581</u>
Total Net Assets	\$ <u>1,060,584</u>	\$ <u>555,753</u>	\$ <u>1,616,337</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

The Township's net assets are \$1,665,108 at December 31, 2007. Capital assets, net of related debt are \$594,146. This figure is derived by taking the original costs of the Township's assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets.

Restricted net assets are restricted for bond payments. The unrestricted net assets are \$1,059,079 as of December 31, 2007. This is the net accumulated results of the current and past years' operations.

Statement of Activities

The results of operations for the Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year.

	<u>Year ended December 31, 2007</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Revenues:			
Program Revenues -			
Charges for services	\$ 161,126	\$ 479,785	\$ 640,911
General Revenues:			
Taxes	291,337		291,337
Licenses and permits	26,250		26,250
State grants	177,172		177,172
Other	<u>49,126</u>	<u>3,246</u>	<u>52,372</u>
	Total Revenue	\$ 705,011	\$ 483,031
			\$ 1,188,042
Program expenses:			
Governmental activities	\$ 711,817		\$ 711,817
Business-type activities	<u> </u>	<u>\$ 427,454</u>	<u>427,454</u>
	Total Program Expenses	\$ 711,817	\$ 427,454
			\$ 1,139,271
	Change in Net Assets	<u>\$ (6,806)</u>	<u>\$ 55,577</u>
			<u>\$ 48,771</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities (Continued)

	<u>Year ended December 31, 2006</u>		
	<u>Primary Government</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Revenues:			
Program Revenues -			
Charges for services	\$ 195,847	\$ 332,754	\$ 528,601
General Revenues:			
Taxes	306,135		306,135
State grants	177,151		177,151
Other	<u>53,542</u>		<u>53,542</u>
Total Revenue	\$ 732,675	\$ 332,754	\$ 1,065,429
Program expenses:			
Governmental activities	\$ 656,308		\$ 656,308
Business-type activities		<u>\$ 365,915</u>	<u>365,915</u>
Total Program Expenses	<u>\$ 656,308</u>	<u>\$ 365,915</u>	<u>\$ 1,022,223</u>
Change in Net Assets	<u>\$ 76,367</u>	<u>\$ (33,161)</u>	<u>\$ 43,206</u>

The Township had an overall increase in net assets of \$48,771 for the year ended December 31, 2007.

The Township's total cost to fund all governmental activities was \$711,817 and business-type activities was \$427,454 for the year ended December 31, 2007. A majority of these costs were funded by property taxes and state revenue sharing. This shows the Township has reliance on property taxes and revenue sharing to provide future funding for their programs and administrative costs.

Capital Assets

At December 31, 2007, the Township had \$747,401 invested in capital assets, net of depreciation. The Township's net capital assets decreased during the past fiscal year and included additions totaling \$8,593, depreciation charges of \$78,249 and a reclassification of \$83,599 from construction in progress.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Fund Budgetary Items

During the year, the Township made no amendments to the budget. The Township overspent its budget during the year ended December 31, 2007, as reported in Note B to the financial statements. A schedule showing the Township's original budget, final budget and the actual results is included as required supplementary information in the financial section of the audit report.

Debt

The Township had no outstanding long-term liabilities at December 31, 2007 other than the estimated liability for accrued sick pay.

Future Considerations

The reduction in state revenue sharing because of budget cuts and the somewhat stagnant value of property tax revenues will all impact the financial condition of the Township. The Township has adopted a budget for the upcoming fiscal year that should not over expend its funding and should leave the Township with a positive Fund Balance.

Contacting the Township

If you have any questions about this report or need additional information, contact the Township offices at Charter Township of Ironwood, N 10892 Lake Road, Ironwood, Michigan 49938; telephone number (906) 932-5800.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF NET ASSETS
 CHARTER TOWNSHIP OF IRONWOOD

December 31, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 183,582	\$ 108,586	\$ 292,168
Investments	183,679		183,679
Receivables (net, where applicable, of allowances for uncollectibles)	304,876	151,598	456,474
Prepaid expenses	28,653		28,653
Internal balances	264,873	(143,139)	121,734
Capital assets:			
Land, buildings, equipment and infrastructure	\$ 793,569	\$ 488,681	\$ 1,282,250
Less allowances for depreciation	<u>371,715</u>	<u>316,389</u>	<u>688,104</u>
	\$ 421,854	\$ 172,292	\$ 594,146
Investment in:			
Gogebic-Iron Wastewater Authority		252,611	252,611
Gogebic Range Water Authority		67,947	67,947
Restricted cash		<u>11,883</u>	<u>11,883</u>
Total Assets	<u>\$ 1,387,517</u>	<u>\$ 621,778</u>	<u>\$ 2,009,295</u>
LIABILITIES			
Accounts payable	\$ 25,719	\$ 10,448	\$ 36,167
Salaries and fringes	3,652		3,652
Deferred revenues and deposits	302,177		302,177
Accrued sick leave	<u>2,191</u>		<u>2,191</u>
Total Liabilities	<u>\$ 333,739</u>	<u>\$ 10,448</u>	<u>\$ 344,187</u>
NET ASSETS			
Net assets:			
Investment in capital assets	\$ 421,854	\$ 172,292	\$ 594,146
Restricted		11,883	11,883
Unrestricted	<u>631,924</u>	<u>427,155</u>	<u>1,059,079</u>
Net Assets	<u>\$ 1,053,778</u>	<u>\$ 611,330</u>	<u>\$ 1,665,108</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT
 CHARTER TOWNSHIP OF
 Year ended

	Expenses	<u>Program Revenues</u> Charges for Services
Governmental activities:		
Legislative	\$ 62,974	
General government	294,185	
Public safety	58,558	
Public works	211,938	\$ 161,126
Recreation and culture	18,594	
Depreciation (unallocated)	<u>65,568</u>	
Total Governmental Activities	\$ 711,817	\$ 161,126
Business-type activities:		
Water Utility	\$ 257,640	\$ 314,017
Sewer Utility	<u>169,814</u>	<u>165,768</u>
Total Business-Type Activities	\$ 427,454	\$ 479,785
Total Government	\$ 1,139,271	\$ 640,911
General revenues:		
Taxes		
Licenses and permits		
State grants		
Interest and rents		
Other revenues		
Total General Revenues and Transfers		
Change in Net Assets		
Net assets at January 1, 2007		
Net assets at December 31, 2007		

The accompanying notes are an integral part of the financial statements.

OF ACTIVITIES

IRONWOOD

December 31, 2007

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>		
Governmental Activities	Business-type Activities	Total
\$ (62,974)		\$ (62,974)
(294,185)		(294,185)
(58,558)		(58,558)
(50,812)		(50,812)
(18,594)		(18,594)
<u>(65,568)</u>		<u>(65,568)</u>
\$ (550,691)		\$ (550,691)
	\$ 56,377	\$ 56,377
	<u>(4,046)</u>	<u>(4,046)</u>
	\$ 52,331	\$ 52,331
\$ 291,337		\$ 291,337
26,250		26,250
177,172		177,172
28,129	\$ 3,246	31,375
<u>20,997</u>		<u>20,997</u>
<u>\$ 543,885</u>	<u>\$ 3,246</u>	<u>\$ 547,131</u>
\$ (6,806)	\$ 55,577	\$ 48,771
<u>1,060,584</u>	<u>555,753</u>	<u>1,616,337</u>
<u>\$ 1,053,778</u>	<u>\$ 611,330</u>	<u>\$ 1,665,108</u>

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS

CHARTER TOWNSHIP OF IRONWOOD

December 31, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 171,559	\$ 12,023	\$ 183,582
Investments	102,575	81,104	183,679
Accounts receivable (net, where applicable, of allowances for uncollectibles)	304,876		304,876
Prepaid expenses	28,653		28,653
Due from other funds	<u>270,158</u>		<u>270,158</u>
	<u>\$ 877,821</u>	<u>\$ 93,127</u>	<u>\$ 970,948</u>
LIABILITIES AND MUNICIPAL EQUITY			
Accounts payable	\$ 25,719		\$ 25,719
Salaries and fringes	3,652		3,652
Due other funds		\$ 5,285	5,285
Deferred revenues	<u>297,177</u>	<u>5,000</u>	<u>302,177</u>
	\$ 326,548	\$ 10,285	\$ 336,833
Municipal equity:			
Fund balance:			
Reserved:			
Prepaid expenses	\$ 28,653		\$ 28,653
Economic development		\$ 66,153	66,153
Unreserved:			
Designated:			
Park development	62,559		62,559
Landfill closure	62,639		62,639
Undesignated	<u>397,422</u>	<u>16,689</u>	<u>414,111</u>
	<u>\$ 551,273</u>	<u>\$ 82,842</u>	<u>\$ 634,115</u>
	<u>\$ 877,821</u>	<u>\$ 93,127</u>	<u>\$ 970,948</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

CHARTER TOWNSHIP OF IRONWOOD

December 31, 2007

Fund balances - total governmental funds		\$	634,115
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 therefore, are not reported in the governmental funds.			
Governmental capital assets	\$	793,569	
Less accumulated depreciation		<u>(371,715)</u>	421,854
Compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.			<u>(2,191)</u>
Net assets of governmental activities			<u>\$ 1,053,778</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

CHARTER TOWNSHIP OF IRONWOOD

Year ended December 31, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 291,337		\$ 291,337
Licenses and permits	26,250		26,250
State grants	177,172		177,172
Charges for services	160,496	\$ 630	161,126
Interest and rents	23,209	4,920	28,129
Other revenues	<u>20,997</u>		<u>20,997</u>
Total Revenues	\$ 699,461	\$ 5,550	\$ 705,011
Expenditures:			
Current:			
Legislative	\$ 62,974		\$ 62,974
General government	294,407		294,407
Public safety	58,558		58,558
Public works	211,938		211,938
Recreation and culture	18,594		18,594
Capital outlay	<u>3,995</u>		<u>3,995</u>
Total Expenditures	<u>\$ 650,466</u>		<u>\$ 650,466</u>
Excess of Revenues Over Expenditures	\$ 48,995	\$ 5,550	\$ 54,545
Fund balance at January 1, 2007	<u>502,278</u>	<u>77,292</u>	<u>579,570</u>
FUND BALANCE AT DECEMBER 31, 2007	<u>\$ 551,273</u>	<u>\$ 82,842</u>	<u>\$ 634,115</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES

CHARTER TOWNSHIP OF IRONWOOD

Year ended December 31, 2007

Net change in fund balance - total governmental funds		\$	54,545
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.			
Expenditures for capital assets	\$	3,995	
Less current year depreciation		<u>(65,568)</u>	(61,573)
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, those costs represent expenses of the current year. The net change from beginning to end of year does not affect the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance.			<u>222</u>
Change in net assets of governmental funds		\$	<u>(6,806)</u>

The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

CHARTER TOWNSHIP OF IRONWOOD

December 31, 2007

	Business-Type Activities		
	Enterprise Funds		Total Enterprise Funds
	Water Utility	Sewer Utility	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 72,969	\$ 35,617	\$ 108,586
Receivables, (net of allowances for uncollectible, where applicable)	104,150	47,448	151,598
Due from other funds	<u>8,325</u>	<u> </u>	<u>8,325</u>
Total Current Assets	\$ 185,444	\$ 83,065	\$ 268,509
Capital Assets:			
Capital assets	\$ 249,566	\$ 239,115	\$ 488,681
Less allowances for depreciation	<u>166,066</u>	<u>150,323</u>	<u>316,389</u>
Total Capital Assets	\$ 83,500	\$ 88,792	\$ 172,292
Other Assets:			
Investment in:			
Gogebic-Iron Wastewater Authority		\$ 252,611	\$ 252,611
Gogebic Range Water Authority	\$ 67,947		67,947
Restricted cash (held by Gogebic-Iron Wastewater Authority):			
Bond reserve accounts	7,578		7,578
Bond redemption accounts	<u>4,305</u>	<u> </u>	<u>4,305</u>
Total Other Assets	\$ 79,830	\$ 252,611	\$ 332,441
Total Assets	<u>\$ 348,774</u>	<u>\$ 424,468</u>	<u>\$ 773,242</u>

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (CONTINUED)

	Business-Type Activities		
	Enterprise Funds		Total Enterprise Funds
	Water Utility	Sewer Utility	
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 9,602	\$ 846	\$ 10,448
Due to other funds	<u>65,885</u>	<u>85,579</u>	<u>151,464</u>
Total Current Liabilities	<u>\$ 75,487</u>	<u>\$ 86,425</u>	<u>\$ 161,912</u>
NET ASSETS			
Net Assets:			
Investment in capital assets	\$ 83,500	\$ 88,792	\$ 172,292
Restricted	11,883		11,883
Unrestricted	<u>177,904</u>	<u>249,251</u>	<u>427,155</u>
	<u>\$ 273,287</u>	<u>\$ 338,043</u>	<u>\$ 611,330</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS

CHARTER TOWNSHIP OF IRONWOOD

Year ended December 31, 2007

	Business-Type Activities Enterprise Funds		
	Water Utility	Sewer Utility	Total Enterprise Funds
Operating revenues - charges for service	\$ 314,017	\$ 165,768	\$ 479,785
Operating expenses:			
Personnel services	\$ 24,542	\$ 24,542	\$ 49,084
Purchase of services	201,178	122,821	323,999
Materials and supplies	5,645	1,320	6,965
Provisions for depreciation	4,209	8,472	12,681
Provisions for bad debts	<u>22,066</u>	<u>12,659</u>	<u>34,725</u>
	<u>\$ 257,640</u>	<u>\$ 169,814</u>	<u>\$ 427,454</u>
Operating Income (Loss)	\$ 56,377	\$ (4,046)	\$ 52,331
Nonoperating revenues - interest earned	<u>2,844</u>	<u>402</u>	<u>3,246</u>
Change in Net Assets	\$ 59,221	\$ (3,644)	\$ 55,577
Net assets at January 1, 2007	<u>214,066</u>	<u>341,687</u>	<u>555,753</u>
NET ASSETS AT DECEMBER 31, 2007	<u>\$ 273,287</u>	<u>\$ 338,043</u>	<u>\$ 611,330</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

CHARTER TOWNSHIP OF IRONWOOD

Year ended December 31, 2007

	Business-Type Activities		
	Enterprise Funds		Total Enterprise Funds
	Water Utility	Sewer Utility	
Cash flows from operating activities:			
Cash received from customers	\$ 279,945	\$ 154,887	\$ 434,832
Cash paid to employees and suppliers for goods and services	<u>(235,781)</u>	<u>(132,508)</u>	<u>(368,289)</u>
Net Cash Provided by Operating Activities	\$ 44,164	\$ 22,379	\$ 66,543
Cash flows from capital and related financing activities:			
Interfund activity	\$ (23,943)	\$ 4,643	\$ (19,300)
Acquisition and construction of property and equipment	<u>(2,815)</u>	<u>(1,783)</u>	<u>(4,598)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	\$ (26,758)	\$ 2,860	\$ (23,898)
Cash flows from investing activities -			
Interest earned	<u>2,844</u>	<u>402</u>	<u>3,246</u>
Net Increase in Cash	\$ 20,250	\$ 25,641	\$ 45,891
Cash and cash equivalents at January 1, 2007	<u>52,719</u>	<u>9,976</u>	<u>62,695</u>
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2007	<u>\$ 72,969</u>	<u>\$ 35,617</u>	<u>\$ 108,586</u>

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

	Business-Type Activities		
	Enterprise Funds		Total
	Water	Sewer	Enterprise
	Utility	Utility	Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 56,377	\$ (4,046)	\$ 52,331
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	\$ 4,209	\$ 8,472	\$ 12,681
Provision for bad debts	22,066	12,659	34,725
Prior years contributions to local unit not refundable		15,952	15,952
(Increase) in current assets -			
Accounts receivable	(34,072)	(8,935)	(43,007)
Increase (decrease) in liabilities:			
Trade accounts payable and other liabilities	(4,416)	223	(4,193)
Deferred revenue		(1,946)	(1,946)
Total adjustments	\$ (12,213)	\$ 26,425	\$ 14,212
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 44,164	\$ 22,379	\$ 66,543

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

CHARTER TOWNSHIP OF IRONWOOD

December 31, 2007

	Trust and Agency Fund	Tax Collection Fund	Total
ASSETS			
Cash	\$ 9,858	\$ 248,490	\$ 258,348
Due from other funds	<u>85</u>	<u>19,471</u>	<u>19,556</u>
Total Assets	<u>\$ 9,943</u>	<u>\$ 267,961</u>	<u>\$ 277,904</u>
LIABILITIES			
Liabilities:			
Undistributed tax collections		\$ 133,973	\$ 133,973
Due to others	\$ 2,641		2,641
Due to other funds	<u>7,302</u>	<u>133,988</u>	<u>141,290</u>
Total Liabilities	<u>\$ 9,943</u>	<u>\$ 267,961</u>	<u>\$ 277,904</u>

The accompanying notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF IRONWOOD

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Charter Township of Ironwood operates under an elected Board consisting of seven elected members. The Township is organized and operates as a charter township under Public Act 359 of 1947, as amended. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

Financial Reporting Entity

The financial reporting entity, as required by generally accepted accounting principles, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations referred to generally as component units 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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable.

The financial statements of certain other governmental organizations, as set forth below, are not included in the financial statements of the Township in accordance with generally accepted accounting principles.

Educational services are provided to citizens through the local school district which is a separate governmental entity. A wastewater system constructed in part within the Township's boundaries is provided to citizens through a regional wastewater authority. The financial statements of the Township do not include the wastewater authority, which operates autonomously under an intergovernmental service agreement; however, the Township's investment in the wastewater authority is accounted for in the Sewer Fund.

A water system constructed in part within the Township's boundaries is provided to citizens through a regional water authority. The financial statements of the Township do not include the water authority, which operates autonomously under an intergovernmental service agreement; however, the Township investment in the water authority is accounted for in the Water Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. All of the Township's activities are considered to be governmental activities or business-type activities. Interfund activity including operating transfers between activities and amounts due to and from activities has been eliminated in the government-wide financial statements as deemed appropriate.

Fund-based Financial Statements

Separate financial statements are provided for on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental, business-type activities, as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The Township reports the following major funds:

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

Water Fund and Sewer Funds – used to account for the financial transactions of the water utility and sewer utility systems.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund-based Financial Statements (Continued)

All other funds are considered to be nonmajor. They include:

Special Revenue Funds - are used by the Township to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

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

Fiduciary Funds

Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for others.

Basis of Accounting

Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses and gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Township's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the Township provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, state and federal grant revenues that are not program revenues are reported as general revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Revenues are available when they are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Property tax revenues are recognized as revenue when they are levied, with proper allowances made for estimated uncollectible accounts and delinquent accounts. Other tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when the conditions of the grants are satisfied. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due.

Proprietary Financial Statements

Proprietary fund types use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises. Revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the Township applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Granting of Credit

The General Fund grants credit to the State of Michigan and various local units of government and individuals in the western Upper Peninsula of Michigan. The Township also extends credit to its utility customers and for perpetual care on a routine basis.

Cash and Cash Equivalents

Cash applicable to a particular fund is readily identifiable. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments. For purposes of the Statement of Cash Flows, cash includes all cash equivalents with an original maturity of three months or less.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

All investments are reported at fair market value and consist of certificates of deposit.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. In the Statement of Net Assets, interfund receivables and payables between funds classified as governmental activities and funds classified as business-type activities have been eliminated.

Inventories

Inventories for all governmental funds and proprietary funds are valued at cost (first-in, first-out) if appropriate.

Prepaid Expenses

Prepaid expenses are amounts paid for insurance of which a future benefit will be derived.

Other Assets

Other assets held are recorded and accounted for at cost.

Capital Assets and Depreciation

Capital assets, including land and improvements, buildings, furniture and fixtures, equipment, vehicles and infrastructure of the utility funds are reported in the Government-wide financial statements. Capital assets are defined by the Township as assets with an acquisition cost of generally more than \$1,500 with an estimated useful life of two or more years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded in the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for the function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation (continued)

The capital assets are depreciated using the straight-line method over the following useful lives (land excluded as not depreciable):

Buildings and improvements	20-25 years
Furniture, fixtures and other equipment	5-20 years
Vehicles	4-8 years
Infrastructure	20-40 years

Pensions

The provision for pension cost is recorded on the accrual basis, and the Township's policy is to fund pension costs as they accrue.

Property Tax Revenues

Property taxes are levied on December 1 of each year. Because they are not collected and available for financing of operations until the subsequent January 1, they are recognized as revenue in the year collected and the entire levy is recorded as deferred revenue in the year levied. Allowances are made for estimated uncollectible accounts and delinquent accounts.

Property taxes attach as an enforceable lien on property as of December 31. School taxes are levied on the ensuing July 1, and County taxes are levied on July 1 and December 1. The Township bills and collects its own property taxes and also collects current rolls for the County, State, School District and Intermediate School District.

Delinquent real property taxes of the Township are purchased annually by the County of Gogebic.

Vacation, Sick Leave and Other Compensated Absences

Township employees are entitled to certain compensated absences based on their length of employment. Compensated absences either vest or accumulate and are accrued when they are earned.

Investment in Capital Assets

This is the portion of net assets of the Township that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities attributable to the acquisition, construction or improvement of those assets. The Township had no long-term liabilities related to capital assets at December 31, 2007.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Assets

Net assets not meeting either category above are considered unrestricted.

Fund Balance

In the fund-based financial statements the unreserved fund balances represent the amount available for budgeting future operations. The designated fund balances represent the tentative plans determined by management for future use of financial resources. Reserved fund balances represent the required plans for future use of financial resources.

Budget

Formal budgetary accounting is employed as a management control for all funds of the Township; however, legal budgets are required only for the General and Special Revenue Funds. Thus, the budgetary financial statements included in this report do not include proprietary funds or Trust and Agency Funds. For each fund for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles.

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

1. Prior to January 1, the Supervisor submits to the Board a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held to obtain taxpayers' comments.
3. Prior to January 1, the budget is legally enacted at the annual meeting by Board adoption of a resolution authorizing a General Appropriation Act for the fiscal year.
4. Any revisions to the budgeted amounts are approved by the Board.
5. Budgeted amounts are as originally adopted, plus amendments made on or before December 31, by the Board.
6. The budget expires on December 31 of the budget year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980 Disclosure

The Township did not have any funds with a net asset deficiency at December 31, 2007.

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the Township's actual expenditures and appropriations have been shown on a functional basis. The approved budgets for the Township for these budgetary funds were also adopted on the functional level.

During the year ended December 31, 2007, the Township incurred expenditures in excess of the amounts appropriated in the assessor and solid waste functions.

NOTE C - CASH AND INVESTMENT INFORMATION

Cash and Cash Equivalents

Deposits were made in accordance with State of Michigan Statutes and under authorization of the Board. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned or the Township will not be able to recover collateral securities in the possession of an outside party. The Board authorizes cash to be deposited in banks located within the State of Michigan which are insured by Federal Deposit Insurance Corporation or its successor and in United States government obligations. The Township places its deposits with, what it believes to be, high quality financial institutions. Although such deposits were not fully insured, they are, in the opinion of the Township, subject to minimal risk.

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is presented on the balance sheet as "Cash and cash equivalents" and "Investments. Total deposits in financial institutions at December 31, 2007, totaled \$900,472 of which \$316,938 was covered by depository insurance and \$583,534 exceeded insurance limits or were in accounts not covered by depository insurance.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable were comprised of the following at December 31, 2007:

Fund

PRIMARY GOVERNMENT

General:

Property tax levy	\$	243,012	
State of Michigan		28,276	
Due from customers		<u>33,588</u>	\$ 304,876

Enterprise:

Customer accounts	\$	186,323	
Less allowances for uncollectibles		<u>(34,725)</u>	<u>151,598</u>

TOTAL \$ 456,474

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – CAPITAL ASSETS

Changes in primary governmental and proprietary activities capital assets are summarized below:

	Balance at January 1, <u>2007</u>	<u>Additions</u>	<u>Reclass</u>	Balance at December 31, <u>2007</u>
<u>Governmental Activities</u>				
Land and land improvements	\$ 259,666			\$ 259,666
Buildings	174,697			174,697
Machinery and equipment	337,789	\$ 3,995		341,784
Vehicles	<u>17,422</u>			<u>17,422</u>
	\$ 789,574	\$ 3,995		\$ 793,569
Less accumulated depreciation	<u>306,147</u>	<u>65,568</u>		<u>371,715</u>
	\$ 483,427	\$ (61,573)		\$ 421,854
<u>Proprietary Activities</u>				
<u>Major Funds</u>				
Water and Sewer Fund:				
Land and land rights	\$ 11,058			\$ 11,058
Infrastructure, buildings and equipment	<u>473,025</u>	<u>4,598</u>		<u>477,623</u>
	\$ 484,083	\$ 4,598		\$ 488,681
Less accumulated depreciation	303,708	12,681		316,389
Construction in progress	<u>83,599</u>		<u>\$ (83,599)</u>	<u> </u>
Net	<u>\$ 263,974</u>	<u>\$ (8,083)</u>	<u>\$ (83,599)</u>	<u>\$ 172,292</u>
	<u>\$ 747,401</u>	<u>\$ (69,656)</u>	<u>\$ (83,599)</u>	<u>\$ 594,146</u>

All of the depreciation expense for the governmental activities was unable to be charged to a specific function and is reported as unallocated in the Statement of Activities. The Water Fund and Sewer Fund charged \$4,209 and \$8,472 of depreciation expense, respectively, for the year ended December 31, 2007.

The reclassification of \$83,599 included a write-off of prior year construction in progress totaling \$15,642 where the Township will receive no future economic benefit of the prior amounts paid and reclassifying an amount of \$67,947 previously determined to be construction in progress as an investment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – PROPERTY TAX ADMINISTRATION FEE

In accordance with Public Act 503 of 1982, the Township has established a subsidiary ledger to separately account for costs incurred in the collection, assessment and review of property tax levies. For the year ended December 31, 2007, revenues from charging the administrative fee were \$23,767 and expenses exceeded this amount.

NOTE G – INTERFUND RECEIVABLES AND PAYABLES

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Any residual balances outstanding between the governmental activities and proprietary activities are reported in the government-wide financial statements as “internal balances”.

The amounts of interfund receivables and payables at December 31, 2007, were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General Fund	\$ 270,158	Sewer Fund	\$ 77,254
		Water Fund	49,478
		Trust and Agency Fund	4,153
		Tax Collection Fund	133,988
		Special Revenue Fund	<u>5,285</u>
	<u>\$ 270,158</u>		<u>\$ 270,158</u>
Water Fund	8,325	Sewer Fund	8,325
Trust and Agency Fund	85	Water Fund	85
Tax Collection Fund	\$ 19,471	Water Fund	\$ 16,322
		Trust and Agency	<u>3,149</u>
	<u>\$ 19,471</u>		<u>\$ 19,471</u>
	<u>\$ 298,039</u>		<u>\$ 298,039</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – RESTRICTION OF NET ASSETS AND RESERVATION AND DESIGNATION OF FUND BALANCES

Following is a summary of restricted net assets and reservations and designations of fund balances for individual funds at December 31, 2007:

<u>Fund</u>	<u>Purpose</u>	<u>Amount of Restriction</u>
Restriction of net assets - Business-type Activities - Water Utility	Bond reserve and redemption	\$ 11,883
Reservation of fund balances - General Fund	Prepaid expenses	\$ 28,653
Special Grants Fund	Economic development	<u>66,153</u>
		\$ 94,806
Designation of fund balances - General Fund	Park development	\$ 62,559
	Landfill closure	<u>62,639</u>
		\$ 125,198

NOTE I – SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES

The Township maintains two Enterprise Funds. Services provided include water and sewer system operations. Segment information is presented in the basic financial statements for the year ended December 31, 2007.

NOTE J – SUMMARY OF 2006 TAX LEVY

Details of the Township's 2006 property tax levy (excluding industrial facilities tax) are as follows:

Taxable valuation	<u>\$ 60,746,111</u>
Tax rate per \$1,000 valuation - general fund	<u>\$ 4.2813</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K – RETIREMENT SYSTEM

The Township provides pension benefits for all of its elected officials and full-time employees through a defined contribution money purchase plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All elected officials and full-time employees over 18 years but less than 76 years of age are eligible to participate. Elected officials are eligible immediately and other employees are eligible after completing six months of service.

The plan requires a contribution of 10% of expected annual compensation. The Township pays 100% of the contributions. Contributions are vested immediately.

The Township covered payroll for the year ended December 31, 2007 was \$188,365. Contributions required to be made to the plan during the year totaled \$18,836 or 10% of covered payroll. Total payroll for the Township for the year was \$201,075.

NOTE L – LONG-TERM DEBT

Long-term debt consists of the estimated amount of accrued sick leave due to employees at December 31, 2007. The balance outstanding at December 31, 2007 is \$2,191. Future amounts are expected to be paid by the General Fund.

NOTE M – POST-EMPLOYMENT HEALTH BENEFITS

The Township has no deferred compensation plan. The Township's postemployment benefit other than pensions consist of health insurance payments for former employees who are at least 62 years old and not yet 65 years old and have been employed by the Township for at least 10 years. The Township's obligation for postemployment health care benefits are expensed as they become due.

NOTE N – RISK MANAGEMENT

Risks of Loss

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits claims and workers' compensation claims and participates as a member in the Michigan Township Participating Plan (MTPP) for claims relating to general liability, physical damage to property, equipment buildings and contents, wrongful acts, auto liability, crime and electronic data processing.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE N – RISK MANAGEMENT (CONTINUED)

The MTPP is a self-insurance association that secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township and other member municipalities. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. The Township has comprehensive general liability of \$5,000,000 per occurrence and \$7,000,000 in the aggregate, with no deductible. The deductible is \$100 per occurrence for electronic data processing, auto, property and crime losses. MTPP provides, after the self-insurance retention, reinsurance up to \$5,000,000 of occurrence-based casualty coverage and property coverage for each incident by internally assuming risks and reinsuring risks through commercial companies.

Share of Losses

The Township's liabilities for its share of losses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities can include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. The Township estimates that the potential unpaid and unreported claims do not substantially exceed the amount of self-insurance retention reserves available to pay claims.

Management estimates that the amount of actual or potential claims against the Township as of December 31, 2007, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE O – INVESTMENT IN GOGEBIC-IRON WASTEWATER AUTHORITY

Gogebic-Iron Wastewater Authority (the Authority) was organized in 1983 to finance and construct a regional wastewater treatment plant and sewer system (the Project). Members of the Authority are Township of Ironwood and two local municipalities. Construction of the Project was financed principally by federal and state grants and loans to the Authority. The participating local units of government provided financing in the forms of pass-through of federal and state grants and loans and direct investment. At December 31, 2007, the Township's investment in the Authority consisted of the following:

Pass-through of state grants to Authority, share of costs not eligible for funding by federal and state grants and organizational expenses paid to Authority along with the cumulative share of net income of Authority	\$ 252,611
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE O – INVESTMENT IN GOGEBIC-IRON WASTEWATER AUTHORITY (CONTINUED)

The Township is accounting for its investment in the Authority by the equity method in the Sewer Fund. The cumulative share of net income of the Authority includes the Township's share of net income through June 30, 2003. Upon the adoption of GASB Statement No. 34 by the Authority during the year ended June 30, 2004, the Township has determined the change in the Authority's net assets does not reflect a realistic method of increasing or decreasing its investment.

The Authority owns the Project; however, the Project is being operated and managed by an autonomous Gogebic-Iron Wastewater Board (the Board) which is comprised of members of the Authority and Township of Hurley, Wisconsin. Upon payment in full of revenue bonds issued by the Authority, title to the wastewater treatment plant will pass from the Authority to the Board. Each member of the Board will then own, in common, an undivided interest therein. Title to the collection sewer system lying within the boundaries of each local governmental unit will pass to that unit.

Condensed financial information as of and for the year ended June 30, 2007, from the Authority's most recently audited financial statements, which are available at the Authority's administrative office at 700 West Cloverland Drive, Ironwood, Michigan, follows:

	<u>Gogebic-Iron Wastewater Authority</u>	<u>Board</u>	<u>Totals (Memorandum Only)</u>
Total assets	\$ 15,941,628	\$ 96,586	\$ 16,038,214
Total liabilities	\$ 4,325,122	\$ 96,586	\$ 4,421,708
Net assets	\$ 11,616,506	\$ 0	\$ 11,616,506
Operating revenues	\$ 1,228,806	\$ 755,066	\$ 1,983,872
Operating expenses	<u>1,537,659</u>	<u>756,648</u>	<u>2,294,307</u>
	\$ (308,853)	\$ (1,582)	\$ (310,435)
Net increase in the fair value of investments	24,292		24,292
Interest charges, net of investment earnings	<u>(107,738)</u>	<u>1,582</u>	<u>(106,156)</u>
Change in Net Assets	\$ (392,299)	\$ 0	\$ (392,299)
Net assets at July 1, 2006	<u>12,008,805</u>	<u>0</u>	<u>12,008,805</u>
NET ASSETS AT JUNE 30, 2007	<u>\$ 11,616,506</u>	<u>\$ 0</u>	<u>\$ 11,616,506</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P – INVESTMENT IN GOGEBIC RANGE WATER AUTHORITY

Gogebic Range Water Authority (the Authority) was organized in 1977 to finance and construct a regional water source for its members and others. Members of the Authority are Township of Ironwood and four local municipalities. Construction of various phases of projects the Authority has undertaken has been financed principally by federal and state grants and loans to the Authority. The participating local units of government provided financing in the forms of pass-through of federal and state grants and loans and direct investment. At December 31, 2007, the Township's investment in the Authority consisted of the following:

Pass-through of state grants to Authority, share of costs not eligible for funding by federal and state grants and organizational expenses paid to Authority	\$ 67,947
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The Township Water Fund is accounting for its investment in the Authority at cost as the Township has determined the change in the Authority's net assets does not reflect a realistic method of increasing or decreasing its investment.

The Authority owns the water system and is operated and managed by an autonomous Authority Board which is comprised of eleven members; two from each member municipality and one at large appointed member.

All debt of the Authority is expected to be paid by the revenues of the Authority. The Authority bills the member municipalities for any construction and financing costs according to each unit's participation in projects. The financial dependency for future debt retirement payments could be adjusted based on participation in projects.

Condensed financial information as of and for the year ended June 30, 2007, from the Authority's most recently audited financial statements, which are available at the Authority's administrative office at Ramsay, Michigan, follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P – INVESTMENT IN GOGEBIC RANGE WATER AUTHORITY (CONTINUED)

Total assets	<u>\$ 14,198,115</u>
Total liabilities	<u>\$ 4,757,289</u>
Net assets	<u>\$ 9,440,826</u>
Operating revenues	\$ 423,640
Operating expenses	<u>352,509</u>
	\$ 71,131
Interest charges, net of investment earnings	(188,116)
Capital contributions	<u>338,950</u>
	Change in Net Assets \$ 221,965
Net assets at July 1, 2006	<u>9,218,861</u>
	NET ASSETS AT JUNE 30, 2007 <u>\$ 9,440,826</u>

NOTE Q – POWDERHORN AREA UTILITY DISTRICT

The Township is a member of the Powderhorn Area Utility District (District), which was formed on December 11, 2001 as a municipal authority under provisions of Act 233 of Public Acts of Michigan, 1955, as amended. There is one other local municipality that is a member. The District was formed for the purpose of acquiring, building, owning, extending, improving, operating, maintaining, repairing and administering a sewage disposal and water supply system (project). The District operates under a three member board with two members appointed by the Township and one from the other municipality.

The total cost of the project is \$7,834,887 and was substantially completed during 2007. Funding for the project included grants from the State of Michigan totaling \$1,385,000 along with funding from a 40 year loan from the US Department of Agriculture – Rural Development.

All debt of the District is expected to be paid by the users of the system. Under terms of a financing contract entered into between the District and the Township, the Township is responsible to pay the District amounts sufficient to cover the costs of financing the construction. The Townships share of construction costs is 73.2%. The Township has also pledged their full faith and credit on the bonded debt. Condensed financial information as of and for the year ended September 30, 2007, from the Districts most recently audited financial statements, which are available at the District's administrative office at P.O. Box 445 Ramsay, Michigan, follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q – POWDERHORN AREA UTILITY DISTRICT (CONTINUED)

Total assets		<u>\$ 8,496,363</u>
Total liabilities		<u>\$ 5,963,125</u>
Net assets		<u>\$ 2,533,238</u>
Operating revenues	\$ 459,145	
Operating expenses	<u>233,891</u>	
	\$ 225,254	
Net investment earnings	<u>31,431</u>	
	Change in Net Assets	\$ 256,685
Net assets at July 1, 2006		<u>2,276,553</u>
	NET ASSETS AT JUNE 30, 2007	<u>\$ 2,533,238</u>

NOTE R – SUBSEQUENT EVENT

The Township has been in an ongoing dispute with the City of Ironwood Carnegie Library regarding the library services contract between them. There has been a misunderstanding as to what the payments for services and what the legal requirements for the payments were. All parties signed a contract addressing the annual fees and the amount due for past years on May 28, 2008, taking effect on July 1, 2008. The contract calls for 100% of all penal fines collected being allocated to the Library, plus \$15,000 for 2008-2009 and \$15,000 plus a 3.25% cost of living increase for 2009-2010. In the following years the fee will be the same as the previous year's amount plus a 3.25% cost of living increase. The amount in arrears will be settled with \$4,437 being paid in 2008-2009 and the same amount in 2009-2010 as full payment. The contract is for three years and will automatically extend for a like period after expiration. No liability for these payments has been recorded by the Township as of December 31, 2007.

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON SCHEDULE - MAJOR GOVERNMENTAL FUNDS

CHARTER TOWNSHIP OF IRONWOOD

Year ended December 31, 2007

	General Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 290,000	\$ 290,000	\$ 291,337
Licenses and permits	7,500	7,500	26,250
State grants	180,000	180,000	177,172
Charges for services	170,000	170,000	160,496
Interest and rents	11,000	11,000	23,209
Other revenues	<u>25,000</u>	<u>25,000</u>	<u>20,997</u>
Total Revenues	\$ 683,500	\$ 683,500	\$ 699,461
Expenditures:			
Current expenditures:			
Legislative	\$ 55,450	\$ 55,450	\$ 62,974
General government	340,529	340,529	294,407
Public safety	52,820	52,820	58,558
Public works	191,150	191,150	211,938
Recreation and culture	16,960	16,960	18,594
Capital outlay	<u>2,000</u>	<u>2,000</u>	<u>3,995</u>
Total Expenditures	\$ <u>658,909</u>	\$ <u>658,909</u>	\$ <u>650,466</u>
Excess of Revenues Over Expenditures	\$ 24,591	\$ 24,591	\$ 48,995
Fund balance at January 1, 2007	<u>502,278</u>	<u>502,278</u>	<u>502,278</u>
FUND BALANCE AT DECEMBER 31, 2007	\$ <u>526,869</u>	\$ <u>526,869</u>	\$ <u>551,273</u>

The accompanying notes are an integral part of the financial statements.

OTHER
FINANCIAL
INFORMATION

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

CHARTER TOWNSHIP OF IRONWOOD

Year ended December 31, 2007

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Property taxes		\$ 260,086	
Property tax administrative fees		23,767	
Payment in lieu of taxes		4	
Commercial forest		<u>7,480</u>	
	\$ 290,000	\$ 291,337	\$ 1,337
Licenses and permits	7,500	26,250	18,750
State grants:			
Liquor licenses		\$ 3,795	\$ 3,795
State shared revenue	\$ 180,000	166,720	(13,280)
Metro Act		<u>6,657</u>	<u>6,657</u>
	\$ 180,000	\$ 177,172	\$ (2,828)
Charges for services:			
Garbage collection	\$ 165,000	\$ 160,196	\$ (4,804)
Grave openings	<u>5,000</u>	<u>300</u>	<u>(4,700)</u>
	\$ 170,000	\$ 160,496	\$ (9,504)
Interest and rents:			
Interest earned	\$ 8,000	\$ 20,983	\$ 12,983
Rentals	<u>3,000</u>	<u>2,226</u>	<u>(774)</u>
	\$ 11,000	\$ 23,209	\$ 12,209
Other revenues:			
Cemetery lots	\$ 2,000	\$ 1,050	\$ (950)
Special assessments	3,000	4,528	1,528
Stumpage	10,000	8,434	(1,566)
Miscellaneous	<u>10,000</u>	<u>6,985</u>	<u>(3,015)</u>
	\$ 25,000	\$ 20,997	\$ (4,003)
TOTAL REVENUES	<u>\$ 683,500</u>	<u>\$ 699,461</u>	<u>\$ 15,961</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND

CHARTER TOWNSHIP OF IRONWOOD

Year ended December 31, 2007

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Legislative - Township Board	\$ 55,450	\$ 62,974	\$ (7,524)
General government:			
Supervisor	\$ 63,074	\$ 66,239	\$ (3,165)
Elections	3,000	1,601	1,399
Assessor	12,377	27,125	(14,748)
Attorney	5,000	2,341	2,659
Treasurer	59,712	57,869	1,843
Clerk	62,997	53,638	9,359
Board of review	1,391	525	866
Township hall and grounds	128,803	82,916	45,887
Cemetery	<u>4,175</u>	<u>2,153</u>	<u>2,022</u>
	\$ 340,529	\$ 294,407	\$ 46,122
Public safety:			
Contracted services		\$ 3,795	\$ (3,795)
Building inspector	\$ 7,000	12,461	(5,461)
Volunteer fire department	42,290	40,139	2,151
Zoning and planning	<u>3,530</u>	<u>2,163</u>	<u>1,367</u>
	\$ 52,820	\$ 58,558	\$ (5,738)
Public works:			
Solid waste	\$ 166,150	\$ 187,951	\$ (21,801)
Street lighting		8,078	(8,078)
Roads	<u>25,000</u>	<u>15,909</u>	<u>9,091</u>
	\$ 191,150	\$ 211,938	\$ (20,788)
Recreation and culture:			
Parks and recreation	\$ 1,960	\$ 1,045	\$ 915
Library	<u>15,000</u>	<u>17,549</u>	<u>(2,549)</u>
	\$ 16,960	\$ 18,594	\$ (1,634)
Capital outlay - township hall and grounds	<u>2,000</u>	<u>3,995</u>	<u>(1,995)</u>
TOTAL EXPENDITURES	\$ <u>658,909</u>	\$ <u>650,466</u>	\$ <u>8,443</u>

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

CHARTER TOWNSHIP OF IRONWOOD

December 31, 2007

	Special Revenue Funds			Totals
	Township Improvement Fund	Special Grants Fund	Perpetual Care Fund	
ASSETS				
Cash and cash equivalents			\$ 12,023	\$ 12,023
Investments	\$ 9,951	\$ 71,153		81,104
	<u>\$ 9,951</u>	<u>\$ 71,153</u>	<u>\$ 12,023</u>	<u>\$ 93,127</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due other funds			\$ 5,285	\$ 5,285
Deferred revenues		\$ 5,000		5,000
		\$ 5,000	\$ 5,285	\$ 10,285
Fund balance:				
Reserved - economic development		\$ 66,153		\$ 66,153
Unreserved	\$ 9,951		\$ 6,738	16,689
	<u>\$ 9,951</u>	<u>\$ 66,153</u>	<u>\$ 6,738</u>	<u>\$ 82,842</u>
	<u>\$ 9,951</u>	<u>\$ 71,153</u>	<u>\$ 12,023</u>	<u>\$ 93,127</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - NONMAJOR GOVERNMENTAL FUNDS

CHARTER TOWNSHIP OF IRONWOOD

Year ended December 31, 2007

	Special Revenue Funds			Totals
	Township Improvement Fund	Special Grants Fund	Perpetual Care Fund	
Revenues:				
Charges for services			\$ 630	\$ 630
Interest	\$ 565	\$ 4,087	268	4,920
Total Revenues	\$ 565	\$ 4,087	\$ 898	\$ 5,550
Total Expenditures	0	0	0	0
Excess of Revenues Over Expenditures	\$ 565	\$ 4,087	\$ 898	\$ 5,550
Fund balance at January 1, 2007	9,386	62,066	5,840	77,292
FUND BALANCE AT DECEMBER 31, 2007	\$ 9,951	\$ 66,153	\$ 6,738	\$ 82,842

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN ASSETS AND
CHARTER TOWNSHIP OF

Year ended

	<u>Current Tax Collection Fund</u>			Balance at December 31, 2007
	Balance at January 1, 2007	Additions	Deductions	
ASSETS				
Cash	\$ 50,370	\$ 2,338,913	\$ 2,140,793	\$ 248,490
Due from other funds	<u>8,944</u>	<u>32,234</u>	<u>42,761</u>	<u>19,471</u>
	<u>\$ 59,314</u>	<u>\$ 2,371,147</u>	<u>\$ 2,183,554</u>	<u>\$ 267,961</u>
LIABILITIES				
Due Ironwood Area Schools	\$ 3,240	\$ 642,051	\$ 532,164	\$ 113,127
Due Gogebic County	8,727	727,133	765,544	(29,684)
Due State of Michigan	(12,285)	363,349	364,476	(13,412)
Due Intermediate School District	(1,834)	196,927	165,984	29,109
Due other funds	66,074	293,675	225,761	133,988
Due to others	<u>(4,608)</u>	<u>83,544</u>	<u>44,103</u>	<u>34,833</u>
	<u>\$ 59,314</u>	<u>\$ 2,306,679</u>	<u>\$ 2,098,032</u>	<u>\$ 267,961</u>

The accompanying notes are an integral part of the financial statements.

LIABILITIES - TRUST AND AGENCY FUND

IRONWOOD

December 31, 2007

<u>Trust and Agency Fund</u>			
<u>Balance at January 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at December 31, 2007</u>
\$ 11,007 <u>85</u>	\$ 4,777	\$ 5,926	\$ 9,858 <u>85</u>
<u>\$ 11,092</u>	<u>\$ 4,777</u>	<u>\$ 5,926</u>	<u>\$ 9,943</u>
\$ 7,241 <u>3,851</u>	\$ 300 <u>4,477</u>	\$ 239 <u>5,687</u>	\$ 7,302 <u>2,641</u>
<u>\$ 11,092</u>	<u>\$ 4,777</u>	<u>\$ 5,926</u>	<u>\$ 9,943</u>

SUPPLEMENTAL
REPORT

JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
MEMBERS

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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 Supervisor and Members of the Board
Charter Township of Ironwood
Ironwood, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Ironwood, as of and for the year ended December 31, 2007, which collectively comprise Charter Township of Ironwood's basic financial statements and have issued our report thereon dated June 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and with the standards prescribed by the State Treasurer.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charter Township of Ironwood'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 Charter Township of Ironwood's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Charter Township of Ironwood'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. 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 Charter Township of Ironwood'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 Charter Township of

Ironwood's financial statements that is more than inconsequential will not be prevented or detected by Charter Township of Ironwood's internal control. We consider the deficiencies described below as items 07-1 to 07-5 to be significant deficiencies in internal control over financial reporting.

07-1 Michigan Public Act 621 of 1978

Michigan Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2007, the Charter Township of Ironwood incurred expenditures in certain of its budgetary activities in excess of amounts appropriated and did not amend the budget accordingly.

We recommend that the Charter Township of Ironwood review the requirements of Michigan Public Act 621 of 1978, amend its budget in accordance therewith in the future and require conformity to the Act. Charter Township of Ironwood management agrees and will take necessary steps to comply with the Act in the future.

07-2 Ability to Prepare Financial Statements and Related Note Disclosures

Like other local units of government of similar size, limited financial summaries and abbreviated financial statements are made available for the Supervisor and Members of the Board. The Township relies on its auditors to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Supervisor and Members of the Board review and accept the financial statements on behalf of the Township. The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide an oversight and independent review functions.

The Township agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

07-3 Segregation of Duties

During the audit it was noted that the Township has a lack of segregation of duties. The financial duties of the Township's elected officials are governed by statute but one person handles almost all phases of the accounting and reporting of the Township's water and sewer accounts receivable collections, depositing and recording due to the small number of staff. It has been determined not to be cost effective to hire more staff to help eliminate this lack of segregation. The lack of segregation was mitigated by the active oversight of the Board.

Although the size of the Township makes complete segregation of duties impossible, we recommend that accounting functions be reviewed by management on a regular basis and, whenever possible, the duties be periodically rotated between the staff.

The Township agrees and will attempt to rotate duties whenever possible and management will closely monitor the accounting functions.

07-4 Auditor Proposed Journal Entries

As part of the audit process there were numerous journal entries proposed. The number of entries proposed could lead to the interim financial information not being accurate

enough for the decision making process. The effects of this should be minimal as most of the entries were of a routine nature and were basically the same entries the prior auditor proposed each year for a number of years. Management was not made aware of the need to make the adjustments.

We recommend routine adjustments be prepared and posted by the Township prior to the start of the audit.

The Township agrees and will prepare as many of the adjustments as possible.

07-5 Tax Revenues Collected

The Michigan General Property Tax Act sets the time limits for the distribution of taxes collected for another taxing unit. It was noted during the audit that some funds were not distributed to another taxing unit in accordance with the Act. This oversight was discovered during the tax settlement process with the County of Gogebic and was immediately disbursed. The effects of this should be nominal as this was an isolated instance and the other taxing unit was not placed in a precarious financial position.

We recommend that the taxes collected for other units be distributed according to the Act and that the system to track these distributions be adjusted.

The Township agrees and will take measures to insure all distributions are made timely in the future.

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 Charter Township of Ironwood'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, of the significant deficiencies described above we consider none of them to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Charter Township of Ironwood, in a separate letter dated June 26, 2008.

Charter Township of Ironwood's response to the findings identified in our audit are described above. We did not audit Township of Ironwood's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Township Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joti, Mahala & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
June 26, 2008