

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended .

Unit Name	County	Type	MuniCode
Opinion Date	Audit Submitted	Fiscal Year	

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".

<input type="checkbox"/>	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?
<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input type="checkbox"/>	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?
<input type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input type="checkbox"/>	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.)
<input type="checkbox"/>	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.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input type="checkbox"/>	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? <input type="text"/>
<input type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies? <input type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text"/>
General Fund Expenditure:	<input type="text"/>
Major Fund Deficit Amount:	<input type="text"/>

General Fund Balance:	<input type="text"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text"/>

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)	Last Name	Ten Digit License Number		
CPA Street Address	City	State	Zip Code	Telephone
CPA Firm Name	Unit's Street Address	City	Zip Code	

**Charter Township of Oscoda
Iosco County, Michigan**

Financial Statements

For the Year Ended December 31, 2007

CHARTER TOWNSHIP OF OSCODA

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REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

May 30, 2008

To the Township Board
Charter Township of Oscoda
Oscoda, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Oscoda, as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Oscoda, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General, Police, Property Operation and Maintenance, Base Closure and CDBG Renaissance governmental funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2008, on our consideration of the Charter Township of Oscoda'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 on 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 Charter Township of Oscoda's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements of the Township. Such 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.

A handwritten signature in cursive script that reads "Lehmann Johnson".

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Charter Township of Oscoda's (the "Township") financial performance provides an overview of the Township's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Financial Highlights

- The Township's assets exceeded its liabilities by \$24,388,303.
- The Township's total net assets increased by \$1,374,424.
- The Township's governmental funds reported a combined ending fund balance of \$5,726,970 this year, an increase of \$212,938. Of this amount, \$3,587,034 is available for spending (*unreserved fund balance*) on behalf of its citizens. The Township General Fund 2007 year end *fund balance* is \$1,778,233.

Overview of the Financial Statements

The financial statements are organized so the reader can understand the Township as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The Township's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *statement of net assets* and the *statement of activities* display information about the Township as a whole. These statements include the financial activities of the primary government and its component units except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Township at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's

governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

With this report, all capital assets and infrastructure are listed under GASB 34 for the Charter Township of Oscoda. These assets are comprised of buildings, furniture and fixtures, radios/electronic equipment, computer systems, vehicles, land, and infrastructure (water and sewer lines) owned by the Township. These assets total over \$30 million. Township management and staff performed a department-by-department inventory and evaluation of assets and categorized a depreciation schedule for assets not fully depreciated.

In addition, within this report, 2007 property taxes that will be received in the future are listed as *taxes receivable* and as *deferred revenue*.

The Township's component unit is the Charter Township of Oscoda Downtown Development Authority. This component unit is described in the *Notes to the Financial Statements*. The component unit is separate and may buy, sell, lease, and mortgage property in their own name, and can sue or be sued in their own name.

The Charter Township of Oscoda Downtown Development Authority displays assets totaling \$330,099 comprised of cash and cash equivalents.

Fund Financial Statements

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental, Proprietary and Fiduciary*.

Governmental Funds:

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

- General Fund - This fund accounts for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue.
- Police Fund - This fund accounts for the revenues and expenditures required to operate the Township Police Department. The primary sources of revenue are contributions from the General Fund, in the case of Oscoda Township, and monthly payments from AuSable Township.
- Property Operation and Maintenance Fund - This fund represents the primary maintenance budget for Township owned or leased facilities on the former Wurtsmith Air Force Base. Revenues include the sales, leases and land contracts of base property as well as other miscellaneous income including grants as they might become available.
- Base Closure Fund – This fund accounts for revenues and expenses related to the former Wurtsmith Air Force Base.
- CDBG Renaissance Fund – This fund accounts for federal funds received by the Charter Township of Oscoda used to assist in the pursuit of economic development opportunities.

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Township’s enterprise funds may be used to account for any activity for which a fee is charged to external users (citizens) for goods and services. The following are the Township’s major enterprise funds:

- Sewage Disposal System Fund - This fund accounts for the revenues and expenses required to operate the Township’s sanitary sewer system including the lagoon facility at the former Wurtsmith Air Force Base and all related appurtenances such as mains and pump stations. Revenues required to operate the system are derived primarily from user fees. This fund also accounts for revenues and expenses relating to processing of septage delivered by local haulers. This subject has been under study by the Township for some time as to identifying an appropriate location and charging methodology. At fiscal year-end no final decision regarding this topic had been made with deliberation continuing in 2008.
- Water Fund - This fund is maintained to account for operations of the public water system. Revenue and expense line items reflect maintenance and operation of the water system in Oscoda as well as the Township’s financial participation in the Huron Shore Regional Utility Authority. Like the Sewer Fund, revenues are derived primarily from user fees.

- Old Orchard Park Fund - This fund was created when the Township acquired leasehold interest in the Old Orchard Park property from Consumers Energy and began operating the campground. The fund normally generates a net positive cash flow which is available to support governmental functions through inter budgetary transfers. However, capital spending and the economic downturn have combined to create operating challenges recently.

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The Township's agency funds account for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the Township *government-wide* and *fund* financial statements. The notes to the financial statements can be found on pages **31-60**.

Charter Township of Oscoda Downtown Development Authority related financial data is included throughout the notes to financial statements.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules.

Government-Wide Financial Analysis

Summary of Net Assets:

The following summarizes the net assets of the Charter Township of Oscoda at December 31, 2007 and 2006:

	Net Assets Summary					
	Governmental Activities		Business-type Activities		Totals	
	2006	2007	2006	2007	2006	2007
Current and other assets	\$7,329,095	\$7,524,548	\$ 3,189,064	\$ 2,482,297	\$10,518,159	\$10,006,845
Other Noncurrent assets	369,433	455,324	4,188,018	40,647	4,557,451	495,971
Capital assets	7,719,570	8,214,081	7,535,312	11,077,761	15,254,882	19,291,842
Total assets	15,418,098	16,193,953	14,912,394	13,600,705	30,330,492	29,794,658
Long-term liabilities outstanding	309,457	245,544	3,839,266	3,441,993	4,148,723	3,687,537
Other liabilities	1,732,416	1,570,155	112,601	148,663	1,845,017	1,718,818
Total liabilities	2,041,873	1,815,699	3,951,867	3,590,656	5,993,740	5,406,355
Net assets						
Invested in capital assets, net of related debt	7,518,603	8,111,246	5,132,753	7,646,861	12,651,356	15,758,107
Restricted	765,045	2,139,936	1,035,100	185,827	1,800,145	2,325,763
Unrestricted	5,092,577	4,127,072	4,792,674	2,177,361	9,885,251	6,304,433
Total net assets	\$ 13,376,225	\$ 14,378,254	\$ 10,960,527	\$ 10,010,049	\$24,336,752	\$ 24,388,303

Summary of Changes in Net Assets:

Generally speaking, the Township's net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The Charter Township of Oscoda, through its governing body, i.e., Township Board of Trustees, has taken a sensible approach regarding capital asset acquisition and amortization of the incurred debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

The Township Board of Trustees has prudently set aside funds to offset potential personnel and/or administrative liabilities. It is the Township's practice, in general, to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

	Governmental Activities		Business-type Activities		Totals	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program revenue:						
Charges for services	\$ 528,506	\$ 1,188,639	\$ 2,389,225	\$ 2,461,120	\$2,917,731	\$3,649,759
Operating grants and contributions	711,305	59,517	-	102,165	711,305	161,682
Capital grants and contributions	-	682,381	7,335	-	7,335	682,381
General revenue:						
Property taxes	1,274,632	1,882,643	-	-	1,274,632	1,882,643
Grants and contributions not restricted to specific programs	594,087	578,353	-	-	594,087	578,353
Unrestricted investment earnings	631,737	295,343	184,334	160,296	816,071	455,639
Gain on sale of capital assets	-	146,609	-	-	-	146,609
Miscellaneous	325,347	214,307	48,958	9,354	374,305	223,661
Total revenues	4,065,614	5,047,792	2,629,852	2,732,935	6,695,466	7,780,727
Expenses:						
General government	1,029,396	1,053,432	-	-	1,029,396	1,053,432
Public safety	1,250,098	1,282,249	-	-	1,250,098	1,282,249
Public works	149,547	337,783	-	-	149,547	337,783
Community development	1,181,392	937,707	-	-	1,181,392	937,707
Recreation and culture	306,736	321,683	-	-	306,736	321,683
Interest on Long-Term Debt	10,100	7,739	-	-	10,100	7,739
Housing	-	-	260	-	260	-
Old Orchard Park	-	-	582,823	599,050	582,823	599,050
Community Center	-	-	116,375	118,413	116,375	118,413
Sewer	-	-	709,468	786,834	709,468	786,834
Water	-	-	876,207	961,413	876,207	961,413
Total expenses	3,927,269	3,940,593	2,285,133	2,465,710	6,212,402	6,406,303
Increase in net assets before transfers	138,345	1,107,199	344,719	267,225	483,064	1,374,424
Transfers	1,447,186	295,500	(1,447,186)	(295,500)	-	-
Change in net assets	1,585,531	1,402,699	(1,102,467)	(28,275)	483,064	1,374,424
Net assets, beginning of year, as restated	11,790,694	12,975,555	12,062,994	10,038,324	23,853,688	23,013,879
Net assets, end of year	\$ 13,376,225	\$ 14,378,254	\$ 10,960,527	\$ 10,010,049	\$ 24,336,752	\$ 24,388,303

Governmental Activities

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$1,930,537 from *Charges for Services and Operating Grants and Capital Grants and Contributions*. The *Charges for Services* are fees mainly associated with the collection of special assessments and rental revenue. While revenue collected is substantial, operating expenses totaled \$3,940,593 for these same activities. The largest expenses were incurred by General Government (\$1,053,432) and Public Safety (\$1,282,249).

Business-Type Activities

The Township's main *Business-Type activities* are the Sewage Disposal System, Water Services, and Old Orchard Park. The Township Park has long proven itself to be a *net* revenue generator and for 2007 it netted \$83,090. As was the case in 2006, net revenue was down as compared to past years with a struggling economy suspected as a strong contributing factor. However, the development of additional modern camping sites in recent years served to cushion the general decline in camping activity.

Activities in the Sewer Fund from an operational perspective settled into a "status quo" mode as compared to previous years due to continuing operations of the Wurtsmith sewer lagoon reactivation project. That said, the large number of proposed capital improvements identified for the system in the future indicates that activity will increase substantially in terms of required investment.

Water Fund capital improvements included completion of substantial water main replacement work along numerous streets adjoining West River Road. This included funding of complete road resurfacing due to the large amount of pavement that was removed in conjunction with main replacement in many areas. The main replacement will improve system performance in terms of water delivery and reliability while reducing water loss. Additional portions of the downtown area are anticipated to receive similar improvements in the future.

Financial Analysis of Township Funds

As noted earlier in this report, the Township uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds: 1) General fund – accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal distributions, grants and

other intergovernmental revenue; 2) Police Fund – This fund accounts for the revenues and expenditures required to operate the Township Police Department. The primary sources of revenue are contributions from the General Fund, in the case of Oscoda Township, and monthly payments from AuSable Township; 3) Property Operation and Maintenance Fund – This fund represents the primary maintenance budget for Township owned or leased facilities on the former Wurtsmith Air Force Base. Revenues include the sales, leases and land contracts of base property as well as other miscellaneous income, including grants as they might become available; 4) Base Closure – This fund accounts for revenues and expenses related to the former Wurtsmith Air Force Base, and 5) CDBG Renaissance Fund – This fund accounts for federal funds received by the Charter Township of Oscoda used to assist in the pursuit of economic development opportunities.

The other governmental funds of the Township account for grants and other resources that have uses which are restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital facilities.

This year's Township audit shows 20 funds. These funds are maintained by the Township Treasurer as separate units in the General Ledger.

Significant Fund Activity

General Fund activity in fiscal year 2007 included a substantial investment in sidewalk replacement and extension on West River Road. This is intended to complement the re-designed and resurfaced roadway along with the streetscape implemented by the Downtown Development Authority between US 23 and Pearl St. Resurfacing of the public parking lot south of E. Dwight St. was completed in 2007. This project had been initiated in the preceding year. The Township also became involved in several road improvement projects including resurfacing efforts on Huntington and Christopher Drives, Alvin Road, Fox, Teal, Pearl, Morton and Wheeler Streets, Michigan Avenue and Pine Tree Trail.

Significant efforts were also focused towards implementation of the Blueprints for Downtown Plan. These initiatives included hiring a part-time DDA Director, working with the Michigan Department of Transportation in implementing a US 23 Three Lane alignment on a trial basis, creating designated on street parking spaces, acquiring permits to construct an observation and fishing pier on Lake Huron, striking an agreement with the Oscoda Area Schools to facilitate conveyance of Furtaw Field to the Township as well as the cooperative purchase of an electronic message sign and paving of the portion of East River Road between US 23 and Lake St. A major capital purchase was also made in the form of a new street sweeper that will significantly improve parking lot maintenance capability.

During fiscal year 2007 the new hangar construction project on the former Wurtsmith Air Force Base came to fruition. Although this project did not involve direct Township financial participation, substantial time and effort over the past several years have been dedicated to securing funds for the additional hangar in cooperation with the Oscoda Wurtsmith Airport Authority. The project is expected to create significant employment opportunities upon completion in 2008. A German-based automotive supply company, Seissenschmidt, established its North American headquarters in Oscoda on the former base. The five-year lease agreement

will serve as an important revenue source for meeting continuing property maintenance and base reuse needs.

Enterprise Funds

The Township's enterprise funds provide the same type of information found in the government-wide financial statements. Commonly, departments such as the Old Orchard Park, Water and Sewer services comprise these funds. GASB 34 places such funds under the caption of *Proprietary Funds* under the appropriate statements, i.e., *Statement of Net Assets*, *Statement of Cash Flows*, etc. Water Fund cash reserves have been significantly reduced in recent years due primarily to the downtown main replacement and meter change out programs. Despite this, the Water Fund at year-end had in excess of \$1,000,000 available to meet future capital and operating/cash flow needs. Old Orchard Park Fund had a positive operating income of \$108,704 while net assets were reduced overall by \$246,796 due primarily to an operating transfer of \$355,500 to other funds. Given the current cash position of the Old Orchard Park Fund, contributions of this magnitude are not anticipated in the future. The Community Center Fund, on the other hand, showed a loss of \$65,852 which was offset almost entirely by a \$60,000 transfer in from another fund. This reflects a long-standing challenge in attempting to come as close as possible to achieving "breakeven" status from an operating perspective. Consolidation of the Community Center and Exposition facilities a few years ago has gone a long ways towards achieving that objective. More specific detail is seen on pages **27-28**.

Significant Fund Activity

The most substantial improvement that occurred at Old Orchard Park in 2007 was the construction of three 14 x 20 foot rustic cabins in the "horse camp" area of the park. The cabins will be available for rental in the 2008 camping season. Other notable expenditures include installation of new potable water wells, modern campsite electrical upgrades and replacement of the flooring in the Park store.

Sewer Fund expenditures included purchase of a used Vactor truck through an installment purchase contract. This piece of equipment will significantly enhance maintenance capability in terms of removing debris from manholes and sewer mains. The Vactor will also be useful for other purposes where high-volume suction is called for. Substantial Water Fund investments included continuation of the water main replacement program in the downtown area, as described earlier in this text, continuation of the water meter change out effort and construction of a new water main on VanEtten Creek Road. The new water main was financed through a grant from the State of Michigan Department of Environmental Quality.

Budgetary Highlights

fiscal year 2007 saw the General Fund balance increase from \$1,520,987 to \$1,778,233. This indicates that revenues, sales of capital assets and transfers in exceeded expenditures and transfers out. It should be noted in this regard that transfers in amounted to \$325,000 -- thereby significantly enhancing the revenue side of the ledger. The expenditures did include a significant capital outlay, amounting to approximately \$121,000, in the form of the sidewalk improvements on River Road described earlier in this narrative. The largest single transfer out of the General Fund is Oscoda Townships' contribution for police services based upon the cost sharing

agreement with AuSable Township. In 2007, the General Fund's revenue exceeded its budgeted revenue by \$141,681. This was mainly due to the Township receiving more special assessment revenue than expected. The General Fund's expenditures were less than budgeted expenditures by \$353,433. This was mainly due to less actual general government expenditures than expected.

Capital Asset and Debt Administration

Capital Assets

Capital assets are defined by the Township as assets with an initial individual cost of more than \$7,500 and an estimated useful life in excess of one year. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

The Township's infrastructure consists of water and sewer lines. Improvements are capitalized, i.e., depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Capital Assets – Governmental Activities beginning balance was \$10,472,207 with an ending balance of \$11,081,383. Governmental Activities Total Capital Assets – Net of Depreciation was \$8,214,081.

Capital Assets - Business Type Activities beginning balance was \$18,889,672 with an ending balance of \$19,675,104 Business-Type Activities Total Capital Assets – Net of Depreciation was \$11,077,761. An expanded and detailed presentation may be seen in Note 5 of the notes to financial statements.

Long-Term Debt

The Long-Term debt of the Charter Township of Oscoda, as noted on the financial statements contained herein, is comprised of debt related to direct business transactions by the Township Board of Trustees.

The most significant debt issues impacting the Township recently include the issuance of bonds to finance the sewer lagoon reactivation project, prepayment of water system bonds that facilitated, in part, the ability to reduce the readiness to serve charge for water customers, prepayment of the 1973 Sewer Bonds and retiring of a 1998 Iosco County Water Fund bond.

At year's end, long-term debt (due in more than one year) amounted to \$3,687,537. Such debt includes *Land Contract Payable*, *Contracts Payable*, *Bonds Payable*, *Capital Lease Payable*, as well as *Compensated Absences*. That is, accumulated vested vacation benefits payable and contingent liability for the accumulated sick leave benefits of its employees.

Economic Factors

The Township General and Police Funds continue to be challenged by the significant reduction in state shared revenues which has occurred in recent years due primarily to population loss resulting from base closure (from approximately \$1,160,000 in fiscal year 2000 to about \$600,000 currently). Given the condition of the economy in the state of Michigan, prospects for increases in state shared revenues appear limited at best currently. Fortunately, growth in local tax base has generated revenues which partially offset this decline. However, the need continues to identify and pursue additional revenue sources with a minimal impact on taxpayers. Camping revenues from Old Orchard Park represent one such option in the form of rustic cabin construction and other improvements. A continuing focus is likely to remain on other income producing concepts as well. In the base reuse arena substantial community assets were added in 2007, in terms of employment and income creation potential, in the form of new hangar construction, continuing expansion of Phoenix Composites and the siting of Seissenschmidt in Oscoda.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Charter Township of Oscoda Superintendent, 110 S. State Street, Oscoda, Michigan, 48750.

CHARTER TOWNSHIP OF OSCODA
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 973,243	\$ 72,967	\$ 1,046,210	\$ 297,165
Investments	4,328,697	1,816,941	6,145,638	32,934
Accounts receivable	1,346,846	420,431	1,767,277	-
Internal balances	23,008	(23,008)	-	-
Inventory	-	9,139	9,139	-
Restricted cash and investments	852,754	185,827	1,038,581	-
Land contracts receivable	455,324	-	455,324	-
Contract issuance cost and discount, net	-	40,647	40,647	-
Non-depreciable assets	4,472,612	22,885	4,495,497	-
Property, plant and equipment	6,608,771	19,652,219	26,260,990	-
Less accumulated depreciation	(2,867,302)	(8,597,343)	(11,464,645)	-
Total assets	<u>16,193,953</u>	<u>13,600,705</u>	<u>29,794,658</u>	<u>330,099</u>
Liabilities				
Accounts payable	123,495	85,456	208,951	-
Accrued liabilities	85,135	44,417	129,552	2,875
Unearned revenue	1,361,525	18,790	1,380,315	-
Noncurrent liabilities:				
Due within one year	42,835	377,820	420,655	-
Due in more than one year	202,709	3,064,173	3,266,882	-
Total liabilities	<u>1,815,699</u>	<u>3,590,656</u>	<u>5,406,355</u>	<u>2,875</u>
Net Assets				
Invested in capital assets, net of related debt	8,111,246	7,646,861	15,758,107	-
Restricted for:				
Cemetery	211,926	-	211,926	-
Base closure future developments	1,890,803	-	1,890,803	-
Improvements	-	185,827	185,827	-
Debt service	37,207	-	37,207	-
Unrestricted	4,127,072	2,177,361	6,304,433	327,224
Total net assets	<u>\$ 14,378,254</u>	<u>\$ 10,010,049</u>	<u>\$ 24,388,303</u>	<u>\$ 327,224</u>

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

**CHARTER TOWNSHIP OF OSCODA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 1,053,432	\$ 271,057	\$ 13,333	\$ -	\$ (769,042)
Public safety	1,282,249	267,415	36,617	-	(978,217)
Public works	337,783	26,974	9,567	-	(301,242)
Community development	937,707	534,976	-	682,381	279,650
Recreation and culture	321,683	88,217	-	-	(233,466)
Interest on long-term debt	7,739	-	-	-	(7,739)
Total governmental activities	<u>3,940,593</u>	<u>1,188,639</u>	<u>59,517</u>	<u>682,381</u>	<u>(2,010,056)</u>
Business-type activities:					
Sewage disposal system	786,834	613,402	-	-	(173,432)
Water services	961,413	1,116,386	102,165	-	257,138
Old Orchard Park	599,050	682,140	-	-	83,090
Community center	118,413	49,192	-	-	(69,221)
Total business-type activities	<u>2,465,710</u>	<u>2,461,120</u>	<u>102,165</u>	<u>-</u>	<u>97,575</u>
Total primary government	<u>\$ 6,406,303</u>	<u>\$ 3,649,759</u>	<u>\$ 161,682</u>	<u>\$ 682,381</u>	<u>\$ (1,912,481)</u>
Component unit					
Downtown Development Authority	<u>\$ 101,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (101,073)</u>

continued...

**CHARTER TOWNSHIP OF OSCODA
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2007**

Functions/Programs	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (2,010,056)	\$ 97,575	\$ (1,912,481)	\$ (101,073)
General revenues:				
Property taxes	1,882,643	-	1,882,643	44,510
State revenue sharing, unrestricted	578,353	-	578,353	-
Rent income	36,597	-	36,597	-
Investment earnings	258,746	160,296	419,042	16,465
Gain on sale of capital assets	146,609	-	146,609	-
Miscellaneous revenues	214,307	9,354	223,661	-
Transfers - internal activities	295,500	(295,500)	-	-
Total general revenues and transfers	3,412,755	(125,850)	3,286,905	60,975
Change in net assets	1,402,699	(28,275)	1,374,424	(40,098)
Net assets, beginning of year, as restated	12,975,555	10,038,324	23,013,879	367,322
Net assets, end of year	\$ 14,378,254	\$ 10,010,049	\$ 24,388,303	\$ 327,224

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

**CHARTER TOWNSHIP OF OSCODA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

<u>Assets</u>	General	Police	Property Operation and Maintenance
Cash and cash equivalents	\$ 939,151	\$ 150	\$ -
Investments	1,184,520	261,215	1,095,078
Receivables:			
Taxes	841,895	-	-
Accounts, (net of allowance for doubtful accounts)	6,496	418	-
Interest	4,164	1,119	5,130
Land contracts	-	-	455,324
Special assessments	172,150	-	-
Due from other governmental units	197,224	21,146	-
Due from other funds	72,016	-	-
Restricted assets:			
Investments	-	-	-
<u>Total Assets</u>	<u>\$ 3,417,616</u>	<u>\$ 284,048</u>	<u>\$ 1,555,532</u>

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

Base Closure	CDBG Renaissance	Other Governmental Funds	Total
\$ -	\$ -	\$ 33,942	\$ 973,243
1,021,306	8,622	757,956	4,328,697
-	-	-	841,895
-	-	-	6,914
16,743	-	2,551	29,707
-	-	-	455,324
-	-	57,230	229,380
-	-	20,580	238,950
-	-	3,550	75,566
852,754	-	-	852,754
<u>\$ 1,890,803</u>	<u>\$ 8,622</u>	<u>\$ 875,809</u>	<u>\$ 8,032,430</u>

Continued

**CHARTER TOWNSHIP OF OSCODA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Police	Property Operation and Maintenance
<u>Liabilities and Fund Balance</u>			
Liabilities			
Accounts payable	\$ 61,879	\$ 6,159	\$ 16,270
Accrued liabilities	31,628	41,579	2,513
Due to other funds	7,557	15,420	19,587
Deferred revenue	1,538,319	208	455,324
Total Liabilities	1,639,383	63,366	493,694
Fund Balances:			
Reserved for:			
Cemetery	-	-	-
Base closure future developments	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated - General Fund	1,778,233	-	-
Undesignated - Special revenue funds	-	220,682	1,061,838
Total Fund Balances	1,778,233	220,682	1,061,838
<u>Total Liabilities and Fund Balances</u>	<u>\$ 3,417,616</u>	<u>\$ 284,048</u>	<u>\$ 1,555,532</u>

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

Base Closure	CDBG Renaissance	Other Governmental Funds	Total
\$ -	\$ 64	\$ 39,123	\$ 123,495
-	-	7,415	83,135
-	-	9,994	52,558
-	-	52,421	2,046,272
-	64	108,953	2,305,460
-	-	211,926	211,926
1,890,803	-	-	1,890,803
-	-	37,207	37,207
-	-	-	1,778,233
-	8,558	517,723	1,808,801
1,890,803	8,558	766,856	5,726,970
\$ 1,890,803	\$ 8,622	\$ 875,809	\$ 8,032,430

**CHARTER TOWNSHIP OF OSCODA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

Fund balances - total governmental funds	\$	5,726,970
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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 not reported in the funds.

Add: capital assets		11,081,383
Subtract: accumulated depreciation		(2,867,302)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: current year deferred special assessments and delinquent personal property taxes		684,747
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: compensated absences		(142,709)
Subtract: accrued interest payable		(2,000)
Subtract: long-term liabilities		(102,835)

Net assets of governmental activities	\$	<u>14,378,254</u>
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF OSCODA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Police	Property Operation and Maintenance	Base Closure	CDBG Renaissance	Other Governmental Funds	Total
Revenues							
Taxes	\$ 1,362,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,362,305
Special assessments	154,351	-	-	-	-	59,944	214,295
Federal	-	33,888	-	-	493,966	9,567	537,421
State revenue sharing and grants	591,686	2,729	-	-	-	-	594,415
Private contributions	5,369	-	-	-	-	-	5,369
Charges for services	124,508	202,723	33,533	-	-	92,117	452,881
Licenses and permits	16,998	-	-	-	-	-	16,998
Interest and rentals	269,539	16,505	385,407	102,665	47	241,290	1,015,453
Fines and forfeitures	-	7,204	-	-	-	-	7,204
Other revenue	-	49,850	11,754	-	-	1,272	62,876
Total Revenues	2,524,756	312,899	430,694	102,665	494,013	404,190	4,269,217
Expenditures							
Current:							
General government	995,053	-	-	-	-	-	995,053
Public safety	168,043	1,034,293	-	-	-	-	1,202,336
Public works	310,519	-	-	-	-	15,082	325,601
Community developmen	65,533	-	428,375	4,416	495,455	199,302	1,193,081
Recreation and cultural	196,403	-	-	-	-	261,286	457,689
Capital outlay	30,221	-	-	-	-	226,068	256,289
Debt service:							
Principal	40,125	-	-	-	-	56,086	96,211
Interest and fiscal charge:	-	-	-	-	-	7,110	7,110
Total Expenditures	1,805,897	1,034,293	428,375	4,416	495,455	764,934	4,533,370
Revenues Over (Under) Expenditures	718,859	(721,394)	2,319	98,249	(1,442)	(360,744)	(264,153)
Other Financing Sources (Uses)							
Sale of capital assets	1,502	-	180,089	-	-	-	181,591
Transfers in	325,000	716,325	-	-	10,000	379,330	1,430,655
Transfers (out)	(788,115)	-	(110,000)	(187,040)	-	(50,000)	(1,135,155)
Total Other Financing Sources (Uses)	(461,613)	716,325	70,089	(187,040)	10,000	329,330	477,091
Net Change in Fund Balances	257,246	(5,069)	72,408	(88,791)	8,558	(31,414)	212,938
Fund Balances, Beginning of Year, as restated	1,520,987	225,751	989,430	1,979,594	-	798,270	5,514,032
Fund Balances, End of Year	\$ 1,778,233	\$ 220,682	\$ 1,061,838	\$ 1,890,803	\$ 8,558	\$ 766,856	\$ 5,726,970

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

**CHARTER TOWNSHIP OF OSCODA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Net change in fund balances - total governmental funds \$ 212,938

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 allocated over their estimated useful lives and reported as depreciation

Add: capital outlay	765,796
Subtract: loss on disposal of capital assets	(34,982)
Subtract: depreciation expense	(236,304)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: change in deferred special assessments	631,966
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Subtract: increase in the accrual of compensated absences	(33,476)
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Principal repayments on land contracts, capital leases, and bonds are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal expense	96,761
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Change in net assets of governmental activities	\$ 1,402,699
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The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF OSCODA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Taxes	\$ 1,310,750	\$ 1,352,750	\$ 1,362,305	\$ 9,555
Special assessments	58,000	67,000	154,351	87,351
State revenue sharing and grants	777,500	565,000	591,686	26,686
Private contributions	4,500	7,000	5,369	(1,631)
Charges for services	153,750	117,175	124,508	7,333
Licenses and permits	8,450	14,950	16,998	2,048
Interest and rentals	127,200	259,200	269,539	10,339
Total Revenues	<u>2,440,150</u>	<u>2,383,075</u>	<u>2,524,756</u>	<u>141,681</u>
Expenditures				
Current:				
General government	1,189,745	1,181,905	995,053	(186,852)
Public safety	214,195	196,900	168,043	(28,857)
Public works	166,300	361,300	310,519	(50,781)
Community development	61,600	80,650	65,533	(15,117)
Recreation and cultural	248,500	237,875	196,403	(41,472)
Capital outlay	281,400	59,700	30,221	(29,479)
Debt service	-	41,000	40,125	(875)
Total Expenditures	<u>2,161,740</u>	<u>2,159,330</u>	<u>1,805,897</u>	<u>(353,433)</u>
Revenues Over Expenditures	<u>278,410</u>	<u>223,745</u>	<u>718,859</u>	<u>495,114</u>
Other Financing Sources (Uses)				
Sale of capital assets	2,500	2,500	1,502	(998)
Transfers in	325,000	325,000	325,000	-
Transfers (out)	(815,115)	(788,115)	(788,115)	-
Total Other Financing Sources (Uses)	<u>(487,615)</u>	<u>(460,615)</u>	<u>(461,613)</u>	<u>(998)</u>
Net Change in Fund Balances	<u>(209,205)</u>	<u>(236,870)</u>	<u>257,246</u>	<u>494,116</u>
Fund Balance, Beginning of Year, As Restated	<u>1,520,987</u>	<u>1,520,987</u>	<u>1,520,987</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,311,782</u>	<u>\$ 1,284,117</u>	<u>\$ 1,778,233</u>	<u>\$ 494,116</u>

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

**CHARTER TOWNSHIP OF OSCODA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
POLICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Federal grants	\$ 63,000	\$ 60,000	\$ 33,888	\$ (26,112)
State grants and revenue	2,400	2,400	2,729	329
Charges for services	202,520	202,520	202,723	203
Interest and rentals	8,000	12,000	16,505	4,505
Fines and forfeitures	2,200	5,000	7,204	2,204
Other revenue	3,050	11,300	49,850	38,550
Total Revenues	281,170	293,220	312,899	19,679
Expenditures				
Public safety:				
Salaries, wages and fees	638,930	635,080	603,105	(31,975)
Payroll taxes and benefits	276,770	294,005	276,855	(17,150)
Operating expenditures	125,895	119,095	116,567	(2,528)
Contractual services	32,900	27,900	17,111	(10,789)
Contingency	7,000	7,000	-	(7,000)
Capital outlay	23,000	36,000	20,655	(15,345)
Total Expenditures	1,104,495	1,119,080	1,034,293	(84,787)
Revenues Over (Under) Expenditures	(823,325)	(825,860)	(721,394)	104,466
Other Financing (Uses)				
Transfers in	721,325	716,325	716,325	-
Net Change in Fund Balances	(102,000)	(109,535)	(5,069)	104,466
Fund Balances, Beginning of Year, As Restated	225,751	225,751	225,751	-
Fund Balances (Deficit), End of Year	<u>\$ 123,751</u>	<u>\$ 116,216</u>	<u>\$ 220,682</u>	<u>\$ 104,466</u>

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

**CHARTER TOWNSHIP OF OSCODA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PROPERTY OPERATION AND MAINTENANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Charges for services	\$ -	\$ 30,000	\$ 33,533	\$ 3,533
Interest and rentals	397,725	353,575	385,407	31,832
Other revenue	-	11,000	11,754	754
Total Revenues	<u>397,725</u>	<u>394,575</u>	<u>430,694</u>	<u>36,119</u>
Expenditures				
Community and Economic Development:				
Salaries, wages and fees	47,600	47,600	43,356	(4,244)
Payroll taxes and benefits	15,800	17,300	14,003	(3,297)
Operating expenses	227,400	277,625	233,048	(44,577)
Contractual services	23,000	29,000	25,688	(3,312)
Capital outlay	304,000	129,000	112,280	(16,720)
Total Expenditures	<u>617,800</u>	<u>500,525</u>	<u>428,375</u>	<u>(72,150)</u>
Revenues Over (Under) Expenditures	<u>(220,075)</u>	<u>(105,950)</u>	<u>2,319</u>	<u>108,269</u>
Other Financing Sources (Uses)				
Sale of capital assets	75,000	240,000	180,089	(59,911)
Transfers (out)	(100,000)	(110,000)	(110,000)	-
Total Other Financing Sources(Uses)	<u>(25,000)</u>	<u>130,000</u>	<u>70,089</u>	<u>(59,911)</u>
Net Change in Fund Balances	(245,075)	24,050	72,408	48,358
Fund Balances, Beginning of Year, As Restated	<u>989,430</u>	<u>989,430</u>	<u>989,430</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 744,355</u>	<u>\$ 1,013,480</u>	<u>\$ 1,061,838</u>	<u>\$ 48,358</u>

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

**CHARTER TOWNSHIP OF OSCODA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BASE CLOSURE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Interest and rentals	\$ 71,000	\$ 106,500	\$ 102,665	\$ (3,835)
Expenditures				
Community and Economic Development:				
Contractual services	-	10,500	4,416	(6,084)
Revenues Over (Under) Expenditures	<u>71,000</u>	<u>96,000</u>	<u>98,249</u>	<u>2,249</u>
Other Financing Sources (Uses)				
Transfers (out)	<u>(187,040)</u>	<u>(187,040)</u>	<u>(187,040)</u>	<u>-</u>
Net Change in Fund Balances	(116,040)	(91,040)	(88,791)	2,249
Fund Balances, Beginning of Year	<u>1,979,594</u>	<u>1,979,594</u>	<u>1,979,594</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,863,554</u>	<u>\$ 1,888,554</u>	<u>\$ 1,890,803</u>	<u>\$ 2,249</u>

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

**CHARTER TOWNSHIP OF OSCODA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CDBG RENAISSANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Federal grants	\$ 1,260,000	\$ 592,000	\$ 493,966	\$ (98,034)
Interest and rentals	-	-	47	47
Total Revenues	1,260,000	592,000	494,013	(97,987)
Expenditures				
Community and Economic Development: Contractual services	1,400,000	602,000	495,455	(106,545)
Revenues Over (Under) Expenditures	(140,000)	(10,000)	(1,442)	8,558
Other Financing Sources (Uses)				
Transfers in	140,000	10,000	10,000	-
Net Change in Fund Balances	-	-	8,558	8,558
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,558</u>	<u>\$ 8,558</u>

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

**CHARTER TOWNSHIP OF OSCODA
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2007**

Enterprise Funds

<u>Assets</u>	Sewage Disposal Fund	Water Fund	Old Orchard Park Fund	Health and Community Center	Total
Current Assets					
Cash and cash equivalents	71,817	\$ 300	\$ 500	\$ 350	\$ 72,967
Investments	463,120	1,064,961	201,868	86,992	1,816,941
Accounts receivable - net	66,089	84,276	-	80	150,445
Interest receivable	3,023	7,864	1,099	-	11,986
Taxes receivable	1,952	-	-	-	1,952
Special assessment receivable	1,777	2,719	-	-	4,496
Due from other governmental units	251,552	-	-	-	251,552
Due from other funds	12,416	8,233	-	-	20,649
Inventory	-	-	9,139	-	9,139
Total Current Assets	871,746	1,168,353	212,606	87,422	2,340,127
Noncurrent Assets					
Restricted Cash and Investments	85,136	100,691	-	-	185,827
Contract issuance costs	18,127	-	-	-	18,127
Contract discount, net	22,520	-	-	-	22,520
Nondepreciable assets	3,950	18,935	-	-	22,885
Property, plant and equipment	7,480,008	11,578,225	498,935	95,051	19,652,219
Less accumulated depreciation	(3,823,632)	(4,574,682)	(183,309)	(15,720)	(8,597,343)
Total Noncurrent Assets	3,786,109	7,123,169	315,626	79,331	11,304,235
Total Assets	4,657,855	8,291,522	528,232	166,753	13,644,362
Liabilities					
Current Liabilities					
Accounts payable	14,876	45,788	19,328	5,464	85,456
Accrued liabilities	19,595	16,241	3,948	4,633	44,417
Due to other funds	10,650	6,359	21,905	4,743	43,657
Deferred revenue	-	-	18,790	-	18,790
Contracts payable, current	93,192	284,628	-	-	377,820
Total Current Liabilities	138,313	353,016	63,971	14,840	570,140
Long-Term Liabilities					
Accrued compensated absences	111	221	10,068	693	11,093
Contracts payable	2,182,755	870,325	-	-	3,053,080
Total Long-Term Liabilities	2,182,866	870,546	10,068	693	3,064,173
Total Liabilities	2,321,179	1,223,562	74,039	15,533	3,634,313
Net Assets					
Invested in capital assets, net of related debt	1,384,379	5,867,525	315,626	79,331	7,646,861
Restricted for:					
Improvements	85,136	100,691	-	-	185,827
Unrestricted	867,161	1,099,744	138,567	71,889	2,363,188
Total Net Assets	\$ 2,336,676	\$ 7,067,960	\$ 454,193	\$ 151,220	10,010,049

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

**CHARTER TOWNSHIP OF OSCODA
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Enterprise Funds				
	Sewage Disposal System Fund	Water Fund	Old Orchard Park Fund	Health and Community Center	Total
Operating Revenues					
Charges for services	\$ 603,103	\$ 1,014,742	\$ -	\$ 8,271	\$ 1,626,116
Penalties	7,799	18,707	-	-	26,506
User fees	-	-	563,242	33,794	597,036
Tap fees	2,500	44,537	-	-	47,037
Store sales	-	-	118,898	-	118,898
Rents	-	38,400	-	7,127	45,527
Other	325	4,500	4,800	(271)	9,354
Total Operating Revenues	613,727	1,120,886	686,940	48,921	2,470,474
Operating Expenses					
Salaries and wages	13,144	16,191	236,860	45,454	311,649
Payroll taxes and fringe benefits	1,370	1,931	82,411	4,333	90,045
Supplies	11,807	5,951	125,494	11,934	155,186
Professional services	306,271	259,208	25,132	3,866	594,477
Gasoline and oil	-	-	15,999	-	15,999
Communications	-	-	-	2,060	2,060
Travel and training	252	36	642	-	930
Insurance	6,636	6,324	9,524	4,743	27,227
Repairs and maintenance	3,564	1,403	29,111	2,042	36,120
Utilities	121,344	332,111	45,909	39,211	538,575
Depreciation	207,365	235,945	27,968	4,753	476,031
Other	2,449	18,552	-	17	21,018
Total Operating Expenses	674,202	877,652	599,050	118,413	2,269,317
Operating Income (Loss)	(60,475)	243,234	87,890	(69,492)	201,157
Nonoperating Revenues (Expenses)					
State grants	-	102,165	-	-	102,165
Interest revenue	51,998	83,844	20,814	3,640	160,296
Interest expense	(112,632)	(83,761)	-	-	(196,393)
Total Nonoperating Revenues (Expenses)	(60,634)	102,248	20,814	3,640	66,068
Income (Loss) Before Transfers	(121,109)	345,482	108,704	(65,852)	267,225
Transfers (in)	-	-	-	60,000	60,000
Transfers (out)	-	-	(355,500)	-	(355,500)
Changes in net assets	(121,109)	345,482	(246,796)	(5,852)	(28,275)
Net assets, beginning of year, as restated	2,457,785	6,722,478	700,989	157,072	10,038,324
Net assets, end of year	\$ 2,336,676	\$ 7,067,960	\$ 454,193	\$ 151,220	\$ 10,010,049

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

**CHARTER TOWNSHIP OF OSCODA
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Enterprise Funds					
	Sewage Disposal Fund	Water Fund	Old Orchard Park Fund	Health and Community Center	Total
Cash Flows From Operating Activities:					
Cash received from customers	\$ 402,931	\$ 1,152,118	\$ 685,841	\$ 48,881	\$ 2,289,771
Cash received from interfund services:	6,424	6,324	9,524	4,743	27,015
Cash payments for interfund service:	(2,678)	(819)	(2,265)	(3,212)	(8,974)
Cash payments to employees:	(14,514)	(18,122)	(319,271)	(49,787)	(401,694)
Cash payments to suppliers for goods and services	(460,764)	(591,426)	(248,202)	(57,666)	(1,358,058)
Net Cash Provided (Used) By Operating Activities	(68,601)	548,075	125,627	(57,041)	548,060
Cash Flows From Noncapital Financing Activities:					
Transfers in	-	-	-	60,000	60,000
Transfers out	-	-	(355,500)	-	(355,500)
Net Cash Provided (Used) By Investing Activities	-	-	(355,500)	60,000	(295,500)
Cash Flows From Capital and Related Financing Activities:					
Capital contributions	-	102,165	-	-	102,165
Acquisition of capital assets	(33,942)	(643,333)	-	-	(677,275)
Principal paid on long-term debt	(93,942)	(458,947)	-	-	(552,889)
Interest and fiscal charges paid on long-term debt	(112,632)	(83,761)	-	-	(196,393)
Net Cash (Used) By Capital and Related Financing Activities:	(240,516)	(1,083,876)	-	-	(1,324,392)
Cash Flows From Investing Activities:					
Purchase of investments	(124,747)	-	-	(86,992)	(211,739)
Sale of investments	-	401,558	103,201	-	504,759
Interest on investments	51,998	83,844	20,814	3,640	160,296
Net Cash Provided (Used) By Investing Activities	(72,749)	485,402	124,015	(83,352)	453,316
Net Increase (Decrease) in Cash and Cash Equivalents	(381,866)	(50,399)	(105,858)	(80,393)	(618,516)
Cash and Cash Equivalents, Beginning of Year	453,683	50,699	106,358	80,743	691,483
Cash and Cash Equivalents, End of Year	<u>\$ 71,817</u>	<u>\$ 300</u>	<u>\$ 500</u>	<u>\$ 350</u>	<u>\$ 72,967</u>
Cash Flows From Operating Activities					
Operating income (loss)	\$ (60,475)	\$ 243,234	\$ 87,890	\$ (69,492)	\$ 201,157
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	207,365	235,945	27,968	4,753	476,031
(Increase) decrease in assets:					
Accounts receivable	(7,867)	(7,928)	(1,099)	(40)	(16,934)
Interest receivable	(3,023)	7,864	-	-	4,841
Taxes receivable	(1,952)	-	-	-	(1,952)
Special assessment receivable	(1,777)	(2,719)	-	-	(4,496)
Due from other governmental units	(196,177)	34,015	-	-	(162,162)
Due from other funds	509	907	-	-	1,416
Inventory	-	-	(3,338)	-	(3,338)
Increase (decrease) in liabilities					
Accounts payable	(11,692)	44,974	14,523	1,766	49,571
Accrued liability:	3,251	(12,815)	(7,576)	4,441	(12,699)
Due to other funds	6,424	6,324	9,524	4,743	27,015
Deferred revenue	-	-	(810)	-	(810)
Accrued compensated absences	(3,187)	(1,726)	(1,455)	(3,212)	(9,580)
Net Cash Provided (Used) By Operating Activities	<u>\$ (68,601)</u>	<u>\$ 548,075</u>	<u>\$ 125,627</u>	<u>\$ (57,041)</u>	<u>\$ 548,060</u>

Noncash Financing Activity

The Township acquired capital assets by incurring a capital lease agreement in the amount of \$155,000

The accompanying notes are an integral part of these financial statements

**CHARTER TOWNSHIP OF OSCODA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2007**

Assets	
Cash and cash equivalents	\$ 1,187,158
Special assessments receivable	255,210
Due from others	<u>124,793</u>
Total Assets	<u><u>\$ 1,567,161</u></u>
Liabilities	
Due to others	\$ 226,674
Due to other governmental units	1,100,397
Deferred revenue	<u>240,090</u>
Total Liabilities	<u><u>\$ 1,567,161</u></u>

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

CHARTER TOWNSHIP OF OSCODA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Oscoda conform in accordance with accounting principles generally accepted (“GAAP”) in the United States of America as applied to governmental units. Governments have the option of following private-sector standards of accounting issued after November 30, 1989, for their business-type activities and enterprise fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance. The following is a summary of the significant accounting policies.

DESCRIPTION OF TOWNSHIP OPERATIONS

The Charter Township of Oscoda was organized in 1970 under the Charter Township Act of 1947 and covers an area of approximately 120 square miles. The Charter Township operates under an elected Board (seven members) and provides services to its residents in many areas including law enforcement, fire protection, library, and water and sewer services.

REPORTING ENTITY

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Township are not misleading. The primary government of the Township consists of all funds, departments, Board, and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization’s governing Board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization’s resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations for which the Township approves the budget, the issuance of debt, or the levying of taxes.

DISCRETELY PRESENTED COMPONENT UNIT

The component unit column in the Statement of Net Assets and the Statement of Activities represents the financial data of the Charter Township of Oscoda Downtown Development Authority. The Downtown Development Authority is reported in a separate column to

CHARTER TOWNSHIP OF OSCODA

NOTES TO FINANCIAL STATEMENTS

emphasize that is legally separate from the Township. The governing body of this component unit is appointed by the Township Board. The Authority was established to halt property value deterioration and to increase property tax valuation where possible in the business district of the Township, to eliminate the causes of that deterioration and to promote economic growth. Complete financial statements can be obtained from the Charter Township of Oscoda Treasurer's office.

JOINT VENTURES

The Township has entered into several joint ventures with various municipalities described as follows:

1. Oscoda-AuSable Township Senior Center Building Authority:

The Building Authority was established to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities and the necessary sites therefore. Complete financial statements can be obtained from the AuSable Township Clerk's office, located at 311 Fifth Street, Oscoda, Michigan 48750.

2. Huron Shore Regional Utility Authority:

The Huron Shore Regional Utility Authority was established as a joint venture between the City of Tawas City, City of East Tawas, Charter Township of Oscoda, Charter Township of AuSable, Township of Alabaster, Township of Baldwin, all municipalities in Iosco County, and the Township of Greenbush in Alcona County. The Authority was established to acquire, own, improve, enlarge, extend and operate water supply and distribution systems and sewage disposal systems. The initial contract amount plus any adjustment for the Charter Township of Oscoda's share of the contracts is recorded as a right to capacity in the Water Fund of the Township because title to the water and sewer systems belongs to the Authority.

The construction was originally funded with the proceeds of the Iosco County Limited Tax General Obligation Bonds dated March 1, 1991. The most current estimate of the Township's share is 43.19% of the total bond issue of \$7,930,000 or \$3,424,967. In 1995, the Township entered into a joint water and sewer system agreement for the purpose of constructing additions, extensions, improvements and related appurtenances to the Huron Shore Regional Utility Authority Water and Sewer System No. 1, with the Charter Township of AuSable, City of Tawas City and the Township of Baldwin. The most current estimate of the Township's share is 51.26% of the total bond issue of \$1,300,000 or \$666,380. Each municipality makes

CHARTER TOWNSHIP OF OSCODA

NOTES TO FINANCIAL STATEMENTS

an annual operation and maintenance contribution based on their proportionate share of the adopted annual budget. The Charter Township of Oscoda's contribution for the year ended December 31, 2007, was \$760,340. The current value of the Charter Township of Oscoda's investment in the Huron Shore Regional Utility Authority is \$4,144,932. Complete financial statements can be obtained from the Huron Shore Regional Utility Authority's office.

JOINTLY GOVERNED ORGANIZATIONS

Oscoda-Wurtsmith Airport Authority:

The Oscoda-Wurtsmith Airport Authority functions as a jointly governed organization between the County of Iosco, County of Alcona, Charter Township of Oscoda, Charter Township of AuSable and the Township of Greenbush. The Airport Authority was established to provide for planning, promoting, acquiring, constructing, improving, enlarging, extending, owning, maintaining and operating the landing, navigational and building facilities necessary thereto, at the former Wurtsmith Air Force Base, for the purpose of providing a Community Airport. The Charter Township of Oscoda has no financial obligation to the Airport Authority. Complete financial statements can be obtained from the Airport Authority Manager's office at 3961 East Airport Drive, Oscoda, Michigan 48750.

BASIS OF PRESENTATION

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government and its component unit except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Township at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of

CHARTER TOWNSHIP OF OSCODA

NOTES TO FINANCIAL STATEMENTS

the Township's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type, and are excluded from the government-wide financial statements.

FUND ACCOUNTING

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

General Fund – This fund accounts for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue.

CHARTER TOWNSHIP OF OSCODA

NOTES TO FINANCIAL STATEMENTS

Police Fund – This fund accounts for the revenues and expenses required to operate the Township Police Department. The primary sources of revenue are contributions from the General Fund in the case of Oscoda Township and monthly payments from AuSable Township.

Property Operation and Maintenance Fund – This fund represents the primary maintenance budget for Township owned or leased facilities on the former Wurtsmith Air Force Base. Revenues include the sales, leases and land contracts for base property, as well as other miscellaneous income including grants as they might become available.

Base Closure Fund – This fund accounts for revenues and expenses related to the former Wurtsmith Air Force Base.

CDBG Renaissance Fund – This fund accounts for federal funds received by the Charter Township of Oscoda used to assist in the development of viable urban communities.

The other governmental funds of the Township account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition of major capital facilities.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Township's enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Township's major enterprise funds:

Sewage Disposal System Fund – This fund accounts for the revenues and expenditures required to operate the Township's sanitary sewer system including the new lagoon facility at the former Wurtsmith Air Force Base and all related appurtenances such as mains and pump stations. Revenues required to operate the system are derived primarily from user fees.

CHARTER TOWNSHIP OF OSCODA

NOTES TO FINANCIAL STATEMENTS

Water Fund – This fund is maintained to account for all operations of the public water system. Revenue and expenditure line items reflect maintenance and operation of the water system in Oscoda, as well as the Township’s financial participation in the Huron Shore Regional Utility Authority. Like the Sewer Fund, revenues are derived primarily from user fees.

Old Orchard Park Fund – This fund was created when the Township acquired leasehold interest in the Old Orchard Park property from Consumers Energy and began operating the campground. The fund normally generates a net positive cash flow which is available to support governmental functions through inter budgetary transfers.

Health and Community Center Fund – This fund is maintained to account for the operations of the Health and Community Center. Revenues required to operate the Center are derived primarily from user fees. The fund is also subsidized with a transfer from the Base Closure Fund.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The Charter Township of Oscoda uses these funds to account for payroll tax withholdings and the eventual payment of the liability, as well as property tax collections.

MEASUREMENT FOCUS

Government-Wide Financial Statements

The government-wide financial statements are prepared using the flow of *economic resources measurement focus*.

All assets and liabilities associated with the operation of the Township are included on the statement of net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This

CHARTER TOWNSHIP OF OSCODA

NOTES TO FINANCIAL STATEMENTS

approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in revenue, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the Township finances and meets the cash flow needs of its enterprise activities.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and enterprise fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions:

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available, means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Township, available means expected to be received within 60 days after year-end.

Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which

CHARTER TOWNSHIP OF OSCODA

NOTES TO FINANCIAL STATEMENTS

the resources are provided to the Township on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year-end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax) grants, interest, and rent.

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2007, but were levied to finance 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

BUDGETS AND BUDGETARY ACCOUNTING

The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township Superintendent submits to the Township Board a proposed operating budget which includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of an ordinance.

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board.

The Township adopts budgets for the General Fund and Special Revenue Funds.

The budgets of the Township are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

The legal level of control is at the activity level for the General Fund and the Special Revenue Funds.

ENTERPRISE FUND RESTRICTED ASSETS

Restricted assets are those assets required to meet the covenants and conditions of bond indentures and other contract agreements.

CASH AND CASH EQUIVALENTS

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

RECEIVABLES

Receivables at December 31, 2007, consist of accounts (fees), taxes, interest, special assessments and charges for sewer and water services due from various customers. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectability.

No allowance for doubtful accounts was deemed necessary at December 31, 2007.

INTERFUND RECEIVABLES AND PAYABLES

CHARTER TOWNSHIP OF OSCODA

NOTES TO FINANCIAL STATEMENTS

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “interfund receivables/payables.” Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as “Internal Balances.” Similar activities in which a component unit is a party are captioned as “receivables” or “payables” for both the current and non-current portions between a component unit and the primary government. Balances to which a fiduciary fund is a party are treated as external receivables and payables.

INVENTORY

Inventory is recorded in the Old Orchard Park Fund at the lower of cost or market, with cost determined on a first-in, first-out basis. All purchases for materials are reflected in expenses when paid in the other funds.

DEFERRED CHARGES

Contract issuance costs and contract discounts are deferred and amortized over the term of the contract using the straight-line method since the results are not significantly different from the effective interest method.

CAPITAL ASSETS

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

Capital assets are defined by the government as assets with an initial individual cost of more than \$7,500, or \$5,000 if purchased with federal funds, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township's infrastructure consists of water and sewer lines. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

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

Building and Improvements	40 years
Land Improvements	20 – 30 years
Machinery and Equipment	5 – 10 years
Vehicles	5 – 15 years
Infrastructure	5 – 50 years

COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the Township will compensate the employees for the benefits through paid time off or some other means. The Township records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Township has indentified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration limits specified in the Township's termination policy. The Township records a liability for sick leave earned at varying rates depending on the Township's policy.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

“accrued compensated absences payable” in the fund from which the employees who have accumulated leave is paid. The noncurrent portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from enterprise funds are reported on the enterprise fund statement. In general, payables and accrued liabilities that will be paid from the governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Township’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

GOVERNMENTAL FUND-BALANCE RESERVES

The Township reserves those portions of governmental fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure.

Fund balance reserves represent the assets in the Public Improvement Fund to be used for future cemetery expansion, the Base Closure Fund for future developments, and the Streetscape Debt Service Fund for future debt service.

OPERATING REVENUES AND EXPENSES

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Township, these revenues are charges for services for water, sewer, community center and park usage. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

2. DEPOSITS AND INVESTMENTS

A reconciliation of cash, pooled investments and investments as shown in the basic financial statements to the Township's deposits and investments is as follows:

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions:	
Primary Government	
Cash and cash equivalents	\$ 1,046,210
Investments	6,145,638
Restricted cash and investments	1,038,581
Component Unit	
Cash and cash equivalents	297,165
Investments	32,934
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>1,187,158</u>
Total	<u>\$ 9,747,686</u>
Notes to the Financial Statements:	
Deposits	\$ 6,141,409
Investments	3,604,777
Cash on hand	<u>1,500</u>
Total	<u>\$ 9,747,686</u>

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

Deposits and investments

The Township chooses to disclose its investments by specifically identifying each. As of December 31, 2007, the Township had the following investments.

	Maturity	Fair Value	Rating
MBIA's Michigan Class Pool	average of 6-12 months	\$ 128,893	AAA/V1+
National City Municipal Investment Account	average of 6-12 months	3,115,770	N/A
Huron Community Bank Investment Account	average of 6-12 months	<u>360,114</u>	N/A
Total		<u>\$ 3,604,777</u>	

INTEREST RATE RISK

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to change in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's known cash requirements.

CREDIT RISK

State law authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being Sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local governmental unit in Michigan. The Township's investment pools are unrated, except as noted above.

CONCENTRATION OF CREDIT RISK

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

CUSTODIAL CREDIT RISK – DEPOSITS

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2007, \$5,711,145 of the Township's bank balance of \$6,209,336 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CUSTODIAL CREDIT RISK – INVESTMENTS

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities approved in the Township's investment policy which is in accordance with State law.

FOREIGN CURRENCY RISK

The Township's investment policy does not address foreign currency risk.

Investments:

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- Accounts of federally insured banks, credit unions and savings and loan associations.
- Bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- United States government or federal agency obligation repurchase agreements.
- Banker's acceptances of United States banks.
- Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase.
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

3. RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Receivables in the primary government are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Taxes	\$ 841,895	\$ 1,952
Interest	29,707	11,986
Accounts	6,914	150,445
Special Assessments		
Due within one year	91,857	4,496
Due after one year	137,523	-
Intergovernmental		
Due within one year	238,950	-
Due after one year	<u>-</u>	<u>251,552</u>
Total	<u>\$ 1,346,846</u>	<u>\$ 420,431</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments receivable (General fund)	\$ 119,603	\$ -
Special assessments receivable (Nonmajor Governmental fund types)	52,421	-
Land Contracts	455,324	
Current Tax Levy	27,508	1,361,525
Delinquent Personal Property Taxes	<u>29,891</u>	<u>-</u>
Total	<u>\$ 684,747</u>	<u>\$ 1,361,525</u>

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

4. PROPERTY TAXES

Property taxes become an enforceable lien on property as of December 1. Taxes are levied on December 1, and are payable by February 28. Township taxes levied December 1 are considered revenue for the subsequent year; therefore, taxes receivable in the governmental funds have been offset by deferred revenue. Real and personal property for the December 1, 2006, levy had a taxable value of \$277,111,975 and equalized at \$347,792,900, representing 50% of estimated current market value. The 2006 operating tax rates are currently 4.6908 mills for operating and .0989 mills for seniors.

5. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 4,340,394	\$ 166,000	\$ (33,782)	\$4,472,612
Capital assets being depreciated:				
Buildings and improvements	3,575,993	510,866	-	4,086,859
Land improvements	760,587	-	(3,839)	756,748
Machinery and equipment	492,433	61,025	-	553,458
Vehicles	<u>1,302,801</u>	<u>27,905</u>	<u>(119,000)</u>	<u>1,211,706</u>
Subtotal	<u>6,131,814</u>	<u>599,796</u>	<u>(122,839)</u>	<u>6,608,771</u>
Less accumulated depreciation for:				
Buildings and improvements	(999,184)	(96,226)	-	(1,095,410)
Land improvements	(426,599)	(32,065)	2,639	(456,025)
Machinery and equipment	(217,020)	(47,228)	-	(264,248)
Vehicles	<u>(1,109,834)</u>	<u>(60,785)</u>	<u>119,000</u>	<u>(1,051,619)</u>
Subtotal	<u>(2,752,637)</u>	<u>(236,304)</u>	<u>121,639</u>	<u>(2,867,302)</u>
Net capital assets being depreciated	<u>3,379,177</u>	<u>363,492</u>	<u>(1,200)</u>	<u>3,741,469</u>
Governmental activities total				
Capital assets – net of depreciation	<u>\$ 7,719,571</u>	<u>\$ 529,492</u>	<u>\$ (34,982)</u>	<u>\$8,214,081</u>

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

Business-type activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 22,885	\$ -	\$ -	\$ 22,885
Construction in progress	<u>171,354</u>	<u>449,643</u>	<u>(620,997)</u>	<u>-</u>
Subtotal	<u>194,239</u>	<u>449,643</u>	<u>(620,997)</u>	<u>22,885</u>
Capital assets being depreciated:				
Buildings and improvements	335,036	155,000	(12,901)	477,135
Land improvement	137,521	-	-	137,521
Vehicles	24,461	-	-	24,461
Infrastructure	17,872,107	814,687	-	18,686,794
Machinery and equipment	<u>326,308</u>	<u>-</u>	<u>-</u>	<u>326,308</u>
Subtotal	<u>18,695,433</u>	<u>969,687</u>	<u>(12,901)</u>	<u>19,652,219</u>
Less accumulated depreciation for:				
Buildings and improvements	(80,845)	(222,288)	-	(303,133)
Land improvement	(14,343)	(6,876)	-	(21,219)
Vehicles	(22,092)	(2,369)	-	(24,461)
Infrastructure	(7,741,411)	(233,124)	-	(7,974,535)
Machinery and equipment	<u>(262,621)</u>	<u>(11,374)</u>	<u>-</u>	<u>(273,995)</u>
Subtotal	<u>(8,121,312)</u>	<u>(476,031)</u>	<u>-</u>	<u>(8,597,343)</u>
Net capital assets being depreciated	<u>10,574,121</u>	<u>493,656</u>	<u>(12,901)</u>	<u>11,054,876</u>
Business-type activities total capital Assets – net of depreciation	<u>\$10,768,360</u>	<u>\$ 943,299</u>	<u>\$ (633,898)</u>	<u>\$11,077,761</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 25,721
Public safety	83,083
Public works	12,182
Community development	90,440
Recreation and cultural	<u>24,878</u>
Total Governmental activities	<u>\$ 236,304</u>
Business-type activities:	
Sewer	\$ 207,365
Water	235,945
Old Orchard Park	27,968
Community Center	<u>4,753</u>
Total Business-type activities	<u>\$ 476,031</u>

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	Due to:				
Due from:	General	Nonmajor Governmental	Sewer	Water	Total
General	\$ -	\$ -	\$ -	\$ 7,557	\$ 7,557
Police	15,420	-	-	-	15,420
Property Operation and Maintenance Fund	19,587	-	-	-	19,587
Nonmajor Governmental	9,994	-	-	-	9,994
Sewer	6,424	3,550	-	676	10,650
Water	6,324	-	35	-	6,359
Old Orchard Park Health and Community Center	9,524	-	12,381	-	21,905
	4,743	-	-	-	4,743
Total	\$ 72,016	\$ 3,550	\$ 12,416	\$ 8,233	\$ 96,215

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

Transfer to:	Transfer from:					Total
	General	Property Operation and Maintenance	Base Closure	Nonmajor Governmental	Old Orchard Park	
General	\$ -	\$ 100,000	\$ -	\$ 50,000	\$ 175,000	\$ 325,000
Police	716,325	-	-	-	-	716,325
CDBG Renaissance	-	10,000	-	-	-	10,000
Nonmajor Governmental	71,790	-	127,040	-	180,500	379,330
Health and Community Center	-	-	<u>60,000</u>	-	-	<u>60,000</u>
Total	<u>\$ 788,115</u>	<u>\$ 110,000</u>	<u>\$187,040</u>	<u>\$ 50,000</u>	<u>\$ 355,500</u>	<u>\$ 1,490,655</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or use unrestricted revenues collected in the general fund and other funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM DEBT

At December 31, 2007, long-term debt consists of the following individual issues:

	<u>Governmental</u>	<u>Business-Type</u>
<u>Primary Government:</u>		
Contracts Payable		
\$2,270,000 Iosco County, Oscoda Township sewage disposal system contract, dated September 1, 2003, for the purpose of acquiring sewage disposal system facilities and providing sewer service to Oscoda Township. The Township's obligation for the bond through Iosco County bears interest from 4.10% to 4.90% and is due in annual installments beginning 2006 through 2024.	\$	- \$ 2,155,000
Joint water and sewer system agreement for the purpose of constructing additions, extensions, improvements and related appurtenances to the Huron Shore Regional Utility Authority Water Sewer System No. 1, with the Township of AuSable, the Township of Baldwin, and the City of Tawas City bonds dated November 1, 1995, due in annual installments through May 1, 2015, and bearing interest at 4.4% to 5.625%. The most current estimate of the Township's share is 51.26% of the total bond issue of \$1,300,000 or \$666,380.	-	422,895
Joint water supply system agreement with the Cities of East Tawas and Tawas City, the Township of AuSable, and the Township of Baldwin through the Huron Shore Regional Utility Authority to finance the cost of constructing a new water supply system to serve both cities and the three Townships. The construction was originally funded with the proceeds of the Iosco County Limited Tax General Obligation Bonds dated March 1, 1991, due in annual installments through November 1, 2010, bearing interest rates at 4% to 5.65%. The most current estimate of the Township's share is 43.19% of the total bond issue of \$7,930,000 or \$3,424,967.	-	732,070
	-	3,309,965

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

	<u>Governmental</u>	<u>Business-Type</u>
<u>Primary Government: (Continued)</u>		
<u>Special Assessment Bond</u>		
<p>\$285,000 Lakefront District Improvement Bond series 2000-A dated July 1, 2000. The bonds were issued to provide funds for the acquisition and construction of sidewalk and street light improvements in the Phase I and II improvements Special Assessment District. The bonds bear interest of 6.75% and are due in annual installments through 2010.</p>	\$ 90,000	\$ -
<u>Note Payable</u>		
<p>The Township entered into a \$53,510 noninterest bearing note payable to BS & A Software dated October 2, 2006, for the purchase of computer software, training and installation. Entire amount is due by October 2, 2009. The Township anticipates paying this loan off within the next fiscal year.</p>	12,835	-
<u>Capital Lease Payable</u>		
<p>Lease purchase agreement with Key Government Finance for the purchase of a 1996 Sewer Cleaner/Vactor Truck on February 20, 2007. The Township paid \$155,000 for the equipment; 100% in the form of a lease purchase agreement. The lease is payable in annual installments of \$33,942 including interest at 4.95% through 2011. The lease is secured by the equipment.</p>	-	120,935
Total Primary Government	<u>\$ 102,835</u>	<u>\$ 3,430,900</u>

Compensated Absences

The Charter Township of Oscoda has a sick pay policy in accordance with various contracts that allow employees to accumulate sick days at the rate of 1 day per month up to a maximum of 90 days for general Township employees and 120 for Police Union employees. Accumulated sick pay is paid only upon separation of employment for retirement, disability or death, at the rate of one-half the accumulated sick leave. The amount of accumulated sick pay liability at December 31, 2007, was \$134,213, of which \$0 was the estimated current portion. The Township also has a vacation pay policy that allows employees to accumulate unused vacation days which are payable upon separation of employment. The amount of accumulated vacation pay liability at December 31, 2007, was \$19,589, of which \$0 was the estimated current portion. These compensated absences are recorded using the vesting method in accordance with Governmental Standards Board Statement 16.

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

Changes in Long Term Liabilities

	Balance January 1, 2007	Issues or Additions	Payments or Expenditures	Balance December 31, 2007	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Primary Government:					
Land contract payable	\$ 9,522	\$ -	\$ (9,522)	\$ -	\$ -
Special assessment bonds payable	120,000	-	(30,000)	90,000	30,000
Note payable	53,510	-	(40,675)	12,835	12,835
Capital lease payable	16,564	-	(16,564)	-	-
Accrued employee benefits payable	<u>109,861</u>	<u>32,848*</u>	<u>-</u>	<u>142,709</u>	<u>-</u>
Total primary government	<u>\$ 309,457</u>	<u>\$ 32,848</u>	<u>\$ (96,761)</u>	<u>\$ 245,544</u>	<u>\$ 42,835</u>
BUSINESS-TYPE ACTIVITIES					
Primary Government:					
Contracts & capital lease payable	\$ 3,658,912	\$ 155,000	\$ (383,012)	\$ 3,430,900	\$ 377,820
General obligation bonds Payable	170,000	-	(170,000)	-	-
Accrued employee Benefits payable	<u>10,354</u>	<u>739*</u>	<u>-</u>	<u>11,093</u>	<u>-</u>
Total primary government	<u>\$ 3,839,266</u>	<u>\$ 155,739</u>	<u>\$ (553,012)</u>	<u>\$ 3,441,993</u>	<u>\$ 377,820</u>

*Represents net of additions and retirements for the year.

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

The annual aggregate maturities for all debt outstanding (excluding compensated absences) as of December 31, 2007, are as follows:

Primary Government

Contracts & Capital Lease Payable

	Business-Type Activities		
	Principal	Interest	Total
2008	\$ 377,820	\$ 176,738	\$ 554,558
2009	381,999	156,627	538,626
2010	399,057	135,688	534,745
2011	168,663	113,927	282,590
2012	141,260	105,254	246,514
2013 – 2017	767,101	403,969	1,171,070
2018 – 2022	800,000	223,750	1,023,750
2023 – 2024	395,000	30,000	425,000
	<u>\$ 3,430,900</u>	<u>\$ 1,345,953</u>	<u>\$ 4,776,853</u>

Special Assessment Bond Payable

	Governmental Activities		
	Principal	Interest	Total
2008	\$ 30,000	\$ 3,938	\$ 33,938
2009	30,000	2,378	32,378
2010	30,000	795	30,795
	<u>\$ 90,000</u>	<u>\$ 7,111</u>	<u>\$ 97,111</u>

Note Payable

	Governmental Activities		
	Principal	Interest	Total
2008	<u>\$ 12,835</u>	<u>\$ -</u>	<u>\$ 12,835</u>

8. PENSION

The Township has adopted a defined contribution pension plan covering all full-time employees. Eligibility to become a participant is limited to those employees who, on the effective date or on any anniversary date, are not on leave of absence and have attained age twenty-one.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how

CHARTER TOWNSHIP OF OSCODA

NOTES TO FINANCIAL STATEMENTS

contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

Contributions made by the Township vest immediately. The Township is required to contribute an amount equal to 10% of the employee's gross earnings. Employees are not required to contribute.

During the year, the Township's required and actual contributions amounted to \$50,493, which was 10% of its current-year covered payroll. Employees contributed \$1,446.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township.

9. RETIREMENT SYSTEM – MERS OPERATED

Plan Description

The Township's defined benefit pension plan, covering its police union employees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is affiliated with the Municipal Employees Retirement System ("MERS") of Michigan, an agent multiple-employer, state-wide, public employee pension created under Public Act 135 of 1945, and now operating under Public Act 220 of 1996, and the MERS Plan Document as revised. Any municipality within the State may elect to become a participating member of MERS or elect to terminate participation by a majority vote of the municipality's governing body. Changes in benefit coverage are available to bargaining units after approval by a majority of the municipality's governing body. The MERS of Michigan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to MERS of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling 1-800-767-6377.

Funding Policy

The Township is required to contribute at an actuarially determined rate. The current rate is 2.68% of annual covered payroll for the Police Chief and 17.36% for all other employees. The contribution requirements of the plan members are 1% of their annual compensation. If a member leaves the employ of the Township, or dies, without a retirement allowance or

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

other benefit payable on his account, the member's accumulated contributions (plus interest at a rate determined by MERS) will be refunded to the member, if living, or to the member's beneficiary.

Annual Pension Cost

For 2007, the Township's annual pension cost of \$93,700 was equal to the Township's required and actual contributions. The required contribution was determined as part of the December 31, 2005, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases of 4.5% per year compounded annually, and (c) additional projected salary increases of 0% to 8.4% per year, depending on age, attributable to seniority/merit. Both (a) and (b) include an inflation component. The Township's net pension obligation has been calculated and accrued at December 31, 2007.

The Township has adopted GASB 27 *Accounting for Pensions by State and Local Governmental Employer*. The following pension information is presented in accordance with GASB 27:

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
12/31/05	\$ 72,321	100%	\$ -
12/31/06	93,205	100%	-
12/31/07	93,700	100%	-

Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial Accrued</u> <u>Liability (AAL)</u> <u>- Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL (UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
12/31/04	\$ 1,676,014	\$ 2,300,369	\$ 624,355	73%	\$ 487,227	128%
12/31/05	1,814,165	2,426,338	612,173	75%	508,338	120%
12/31/06	2,012,946	2,611,591	598,645	77%	557,284	107%

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

10. DEFERRED COMPENSATION PLAN

The Township offers to its employees deferred compensation plans created in accordance with Internal Revenue Code (“IRC”) Section 457. The assets of the plans are held in trust, in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the Township for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township’s financial statements.

11. LEASE COMMITMENTS

Old Orchard Park

The Township has entered into a lease agreement with Consumers Energy for the rental of Old Orchard Park Campground and boating access facilities. The lease is for a period of 20 years at an amount not to exceed \$5,000 per year based on expenses lessor has incurred in administering the terms of the lease. In addition, the Township shall pay all taxes, assessments and other public charges levied on the leased premises during each year that the lease is in effect. The Township must also contribute \$45,000 per year to a capital improvement account until a maximum balance of \$200,000 is achieved. Upon termination of this lease, any balance remaining in this capital account becomes the property of Consumers Energy.

12. UNEMPLOYMENT COMPENSATION

The Charter Township of Oscoda has elected, under the Michigan Employment Security Act, to be a reimbursing employer. In making this election, the Township has warranted that it will reimburse the State for all benefits paid by the State to qualified individuals for unemployment compensation.

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

13. CONTINGENCIES

The Township holds an escrow account in excess of \$400,000 which is in accordance with the contract between the Township and Consumers Energy related to the sale and purchase of the electric distribution system at the former Wurtsmith Air Force Base. The contract provides that should Consumers Energy show electrical consumption in excess of 31 million kilowatt hours from property serviced by the electrical distribution system during the twelve month period ending December 31, 2007, then the Township will receive the money from the escrow account. If the consumption did not exceed 31 million kilowatt hours of electricity, then the escrow will be released to Consumers Energy. Legal counsel has indicated that Consumers Energy has not yet completed its calculations of the electrical consumption for the system. No reasonable time period has been given to when this final accounting will be completed. Therefore, no transaction has been recorded in the general ledger of the Township as of December 31, 2007, because of the uncertainty of the outcome. This issue should be resolved in the fiscal year ended December 31, 2008.

14. RISK MANAGEMENT

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, general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

15. RESTATEMENTS

	General	Police	Property Operation and Maintenance	Nonmajor Governmental	Sewer	Water	Old Orchard Park	Health and Community Center
Fund Balance/Net Assets								
12/31/06	\$ 1,536,627	\$ 234,858	\$ 1,360,217	\$ 803,406	\$2,460,554	\$7,635,251	\$ 704,177	\$ 160,545
Adjustment to accrued payroll	(27,710)	(28,359)	(1,354)	(5,136)	(401)	(888)	(3,188)	(3,473)
Adjustment to delinquent personal property taxes	(82,170)	-	-	-	(2,368)	-	-	-
Adjustment to land contracts	-	-	(369,433)	-	-	-	-	-
Adjustment to State shared revenue	94,240	-	-	-	-	-	-	-
Adjustment to HSRUA accumulated depreciation	-	-	-	-	-	(911,885)	-	-
Adjustment to grant revenue	-	19,252	-	-	-	-	-	-
Fund Balance/Net Assets								
12/31/06, as restated	<u>\$ 1,520,987</u>	<u>\$ 225,751</u>	<u>\$ 989,430</u>	<u>\$ 798,270</u>	<u>\$2,457,785</u>	<u>\$6,722,478</u>	<u>\$ 700,989</u>	<u>\$ 157,072</u>

CHARTER TOWNSHIP OF OSCODA
NOTES TO FINANCIAL STATEMENTS

	Statement of Net Assets	
	Governmental Activities	Business-Type Activities
Net Assets 12/31/06	\$ 13,376,225	\$ 10,960,527
Adjustment to accrued payroll	(62,559)	(7,950)
Adjustment to delinquent personal property taxes	(82,170)	(2,368)
Adjustment to land contracts	(369,433)	-
Adjustment to State shared revenue	94,240	-
Adjustment to HSRUA accumulated depreciation	-	(911,885)
Adjustment to grant revenue	19,252	-
Net Assets 12/31/06, as restated	\$ 12,975,555	\$ 10,038,324

**CHARTER TOWNSHIP OF OSCODA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Taxes				
Current property taxes	\$ 1,216,000	\$ 1,216,000	\$ 1,234,322	\$ 18,322
Other taxes	14,200	14,200	16,355	2,155
Interest and penalties on delinquent taxes	2,550	2,550	3,493.00	943
Collection fees	78,000	120,000	108,135	(11,865)
Total Taxes	<u>1,310,750</u>	<u>1,352,750</u>	<u>1,362,305</u>	<u>9,555</u>
Special assessments	<u>58,000</u>	<u>67,000</u>	<u>154,351</u>	<u>87,351</u>
FEMA grant	<u>187,500</u>	-	-	-
State revenue sharing	<u>590,000</u>	<u>565,000</u>	<u>591,686</u>	<u>26,686</u>
Private contributions	<u>4,500</u>	<u>7,000</u>	<u>5,369</u>	<u>(1,631)</u>
Charges for services				
Fire and cemetery - other units	81,500	74,525	74,303	(222)
Grave openings	6,700	6,700	6,612	(88)
Miscellaneous	65,550	35,950	43,593	7,643
Total Charges for services	<u>153,750</u>	<u>117,175</u>	<u>124,508</u>	<u>7,333</u>
Fines and Forfeits	<u>750</u>	<u>750</u>	-	(750)
Licenses and permits				
Licenses	-	-	34	34
Land division fees	200	200	300	100
Zoning fees	7,500	14,000	16,664	2,664
Total Licenses and permits	<u>7,700</u>	<u>14,200</u>	<u>16,998</u>	<u>2,798</u>
Interest and rentals and other				
Interest	60,000	110,000	124,810	14,810
Reimbursements	36,700	116,200	108,132	(8,068)
Rent and royalties	30,500	33,000	36,597	3,597
Total Interest and rentals	<u>127,200</u>	<u>259,200</u>	<u>269,539</u>	<u>10,339</u>
Sale of capital assets	<u>2,500</u>	<u>2,500</u>	<u>1,502</u>	<u>(998)</u>
Total Revenues	<u>2,442,650</u>	<u>2,385,575</u>	<u>2,526,258</u>	<u>140,683</u>

**CHARTER TOWNSHIP OF OSCODA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
General Government:				
Township Board				
Salaries, wages and fees	\$ 15,500	\$ 15,500	\$ 15,445	\$ (55)
Payroll taxes and benefits	1,250	1,250	1,182	(68)
Operating expenses	3,300	3,300	2,520	(780)
Contingency	500	500	-	(500)
Total Township Board	<u>20,550</u>	<u>20,550</u>	<u>19,147</u>	<u>(1,403)</u>
Township Supervisor				
Salaries, wages and fees	13,785	13,785	13,576	(209)
Payroll taxes and benefits	1,100	1,150	1,062	(88)
Operating expenses	3,100	3,350	1,861	(1,489)
Contingency	400	400	-	(400)
Total Township Supervisor	<u>18,385</u>	<u>18,685</u>	<u>16,499</u>	<u>(2,186)</u>
Superintendent				
Salaries, wages and fees	92,600	92,600	92,363	(237)
Payroll taxes and benefits	49,805	52,305	49,009	(3,296)
Operating expenditures	8,215	9,065	8,031	(1,034)
Contingency	250	250	-	(250)
Total Superintendent	<u>150,870</u>	<u>154,220</u>	<u>149,403</u>	<u>(4,817)</u>
Elections				
Salaries, wages and fees	9,000	5,000	2,556	(2,444)
Payroll taxes and benefits	375	375	70	(305)
Operating expenditures	5,500	6,500	4,442	(2,058)
Contractual services	200	200	6	(194)
Contingency	1,250	1,250	-	(1,250)
Total Elections	<u>16,325</u>	<u>13,325</u>	<u>7,074</u>	<u>(6,251)</u>
Assessor				
Operating expenditures	10,750	13,750	9,208	(4,542)
Contractual services	149,500	146,500	135,116	(11,384)
Contingency	500	500	-	(500)
Total Assessor	<u>160,750</u>	<u>160,750</u>	<u>144,324</u>	<u>(16,426)</u>
Board of Review				
Salaries, wages and fees	2,500	2,700	2,311	(389)
Payroll taxes and benefits	250	250	6	(244)
Operating expenditures	350	350	82	(268)
Contingency	50	50	-	(50)
Total Board of Review	<u>3,150</u>	<u>3,350</u>	<u>2,399</u>	<u>(951)</u>
Clerk				
Salaries, wages and fees	88,745	89,630	89,075	(555)
Payroll taxes and benefits	41,470	41,720	40,696	(1,024)
Operating expenditures	8,250	8,900	6,046	(2,854)
Contingency	500	500	-	(500)
Total Clerk	<u>138,965</u>	<u>140,750</u>	<u>135,817</u>	<u>(4,933)</u>

(Continued)

**CHARTER TOWNSHIP OF OSCODA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
General Government (continued)				
Treasurer				
Salaries, wages and fees	\$ 70,290	\$ 73,090	\$ 71,386	\$ (1,704)
Payroll taxes and benefits	33,755	31,755	29,905	(1,850)
Operating expenditures	25,625	24,850	17,960	(6,890)
Contingency	700	700	-	(700)
	<u>130,370</u>	<u>130,395</u>	<u>119,251</u>	<u>(11,144)</u>
Total Treasurer				
Township Cemetary				
Salaries, wages and fees	40,880	40,880	40,837	(43)
Payroll taxes and benefits	1,700	1,700	1,292	(408)
Operating expenditures	21,650	23,250	19,124	(4,126)
Contingency	1,000	1,000	-	(1,000)
	<u>65,230</u>	<u>66,830</u>	<u>61,253</u>	<u>(5,577)</u>
Total Township Cemetary				
Buildings and Grounds				
Salaries, wages and fees	53,255	51,055	42,133	(8,922)
Payroll taxes and benefits	15,045	21,545	18,901	(2,644)
Operating expenditures	147,850	158,050	146,253	(11,797)
Contractual services	800	800	-	(800)
Contingency	5,000	2,000	-	(2,000)
	<u>221,950</u>	<u>233,450</u>	<u>207,287</u>	<u>(26,163)</u>
Total Buildings and Grounds				
Other				
Operating expenditures	53,500	43,900	29,143	(14,757)
Contractual services	131,200	120,700	60,532	(60,168)
Community promotion and dues	41,500	47,000	42,924	(4,076)
Contingency	37,000	28,000	-	(28,000)
	<u>263,200</u>	<u>239,600</u>	<u>132,599</u>	<u>(107,001)</u>
Total Other				
Total General Government				
	<u>1,189,745</u>	<u>1,181,905</u>	<u>995,053</u>	<u>(186,852)</u>

(Continued)

**CHARTER TOWNSHIP OF OSCODA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Public Safety				
Fire Department				
Salaries, wages and fees	\$ 107,645	\$ 102,650	\$ 88,897	\$ (13,753)
Payroll taxes and benefits	13,500	13,500	11,023	(2,477)
Operating expenditures	91,050	78,750	68,123	(10,627)
Contingency	2,000	2,000	-	(2,000)
Total Public Safety	<u>214,195</u>	<u>196,900</u>	<u>168,043</u>	<u>(28,857)</u>
Public Works				
Highways and Streets				
Roads, maintenance and equipment	76,100	261,100	210,615	(50,485)
Street Lighting				
Public utilities	85,000	95,000	95,290	290
Sanitary Landfill				
Contractual services	5,200	5,200	4,614	(586)
Total Public Works	<u>166,300</u>	<u>361,300</u>	<u>310,519</u>	<u>(50,781)</u>
Community Development				
Planning Commission				
Salaries, wages and fees	26,900	36,900	28,709	(8,191)
Payroll taxes and benefits	2,700	3,700	2,752	(948)
Operating expenditures	29,500	38,950	34,072	(4,878)
Contingency	2,500	1,100	-	(1,100)
Total Community Development	<u>61,600</u>	<u>80,650</u>	<u>65,533</u>	<u>(15,117)</u>

**CHARTER TOWNSHIP OF OSCODA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Recreation and Culture				
Salaries, wages and fees	\$ 76,700	\$ 95,300	\$ 84,488	\$ (10,812)
Payroll taxes and benefits	49,925	58,700	53,515	(5,185)
Operating expenditures	119,875	81,875	58,400	(23,475)
Contingency	2,000	2,000	-	(2,000)
Total Recreation and Culture	<u>248,500</u>	<u>237,875</u>	<u>196,403</u>	<u>(41,472)</u>
Capital Outlay				
General Government	40,400	25,700	8,308	(17,392)
Public Safety	205,000	18,000	17,485	(515)
Recreation and Culture	36,000	16,000	4,428	(11,572)
Total Capital Outlay	<u>281,400</u>	<u>59,700</u>	<u>30,221</u>	<u>(29,479)</u>
Debt Service				
General Government	-	41,000	40,125	(875)
Total Expenditures	<u>\$ 2,161,740</u>	<u>\$ 2,159,330</u>	<u>\$ 1,805,897</u>	<u>\$ (353,433)</u>

**CHARTER TOWNSHIP OF OSCODA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2007**

<u>Assets</u>	Special Revenue Funds					
	Forest Reserve	Public Improvement	Office of Economic Adjustment	Old Orchard Park Improvement	Stabilization	Lakefront District Improvement
Cash and cash equivalents	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ -
Investments	25,474	352,406	101,183	105,192	13,078	12,713
Interest receivable	101	1,129	455	-	52	-
Special assessments receivable	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	20,580
Due from other funds	-	3,550	-	-	-	-
<u>Total Assets</u>	<u>\$ 25,575</u>	<u>\$ 357,085</u>	<u>\$ 101,738</u>	<u>\$ 105,192</u>	<u>\$ 13,130</u>	<u>\$ 33,293</u>
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	-	-	1,030	15,755	-	20,751
Accrued liabilities	-	-	3,232	-	-	-
Due to other funds	-	-	6,696	-	-	96
Deferred revenue	-	-	-	-	-	-
Total Liabilities	-	-	10,958	15,755	-	20,847
Fund Balances						
Reserved for:						
Cemetery	-	211,926	-	-	-	-
Debt service	-	-	-	-	-	-
Unreserved:						
Undesignated	25,575	145,159	90,780	89,437	13,130	12,446
Total Fund Balances (Deficit)	25,575	357,085	90,780	89,437	13,130	12,446
<u>Total Liabilities And Fund Balances</u>	<u>\$ 25,575</u>	<u>\$ 357,085</u>	<u>\$ 101,738</u>	<u>\$ 105,192</u>	<u>\$ 13,130</u>	<u>\$ 33,293</u>

	Streetscape Debt		
Library	Service		Total
\$ -	\$ 33,842	\$	33,942
147,910	-		757,956
814	-		2,551
-	57,230		57,230
-	-		20,580
-	-		3,550
<u>\$ 148,724</u>	<u>\$ 91,072</u>	<u>\$</u>	<u>875,809</u>
1,587	-	\$	39,123
3,004	1,179		7,415
2,937	265		9,994
-	52,421		52,421
<u>7,528</u>	<u>53,865</u>		<u>108,953</u>
-	-		211,926
-	37,207		37,207
<u>141,196</u>	<u>-</u>		<u>517,723</u>
<u>141,196</u>	<u>37,207</u>		<u>766,856</u>
<u>\$ 148,724</u>	<u>\$ 91,072</u>	<u>\$</u>	<u>875,809</u>

**CHARTER TOWNSHIP OF OSCODA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Special Revenue Funds				
	Forest Reserve	Public Improvement	Office of Economic Adjustment	Old Orchard Park Improvement	Stabilization
Revenues					
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:					
Federal sources	9,567	-	-	-	-
Charges for services	-	3,900	-	-	-
Interest and rentals	1,716	22,765	10,487	3,988	2,185
Other	-	-	-	-	-
Total Revenues	11,283	26,665	10,487	3,988	2,185
Expenditures					
Current:					
Public works	15,082	-	-	-	-
Community development	-	-	140,926	-	-
Recreation and culture	-	-	-	165,312	-
Capital outlay	-	61,380	-	-	-
Debt service:					
Principal	-	16,564	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	15,082	77,944	140,926	165,312	-
Revenues Over (Under) Expenditures	(3,799)	(51,279)	(130,439)	(161,324)	2,185
Other Financing Sources (Uses)					
Transfers in	-	31,000	119,310	180,500	-
Transfers (out)	-	-	-	-	(50,000)
Total Other Financing Sources (Uses)	-	31,000	119,310	180,500	(50,000)
Net change in fund balances	(3,799)	(20,279)	(11,129)	19,176	(47,815)
Fund balances, beginning of year	29,374	377,364	101,909	70,261	60,945
Fund balances (deficit), end of year	\$ 25,575	\$ 357,085	\$ 90,780	\$ 89,437	\$ 13,130

Lakefront District Improvement	Library	Streetscape Debt Service	Total
\$ -	\$ -	\$ 59,944	\$ 59,944
-	-	-	9,567
-	88,217	-	92,117
188,415	10,338	1,396	241,290
1,272	-	-	1,272
189,687	98,555	61,340	404,190
-	-	-	15,082
58,111	-	265	199,302
-	95,974	-	261,286
164,688	-	-	226,068
9,522	-	30,000	56,086
1,497	-	5,613	7,110
233,818	95,974	35,878	764,934
(44,131)	2,581	25,462	(360,744)
36,000	7,730	4,790	379,330
-	-	-	(50,000)
36,000	7,730	4,790	329,330
(8,131)	10,311	30,252	(31,414)
20,577	130,885	6,955	798,270
\$ 12,446	\$ 141,196	\$ 37,207	\$ 766,856

**CHARTER TOWNSHIP OF OSCODA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOREST RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Federal grants	\$ 6,000	\$ 9,000	\$ 9,567	567
Interest and rent	300	1,000	1,716	716
Total Revenues	6,300	10,000	11,283	1,283
Expenditures				
Public works	16,000	16,000	15,082	(918)
Net Change in Fund Balances	(9,700)	(6,000)	(3,799)	2,201
Fund Balances, Beginning of Year	29,374	29,374	29,374	-
Fund Balances, End of Year	<u>\$ 19,674</u>	<u>\$ 23,374</u>	<u>\$ 25,575</u>	<u>\$ 2,201</u>

**CHARTER TOWNSHIP OF OSCODA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC IMPROVEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Charges for services	\$ 3,900	\$ 2,900	\$ 3,900	\$ 1,000
Interest and rentals	13,600	14,600	22,765	8,165
Total Revenues	<u>17,500</u>	<u>17,500</u>	<u>26,665</u>	<u>9,165</u>
Expenditures				
Capital outlay	60,000	62,500	61,380	(1,120)
Debt service:				
Principal	46,000	18,000	16,564	(1,436)
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>106,000</u>	<u>80,500</u>	<u>77,944</u>	<u>(2,556)</u>
Revenues Over (Under) Expenditures	(88,500)	(63,000)	(51,279)	11,721
Other Financing Sources (Uses)				
Transfers in	(59,000)	(31,000)	31,000	62,000
Net Change in Fund Balances	(147,500)	(94,000)	(20,279)	73,721
Fund Balances, Beginning of Year	<u>377,364</u>	<u>377,364</u>	<u>377,364</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 229,864</u>	<u>\$ 283,364</u>	<u>\$ 357,085</u>	<u>\$ 73,721</u>

**CHARTER TOWNSHIP OF OSCODA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OFFICE OF ECONOMIC ADJUSTMENT
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Interest and rentals	\$ 4,000	\$ 8,345	\$ 10,487	\$ 2,142
Expenditures				
Community development	150,060	158,960	140,926	(18,034)
Revenues Over (Under) Expenditures	(146,060)	(150,615)	(130,439)	20,176
Other Financing Sources (Uses)				
Transfers in	119,310	119,310	119,310	-
Net Change in Fund Balances	(26,750)	(31,305)	(11,129)	20,176
Fund Balances, Beginning of Year	101,909	101,909	101,909	-
Fund Balances, End of Year	<u>\$ 75,159</u>	<u>\$ 70,604</u>	<u>\$ 90,780</u>	<u>\$ 20,176</u>

**CHARTER TOWNSHIP OF OSCODA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OLD ORCHARD PARK IMPROVEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Interest and rentals	\$ 1,000	\$ 2,000	\$ 3,988	\$ 1,988
Expenditures				
Recreation	1,000	1,000	-	(1,000)
Capital outlay	205,500	205,500	165,312	(40,188)
Total Expenditures	206,500	206,500	165,312	(41,188)
Revenues Over (Under) Expenditures	(205,500)	(204,500)	(161,324)	43,176
Other Financing Sources				
Transfers in	180,500	180,500	180,500	-
Net Change in Fund Balances	(25,000)	(24,000)	19,176	43,176
Fund Balances, Beginning of Year	70,261	70,261	70,261	-
Fund Balances, End of Year	<u>\$ 45,261</u>	<u>\$ 46,261</u>	<u>\$ 89,437</u>	<u>\$ 43,176</u>

**CHARTER TOWNSHIP OF OSCODA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STABILIZATION
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Interest and rentals	\$ 1,500	\$ 1,500	\$ 2,185	\$ 685
Other Financing Sources				
Transfers out	(50,000)	(50,000)	(50,000)	-
Net Change in Fund Balances	(48,500)	(48,500)	(47,815)	685
Fund Balances, Beginning of Year	60,945	60,945	60,945	-
Fund Balances, End of Year	<u>\$ 12,445</u>	<u>\$ 12,445</u>	<u>\$ 13,130</u>	<u>\$ 685</u>

**CHARTER TOWNSHIP OF OSCODA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LAKEFRONT DISTRICT IMPROVEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
State grant	\$ -	\$ 260,000	\$ 188,415	\$ (71,585)
Interest and rent	4,400	1,400	1,272	(128)
Total Revenues	<u>4,400</u>	<u>261,400</u>	<u>189,687</u>	<u>(71,713)</u>
Expenditures				
Community development	22,425	125,425	58,111	(67,314)
Capital outlay	500	166,500	164,688	(1,812)
Debt service:				
Principal	11,500	11,500	9,522	(1,978)
Interest and fiscal charges	2,500	2,500	1,497	(1,003)
Total Expenditures	<u>36,925</u>	<u>305,925</u>	<u>233,818</u>	<u>(72,107)</u>
Revenues Over (Under) Expenditures	(32,525)	(44,525)	(44,131)	394
Other Financing Sources				
Transfers in	30,000	36,000	36,000	-
Net Change in Fund Balances	(2,525)	(8,525)	(8,131)	394
Fund Balances, Beginning of Year	<u>20,577</u>	<u>20,577</u>	<u>20,577</u>	<u>-</u>
Fund Balances (deficit), End of Year	<u>\$ 18,052</u>	<u>\$ 12,052</u>	<u>\$ 12,446</u>	<u>\$ 394</u>

**CHARTER TOWNSHIP OF OSCODA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LIBRARY
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
State	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Charges for services	82,565	87,565	88,217	652
Interest and rentals	4,100	6,100	10,338	4,238
Total Revenues	<u>90,665</u>	<u>97,665</u>	<u>98,555</u>	<u>890</u>
Expenditures				
Culture and recreation	108,295	109,045	95,974	(13,071)
Capital outlay	5,100	5,100	-	(5,100)
Total Expenditures	<u>113,395</u>	<u>114,145</u>	<u>95,974</u>	<u>(18,171)</u>
Revenues Over (Under) Expenditures	(22,730)	(16,480)	2,581	19,061
Other Financing Sources				
Transfers in	<u>(7,730)</u>	<u>(7,730)</u>	<u>7,730</u>	<u>15,460</u>
Net Change in Fund Balances	(30,460)	(24,210)	10,311	34,521
Fund Balances, Beginning of Year	<u>130,885</u>	<u>130,885</u>	<u>130,885</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 100,425</u>	<u>\$ 106,675</u>	<u>\$ 141,196</u>	<u>\$ 34,521</u>

**CHARTER TOWNSHIP OF OSCODA
COMBINING BALANCE SHEET
AGENCY FUNDS
DECEMBER 31, 2007**

	Trust and Agency	Tax Account	Cedar Lake Improvement Fund	Totals
Assets				
Cash and cash equivalents	\$ 21,216	\$ 1,101,015	\$ 64,927	\$ 1,187,158
Special assessments receivable	-	-	255,210	255,210
Due from others	-	124,793	-	124,793
Total Assets	\$ 21,216	\$ 1,225,808	\$ 320,137	\$ 1,567,161
Liabilities				
Due to others	\$ 19,182	\$ 127,445	\$ 80,047	\$ 226,674
Due to other governmental units	2,034	1,098,363	-	1,100,397
Deferred revenue	-	-	240,090	240,090
Total Liabilities	\$ 21,216	\$ 1,225,808	\$ 320,137	\$ 1,567,161

**CHARTER TOWNSHIP OF OSCODA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

FEDERAL GRANTOR/PASSTHROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL AWARDS EXPENDED
U.S. DEPARTMENT OF AGRICULTURE PASS-THROUGH IOSCO COUNTY Schools and Roads Grant Funds - Stump Tax	10.665	\$ 9,567
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASS-THROUGH MICHIGAN STRATEGIC FUND Phoenix Composite Solutions LLC Infrastructure Project: MSC 204093-EDIG	14.228	253,974
Seissenschmidt Corporation Buidling Renovation: MSC 206056-EDIG	14.228	<u>239,992</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>493,966</u>
U.S. DEPARTMENT OF JUSTICE PASS-THROUGH MICHIGAN DEPARTMENT OF COMMUNITY HEALTH Strike Team Investigative Narcotics Group (STING)		
70844-8-07-B	16.738	23,315
70844-9-08-B	16.738	<u>10,573</u>
TOTAL U.S. DEPARTMENT OF JUSTICE		33,888
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASS-THROUGH MICHIGAN DEPARTMENT OF STATE Help America Vote Act Grant	93.617	<u>2,700</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE - PRIMARY GOVERNMENT		<u>\$ 540,121</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Oscoda and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



**INDEPENDENT AUDITORS' 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**

May 30, 2008

To the Township Board
Oscoda, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of *Charter Township of Oscoda*, as of and for the year ended December 31, 2007, which collectively comprise the *Charter Township of Oscoda's* basic financial statements, and have issued our report thereon dated May 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *Charter Township of Oscoda's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Charter Township of Oscoda's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Charter Township of Oscoda'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 the *Charter Township of Oscoda's* ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally

accepted accounting principles such that there is more than a remote likelihood that a misstatement of the *Charter Township of Oscoda's* financial statements that is more than inconsequential will not be prevented or detected by the *Charter Township of Oscoda's* internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-1, 2007-2, and 2007-3 to be significant deficiencies in internal control over financial reporting.

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 *Charter Township of Oscoda'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 items 2007-1, 2007-2, and 2007-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Charter Township of Oscoda's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material affect 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 Oscoda*, in a separate letter dated May 30, 2008.

Charter Township of Oscoda's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit *Charter Township of Oscoda's* responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Audit Committee, the governing Board, management, others within the organization, 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.





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

May 30, 2008

To the Township Board
Oscoda, Michigan

Compliance

We have audited the compliance of *Charter Township of Oscoda* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. *Charter Township of Oscoda's* major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of *Charter Township of Oscoda's* management. Our responsibility is to express an opinion on *Charter Township of Oscoda's* compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *Charter Township of Oscoda's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on *Charter Township of Oscoda's* compliance with those requirements.

In our opinion, *Charter Township of Oscoda* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of *Charter Township of Oscoda* is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Charter Township of Oscoda's* internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Entity's internal control. *The Charter Township of Oscoda* had no control deficiencies in the entity's internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, management, the governing body, others within the entity, 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.

A handwritten signature in cursive script that reads "Lehmann Johnson".

CHARTER TOWNSHIP OF OSCODA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal controls over financial reporting:
 Material weakness(es) identified? X yes no
 Significant deficiencies identified not
 considered to be material weaknesses? yes X none reported

Noncompliance material to financial
 statements noted? yes X no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? yes X no
 Significant deficiencies identified not
 considered to be material weaknesses? yes X none reported

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

Any audit findings disclosed that are required to
 be reported in accordance with Circular A-133,
 Section 510(a)? yes X no

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no

CHARTER TOWNSHIP OF OSCODA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION II – FINANCIAL STATEMENT FINDINGS

2007-1 Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (“GAAP”). This is a responsibility of the government’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 books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township’s ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government’s *internal* controls.

Cause: This condition was caused by the Township’s decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

CHARTER TOWNSHIP OF OSCODA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2007

View of Responsible Officials: The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in its best interests to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

2007-2 Recording, Processing, and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing, and summarizing accounting data (e.g., maintaining internal books and records).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing and summarizing of certain accounting data as part of its external financial reporting process. Accordingly, the government has placed reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have the external auditors recommend the necessary adjusting journal entries to its general ledger than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, and summarizing of accounting data, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the recording, processing, and summarizing of accounting data, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments.

CHARTER TOWNSHIP OF OSCODA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

2007-3 Segregation of Incompatible Duties

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Township's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

Condition: As is the case with many organizations of similar size, the Township lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. These include an individual authorized to setup vendors and process accounts payable, setup new employees and process payroll information, and initiate manual journal entries and post them. This is a significant issue for the Township in regards to its collection of tax cash receipts and in its utility billing process. Over the counter tax payments are accepted by the utility billing clerk. The utility billing clerk stamps the payor's bill as paid if provided by the customer, but no cash receipt is provided. Payments are not receipted into the system until they are forwarded to the deputy treasurer for posting. The deputy treasurer also posts journal entries which are not reviewed by anyone and also reconciles the bank statements. The utility billing clerk processes all utility bills, collects payments, and posts all customer adjustments with no significant review. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Cause: This condition is a result of the Township's limited resources, and the small size of its accounting staff.

Effect: As a result of this condition, the Township is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely basis.

CHARTER TOWNSHIP OF OSCODA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Recommendation: We recommend all journal entries and billing adjustments made by the utility billing clerk and deputy treasurer are carefully reviewed by the treasurer prior to posting to the general ledger. We also recommend a detailed review of bank reconciliations and billing registers by the Treasurer indicated by a signature.

View of Responsible Officials: The Township understands the increased risk due to the inherent lack of segregation of duties and has concluded that the cost of implementing the segregation of duties does not warrant the benefit of the lower risk obtained. However, management will maintain a heightened awareness and continually review the mitigating controls over these areas and implement the specific recommendations made above.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

CHARTER TOWNSHIP OF OSCODA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

PRIOR YEAR FINDINGS

2006-1 Incomplete General Ledger History

Criteria: State of Michigan guidelines require all local units of government to maintain a general ledger containing the records of all cash receipts, cash disbursement, and other appropriate transactions as defined by the Governmental Accounting Standards Board (“GASB”).

Condition: The Township was unable to provide a complete audit trail or produce an activity detail for management purposes for January through June 2006.

Cause: On July 1, 2006, the Township changed software systems. The Township experienced a failure with the original software and was unable to retrieve the activity from January through June 2006. Due to this failure and incomplete general ledger detail printouts for portions of the year from January through June 2006, the Township was unable to provide a complete audit trail or produce an activity detail for management purposes. Activity needed for audit testing purposes was re-created through original source documents and other accounting reports and schedules. During our audit test work, as a result of the system failure as described above, we were unable to vouch several disbursements and sewer and water receipts from June 2006. This issue only effects the 2006 year and will not carryover to the 2007 year.

Effect: Failure to comply with the required federal and state guidelines may result in the reduction or loss of federal and state funding.

View of Responsible Officials: The Township made a transition to a new software program for municipal accounting and billing functions in mid-2006. This resulted in data gaps that were not readily filled by available software generated reports. When this issue became evident, an evaluation was undertaken as to the feasibility of generating additional reports through the old software program versus requesting that the auditors review bills, invoices, and similar documents. This analysis revealed that the audit review was the most appropriate course of action. This was due to the fact that the computer server with the data from the old software program had crashed several weeks before the audit was to be undertaken. Unknown and unpredictable cost and uncertainty relating to the plausibility of retrieving lost data and repairing the hard drive indicated the most prudent course of action was to generate necessary reports through the document review process.

CHARTER TOWNSHIP OF OSCODA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

It should also be noted that the change in software vendors will only affect the 2006 fiscal year as the transition to the new program is complete along with the installation of new hardware equipment.



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

May 30, 2008

To the Township Board

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the (the "Township") for the year ended December 31, 2007, and have issued our report thereon dated May 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated January 3, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the '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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the 's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal

programs for the purpose of expressing an opinion on the compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Township's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 3, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management. A prior period adjustment was recorded to depreciate the capital asset associated with the Huron Shore Regional Utility Authority that was not depreciated in prior years. Additionally, a prior period adjustment was made to defer revenues associated with long-term contracts receivable as the assets are not available as current resources of the Township.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 30, 2008.

Management Consultations with Other Independent Accountants

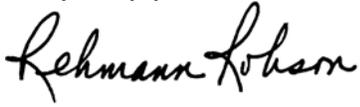
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the Charter Township of Oscoda and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Rehmann Johnson". The signature is written in a cursive style with a large initial 'R' and a long, sweeping tail on the 'n'.

COMMENTS AND RECOMMENDATIONS

For the Year Ended December 31, 2007

In planning and performing our audit of the financial statements of the Charter Township of Oscoda as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township'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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following paragraphs summarize our comments and suggestions regarding those matters. A separate report dated May 30, 2008, contains our report on significant deficiencies in the Township's internal control. This letter does not affect our report dated May 30, 2008, on the financial statements of Charter Township of Oscoda.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

1. We understand that computer passwords are not changed on a regular basis. In order to reduce the risk of access to computer files by unauthorized personnel, we recommend that the Township institute a policy that requires passwords to be changed on a regular basis. For the size and complexity of Charter Township of Oscoda, once every six months would be adequate. The Township may also wish to investigate building into its software automatic expiration of passwords to ensure that they are changed periodically.
2. The Charter Township of Oscoda does not have an up to date written disaster recovery policy. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing IT facilities. We recommend the Township develop a disaster recovery plan that includes, but is not limited to, the following matters:
 - Location of, and access to, off-site storage.
 - A listing of all data files that would have to be obtained from the off-site storage location.

COMMENTS AND RECOMMENDATIONS

For the Year Ended December 31, 2007

- Identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing. (Management should make arrangements for such backup with another company, a computer vendor, or a service center. The agreement should be in writing.)
- Responsibilities of various personnel in an emergency.
- Priority of critical applications and reporting requirements during the emergency period.
- Develop a method to test, on a periodic basis, backups of key data, application and operating system files.

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