

Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Cooper	County Kalamazoo
Fiscal Year End March 31, 2007	Opinion Date July 11, 2007	Date Audit Report Submitted to State August 22, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

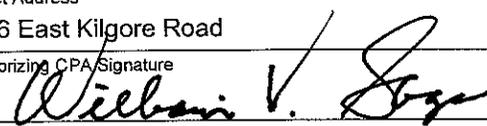
YES NO

Check each applicable box below. (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not required	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC	Telephone Number (269)381-4970		
Street Address 246 East Kilgore Road	City Kalamazoo	State MI	Zip 49002
Authorizing CPA Signature 	Printed Name William V. Sage		License Number 1101008186

Charter Township of Cooper
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2007

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Charter Township of Cooper, Michigan**

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

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Charter Township of Cooper, Michigan, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, 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 required supplementary information. However, we did not audit the information and express no opinion on it. The Charter Township of Cooper, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Board of Trustees
Charter Township of Cooper, Michigan
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Cooper, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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.

Sigfried Crandall P.C.

July 11, 2007

BASIC FINANCIAL STATEMENTS

Charter Township of Cooper
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 2,681,005	\$ -	\$ 2,681,005
Investments	918,593	-	918,593
Receivables (net)	294,114	-	294,114
Prepaid expenses	<u>9,270</u>	<u>-</u>	<u>9,270</u>
Total current assets	<u>3,902,982</u>	<u>-</u>	<u>3,902,982</u>
Noncurrent assets:			
Receivables (net)	1,763,864	-	1,763,864
Capital assets (not being depreciated)	37,506	-	37,506
Capital assets (net of accumulated depreciation)	<u>1,293,831</u>	<u>693</u>	<u>1,294,524</u>
Total noncurrent assets	<u>3,095,201</u>	<u>693</u>	<u>3,095,894</u>
Total assets	<u>6,998,183</u>	<u>693</u>	<u>6,998,876</u>
LIABILITIES			
Current liabilities:			
Payables	63,087	-	63,087
Current maturities of long-term debt	<u>114,223</u>	<u>-</u>	<u>114,223</u>
Total current liabilities	177,310	-	177,310
Noncurrent liabilities - long-term debt	<u>2,100,000</u>	<u>-</u>	<u>2,100,000</u>
Total liabilities	<u>2,277,310</u>	<u>-</u>	<u>2,277,310</u>
NET ASSETS			
Invested in capital assets (net of related debt)	(882,886)	693	(882,193)
Restricted:			
Public works	2,075,022	-	2,075,022
Debt service	1,847,250	-	1,847,250
Unrestricted	<u>1,681,487</u>	<u>-</u>	<u>1,681,487</u>
Total net assets	<u>\$ 4,720,873</u>	<u>\$ 693</u>	<u>\$ 4,721,566</u>

See notes to financial statements

Charter Township of Cooper
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 5,834	\$ -	\$ -	\$ -
General government	776,948	128,424	-	-
Public safety	245,211	2,516	-	-
Public works	181,870	274,799	9,011	337,080
Community and economic development	26,994	20,481	-	-
Interest	100,036	-	-	-
Total governmental activities	1,336,893	426,220	9,011	337,080
Business-type activity:				
Building inspections	58,849	50,451	-	-
Total primary government	\$ 1,395,742	\$ 476,671	\$ 9,011	\$ 337,080

General revenues:
Taxes
State grants
Franchise fees
Investment income

Total general revenues

Changes in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (5,834)		\$ (5,834)
(648,524)		(648,524)
(242,695)		(242,695)
439,020		439,020
(6,513)		(6,513)
<u>(100,036)</u>		<u>(100,036)</u>
<u>(564,582)</u>		<u>(564,582)</u>
	\$ <u>(8,398)</u>	<u>(8,398)</u>
<u>(564,582)</u>	<u>(8,398)</u>	<u>(572,980)</u>
220,755	-	220,755
599,473	-	599,473
78,625	-	78,625
<u>153,711</u>	<u>-</u>	<u>153,711</u>
<u>1,052,564</u>	<u>-</u>	<u>1,052,564</u>
487,982	(8,398)	479,584
<u>4,232,891</u>	<u>9,091</u>	<u>4,241,982</u>
<u>\$ 4,720,873</u>	<u>\$ 693</u>	<u>\$ 4,721,566</u>

See notes to financial statements

Charter Township of Cooper
BALANCE SHEET - governmental funds

March 31, 2007

	<u>General</u>	<u>Water & Sewer</u>
ASSETS		
Cash	\$ 1,241,970	\$ 474,507
Investments	-	918,593
Receivables	135,930	599,470
Prepaid expenses	<u>9,270</u>	<u>-</u>
Total assets	<u>\$ 1,387,170</u>	<u>\$ 1,992,570</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Payables	\$ 27,786	\$ 10,436
Deferred revenue	<u>-</u>	<u>599,469</u>
Total liabilities	<u>27,786</u>	<u>609,905</u>
Fund balances:		
Unreserved	1,359,384	1,382,665
Unreserved, reported in non major - special revenue funds	<u>-</u>	<u>-</u>
Total fund balances	<u>1,359,384</u>	<u>1,382,665</u>
Total liabilities and fund balances	<u>\$ 1,387,170</u>	<u>\$ 1,992,570</u>

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Total fund balances

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest is not available or due in the current period and, therefore, is not reported in the funds.

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Net assets of *governmental activities*

<u>Collingwood Debt</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ 560,342	\$ 404,186	\$ 2,681,005
-	-	918,593
1,286,908	9,470	2,031,778
-	-	9,270
<u>\$ 1,847,250</u>	<u>\$ 413,656</u>	<u>\$ 5,640,646</u>

\$ -	\$ 4,065	\$ 42,287
1,268,555	1,821	1,869,845
<u>1,268,555</u>	<u>5,886</u>	<u>1,912,132</u>
578,695	-	3,320,744
-	407,770	407,770
<u>578,695</u>	<u>407,770</u>	<u>3,728,514</u>
<u>\$ 1,847,250</u>	<u>\$ 413,656</u>	<u>\$ 5,640,646</u>

3,728,514

1,331,337

(2,214,223)

5,400

1,869,845

\$ 4,720,873

See notes to financial statements

Charter Township of Cooper
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds
Year ended March 31, 2007

	<u>General</u>	<u>Water & Sewer</u>	<u>Collingwood Debt</u>
REVENUES			
Taxes	\$ 220,755	\$ -	\$ -
State grants	608,054	-	-
Licenses and permits	102,076	-	-
Charges for services	116,621	421,176	-
Interest and rentals	126,103	23,679	82,139
Other	4,925	718	105,261
	<u>1,178,534</u>	<u>445,573</u>	<u>187,400</u>
Total revenues			
EXPENDITURES			
Legislative	5,834	-	-
General government	746,486	-	-
Public safety	183,336	-	-
Public works	72,484	359,463	350
Community and economic development	26,994	-	-
Debt service:			
Principal	-	14,223	100,000
Interest	-	1,422	99,714
Capital outlay	36,821	-	-
	<u>1,071,955</u>	<u>375,108</u>	<u>200,064</u>
Total expenditures			
NET CHANGES IN FUND BALANCES	106,579	70,465	(12,664)
FUND BALANCES - BEGINNING	<u>1,252,805</u>	<u>1,312,200</u>	<u>591,359</u>
FUND BALANCES - ENDING	<u>\$ 1,359,384</u>	<u>\$ 1,382,665</u>	<u>\$ 578,695</u>

<i>Other nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ -	\$ 220,755
-	608,054
-	102,076
-	537,797
7,234	239,155
<u>97,482</u>	<u>208,386</u>
<u>104,716</u>	<u>1,916,223</u>
-	5,834
-	746,486
8,900	192,236
80,096	512,393
-	26,994
-	114,223
-	101,136
-	<u>36,821</u>
<u>88,996</u>	<u>1,736,123</u>
15,720	180,100
<u>392,050</u>	<u>3,548,414</u>
<u>\$ 407,770</u>	<u>\$ 3,728,514</u>

See notes to financial statements

Charter Township of Cooper
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds (Continued)
Year ended March 31, 2007

Net change in fund balances - total governmental funds (from page 8)	\$ 180,100
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
Capital assets:	
Assets acquired	374,265
Provision for depreciation	(90,358)
Long-term debt:	
Principal repayments	114,223
Changes in other assets/liabilities:	
Change in interest receivable	26,200
Change in interest payable	1,100
Net decrease in deferred revenue	<u>(117,548)</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 487,982</u>

See notes to financial statements

Charter Township of Cooper
STATEMENT OF NET ASSETS - proprietary fund
March 31, 2007

	<u>Building Inspections</u>
ASSETS	
Noncurrent assets - capital assets, net of accumulated depreciation	\$ <u>693</u>
NET ASSETS	
Invested in capital assets	693
Unrestricted	<u>-</u>
Total net assets	\$ <u>693</u>

See notes to financial statements

Charter Township of Cooper
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
ASSETS - proprietary fund
Year ended March 31, 2007

	<u>Building</u> <u>Inspections</u>
OPERATING REVENUES	\$ 50,451
OPERATING EXPENSES	<u>58,849</u>
CHANGES IN NET ASSETS	(8,398)
NET ASSETS - BEGINNING	<u>9,091</u>
NET ASSETS - ENDING	<u>\$ 693</u>

See notes to financial statements

Charter Township of Cooper
STATEMENT OF CASH FLOWS - proprietary fund
Year ended March 31, 2007

	<u>Building Inspections</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 50,451
Payments for salaries and fringe benefits	(20,933)
Payments for goods and services	<u>(40,968)</u>
NET DECREASE IN CASH	(11,450)
CASH - BEGINNING	<u>11,450</u>
CASH - ENDING	<u><u>\$ -</u></u>
Reconciliation of operating income to net cash used in operating activities:	
Operating loss	\$ (8,398)
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	1,385
Decrease in accounts payable	<u>(4,437)</u>
Net cash used in operating activities	<u><u>\$ (11,450)</u></u>

See notes to financial statements

Charter Township of Cooper
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
March 31, 2007

ASSETS

Cash \$ 1,154

LIABILITIES

Payables \$ 1,154

See notes to financial statements

Charter Township of Cooper
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Cooper, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

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

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

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

c) Measurement focus, basis of accounting, and financial statement presentation:

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

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

Charter Township of Cooper
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Water & Sewer Fund accounts for the financial resources used for the expansion and maintenance of water and sewer lines within the Township. Revenues are primarily derived from connection fees and special assessments.

The Collingwood Debt Fund accounts for the financial resources used for payments of long-term bond obligations. Revenues are primarily derived from special assessments.

The Township reports a single proprietary fund, Building Inspection Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

Charter Township of Cooper
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

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

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. 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. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated or amortized using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	3 - 5 years
Vehicles	3 - 20 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Charter Township of Cooper
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity:*

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. The Township considers property taxes levied December 1 to be revenue of the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
Water & Sewer	Public works	\$ 9,500	\$ 359,463	\$ 349,963
Other governmental	Public safety	-	8,900	8,900
	Public works	45,600	47,010	1,410

NOTE 3 - CASH AND INVESTMENTS:

At March 31, 2007, cash and investments are classified in the accompanying financial statements as follows:

Statement of net assets:

Primary government:	
Cash	\$ 2,681,005
Investments	918,593
Fiduciary fund - cash	<u>1,154</u>
Total cash and investments	<u>\$ 3,600,752</u>

At March 31, 2007, cash and investments consist of the following:

Cash on hand	\$ 50
Deposits with financial institutions	2,682,109
Investments	<u>918,593</u>
Total	<u>\$ 3,600,752</u>

Charter Township of Cooper
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2007, \$1,292,331 of the Township's bank balances of \$2,679,862 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments. The Township's investments are carried at cost, which approximates fair market value.

The Township's investments are subject to several types of risk, which are discussed below:

Custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township's investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments. At year end, the following investment securities were uninsured and unregistered and held by three broker-dealers (counterparty's) that purchased the securities for the Township:

<u>Investment type</u>	<u>Carrying amount</u>
U.S. government and agency securities	<u>\$ 918,593</u>

Charter Township of Cooper
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Interest rate risk. Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment's fair value due to changes in market interest rates. The Township monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Township's investment policy has no specific limitations with respect to maturities of investments. At year end, the average maturities of the Township's investments are as follows:

<u>Investment type</u>	<u>Financial Institution</u>	<u>Fair value</u>	<u>Weighted average maturity (in years)</u>
U.S. government and agency securities:			
Lasalle Bank Commercial Paper	Lasalle Bank	\$ 420,000	0.58
Federal Home Loan Mortgage Corporation	Fifth Third	99,750	0.17
Federal Home Loan Bank	Fifth Third	99,625	0.08
Federal Home Loan Bank	Multi-Bank Securities	199,751	2.92
Federal Home Loan Mortgage Corporation	Multi-Bank Securities	<u>99,467</u>	2.37
		<u>\$ 918,593</u>	

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. At year end, the credit quality ratings of the Township's investments are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating organization's</u>
U.S. government and agency securities:			
Lasalle Bank Commercial Paper	\$ 420,000	A-1	S&P
Federal Home Loan Bank	99,625	AAA	S&P
Federal Home Loan Bank	199,751	AAA	S&P
Federal Home Loan Mortgage Corporation	99,750	AAA	S&P
Federal Home Loan Mortgage Corporation	<u>99,467</u>	AAA	S&P
	<u>\$ 918,593</u>		

Charter Township of Cooper
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Concentration of credit risk. State statutes and the Township's investment policy place no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities) that represent 5% or more of the Township's total investment are as follows:

<u>Issuer</u>	<u>Financial Institution</u>	<u>Fair value</u>	<u>Percentage</u>
U.S. government and agency securities:			
Lasalle Bank Commercial Paper	Lasalle Bank	\$ 420,000	46%
Federal Home Loan Bank	Fifth Third	99,625	11%
Federal Home Loan Mortgage Corporation	Fifth Third	99,750	11%
Federal Home Loan Bank	Multi-Bank Securities	199,751	22%
Federal Home Loan Mortgage Corporation	Multi-Bank Securities	99,467	10%

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Interest</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter-governmental</u>	<u>Totals</u>
General	\$ 19,775	\$ -	\$ 18,382	\$ -	\$ 97,773	\$ 135,930
Water & Sewer	-	-	-	599,470	-	599,470
Collingwood Debt	-	-	-	1,286,908	-	1,286,908
Other governmental	-	-	-	9,470	-	9,470
	19,775	-	18,382	1,895,848	97,773	2,031,778
Adjustments:						
Government-wide	-	26,200	-	-	-	26,200
	<u>\$ 19,775</u>	<u>\$ 26,200</u>	<u>\$ 18,382</u>	<u>\$ 1,895,848</u>	<u>\$ 97,773</u>	<u>\$ 2,057,978</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,763,864</u>	<u>\$ -</u>	<u>\$ 1,763,864</u>

All receivables are considered fully collectible.

Charter Township of Cooper
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 37,506	\$ -	\$ -	\$ 37,506
Capital assets being depreciated:				
Buildings and improvements	645,800	4,368	-	650,168
Equipment	318,400	32,453	-	350,853
Vehicles	693,235	-	-	693,235
Infrastructure	63,585	337,444	-	401,029
Subtotal	<u>1,721,020</u>	<u>374,265</u>	<u>-</u>	<u>2,095,285</u>
Less accumulated depreciation for:				
Buildings and improvements	(281,842)	(17,066)	-	(298,908)
Equipment	(159,161)	(32,458)	-	(191,619)
Vehicles	(261,372)	(33,913)	-	(295,285)
Infrastructure	(8,721)	(6,921)	-	(15,642)
Subtotal	<u>(711,096)</u>	<u>(90,358)</u>	<u>-</u>	<u>(801,454)</u>
Total capital assets being depreciated, net	<u>1,009,924</u>	<u>283,907</u>	<u>-</u>	<u>1,293,831</u>
Governmental activities capital assets, net	<u>\$ 1,047,430</u>	<u>\$ 283,907</u>	<u>\$ -</u>	<u>\$ 1,331,337</u>
Business type activities - equipment	\$ 9,768	\$ -	\$ -	\$ 9,768
Less accumulated depreciation	<u>(7,690)</u>	<u>(1,385)</u>	<u>-</u>	<u>(9,075)</u>
Business type activities capital assets, net	<u>\$ 2,078</u>	<u>\$ (1,385)</u>	<u>\$ -</u>	<u>\$ 693</u>

Depreciation expense was charged to functions of the Township as follows:

	<i>Governmental activities</i>	<i>Business-type activities</i>
General government	\$ 30,462	\$ -
Public safety	52,975	1,385
Public works	<u>6,921</u>	<u>-</u>
Total	<u>\$ 90,358</u>	<u>\$ 1,385</u>

Charter Township of Cooper
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES:

Long-term debt at March 31, 2007, is comprised of the following individual issues:

Contract payable:

\$142,230 1998 note payable to Gull Lake Sewer and Water Authority, payable in annual installments of \$14,223, final payment due August 2007. \$ 14,223

Bonds payable:

\$2,650,000 sanitary sewage disposal system limited tax obligation bonds. Payable in annual installments of \$100,000 to \$200,000, plus interest at 3.45% to .38%. 2,200,000

\$ 2,214,223

Long-term debt activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>due within one year</u>
Governmental activities:					
Contract payable	\$ 28,446	\$ -	\$ (14,223)	\$ 14,223	\$ 14,223
Bonds payable	<u>2,300,000</u>	<u>-</u>	<u>(100,000)</u>	<u>2,200,000</u>	<u>100,000</u>
Total governmental activities	<u>\$2,328,446</u>	<u>\$ -</u>	<u>\$ (114,223)</u>	<u>\$2,214,223</u>	<u>\$ 114,223</u>

At March 31, 2007, debt service requirements on long-term debt are follows:

<u>Year ended March 31,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	114,223	96,899
2009	100,000	92,488
2010	100,000	88,613
2011	100,000	84,613
2012	125,000	80,025
2013 - 2017	725,000	313,424
2018 - 2022	<u>950,000</u>	<u>117,405</u>
Totals	<u>\$ 2,214,223</u>	<u>\$ 873,467</u>

Charter Township of Cooper
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PAYABLES:

<u>Fund</u>	<u>Accounts</u>	<u>Accrued liabilities</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:				
General	\$ 23,477	\$ -	\$ -	\$ 23,477
Water & Sewer	-	-	400	400
Collingwood Debt	-	-	20,400	20,400
Other governmental	<u>4,065</u>	<u>-</u>	<u>-</u>	<u>4,065</u>
	27,542	-	20,800	48,342
Adjustments:				
Government-wide	<u>-</u>	<u>14,745</u>	<u>-</u>	<u>14,745</u>
Total	<u>\$ 27,542</u>	<u>\$ 14,745</u>	<u>\$ 20,800</u>	<u>\$ 63,087</u>

NOTE 8 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with 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 yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

<u>Fund</u>	<u>Unavailable</u>
Water & Sewer	\$ 599,469
Collingwood Debt	1,268,555
Other governmental	<u>1,821</u>
Totals	<u>\$ 1,869,845</u>

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all its elected officials through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan State Statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Officials and full-time staff are eligible to participate six months after they are elected or become full-time. The Township contributes annually 15% of the participant's base salary or \$100, whichever is more. Participants are fully vested after twenty months of service and are paid a termination benefit of a predetermined amount. Any amounts forfeited are used to reduce the Township's current period contribution requirement. The Township made the required 15% contribution plus past service amounts, with a total pension expense for the year of \$48,735. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

Charter Township of Cooper
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS:

In addition to the pension benefits described above, the Township provides post-employment health care benefits, in accordance with a Board agreement, to all employees who retire from the Township with 70 points. Points are determined as one (1) point for every year of service and point eight (.8) points for each year of age. Expenditures are recognized as insurance premiums are paid. Currently there are two eligible retirees. The Township's expense for the year was \$22,088.

NOTE 11 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has joined together with other local governmental units in the state to form the Michigan Municipal League Insurance Pool (MML), a public-entity risk pool currently operating as a common risk management and insurance program for local governmental units within the state. The Township pays an annual premium to MML for all of its insurance coverages. MML is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$2,000,000 for each insured event.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Cooper
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 276,000	\$ 247,000	\$ 220,755	\$ (26,245)
State grants	587,000	587,000	608,054	21,054
Licenses and permits	95,450	86,700	102,076	15,376
Charges for services	110,000	109,500	116,621	7,121
Interest and rentals	76,848	62,000	126,103	64,103
Other	9,000	12,000	4,925	(7,075)
Total revenues	<u>1,154,298</u>	<u>1,104,200</u>	<u>1,178,534</u>	<u>74,334</u>
EXPENDITURES				
Legislative	<u>7,100</u>	<u>6,100</u>	<u>5,834</u>	<u>266</u>
General government:				
Supervisor	60,766	56,970	56,604	366
Election	14,200	24,100	23,836	264
Assessor	115,100	104,564	108,886	(4,322)
Clerk	109,116	106,670	100,768	5,902
Treasurer	65,166	65,420	59,717	5,703
Board of review	2,800	2,800	2,110	690
Cemetery	39,450	41,450	41,447	3
Professional services	19,000	17,000	13,506	3,494
Buildings and grounds	58,600	53,200	53,264	(64)
General operations	<u>307,000</u>	<u>304,000</u>	<u>286,348</u>	<u>17,652</u>
Total general government	<u>791,198</u>	<u>776,174</u>	<u>746,486</u>	<u>29,688</u>
Public safety:				
Fire protection	178,400	172,900	163,243	9,657
Ordinance enforcement	<u>20,000</u>	<u>21,500</u>	<u>20,093</u>	<u>1,407</u>
Total public safety	<u>198,400</u>	<u>194,400</u>	<u>183,336</u>	<u>11,064</u>
Public works - highways and streets	<u>91,000</u>	<u>86,000</u>	<u>72,484</u>	<u>13,516</u>
Community and economic development - planning and zoning	<u>31,600</u>	<u>33,100</u>	<u>26,994</u>	<u>6,106</u>

Charter Township of Cooper
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Capital outlay	\$ 15,000	\$ 42,900	\$ 36,821	\$ 6,079
Total expenditures	<u>1,134,298</u>	<u>1,138,674</u>	<u>1,071,955</u>	<u>66,719</u>
NET CHANGES IN FUND BALANCES	20,000	(34,474)	106,579	141,053
FUND BALANCES - BEGINNING	<u>1,252,805</u>	<u>1,252,805</u>	<u>1,252,805</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$1,272,805</u>	<u>\$1,218,331</u>	<u>\$1,359,384</u>	<u>\$ -</u>

Charter Township of Cooper
BUDGETARY COMPARISON SCHEDULE - Water & Sewer Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Charges for services	\$ 56,000	\$ 83,000	\$ 421,176	\$ 338,176
Interest	15,000	5,000	23,679	18,679
Other - special assessments	-	-	718	718
Total revenues	<u>71,000</u>	<u>88,000</u>	<u>445,573</u>	<u>357,573</u>
EXPENDITURES				
Public works	28,000	9,500	359,463	(349,963)
Debt service:				
Principal	16,500	16,500	14,223	2,277
Interest	<u>1,500</u>	<u>1,500</u>	<u>1,422</u>	<u>78</u>
Total expenditures	<u>46,000</u>	<u>27,500</u>	<u>375,108</u>	<u>(347,608)</u>
NET CHANGES IN FUND BALANCES	25,000	60,500	70,465	9,965
FUND BALANCES - BEGINNING	<u>1,312,200</u>	<u>1,312,200</u>	<u>1,312,200</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$1,337,200</u>	<u>\$1,372,700</u>	<u>\$1,382,665</u>	<u>\$ 9,965</u>

SUPPLEMENTARY INFORMATION

Charter Township of Cooper
COMBINING BALANCE SHEET - nonmajor governmental funds
 March 31, 2007

	Special revenue funds					Totals
	Fire Improvement	Public Improvement	Roosevelt Road	Street Lighting	Recycling	
ASSETS						
Cash	\$ 131,096	\$ 166,823	\$ 16,221	\$ 49,067	\$ 40,979	\$ 404,186
Receivables	-	-	2,563	3,521	3,386	9,470
Total assets	<u>\$ 131,096</u>	<u>\$ 166,823</u>	<u>\$ 18,784</u>	<u>\$ 52,588</u>	<u>\$ 44,365</u>	<u>\$ 413,656</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 4,065	\$ -	\$ 4,065
Deferred revenue	-	-	1,821	-	-	1,821
Total liabilities	-	-	1,821	4,065	-	5,886
Fund balances:						
Unreserved, undesignated	<u>131,096</u>	<u>166,823</u>	<u>16,963</u>	<u>48,523</u>	<u>44,365</u>	<u>407,770</u>
Total liabilities and fund balances	<u>\$ 131,096</u>	<u>\$ 166,823</u>	<u>\$ 18,784</u>	<u>\$ 52,588</u>	<u>\$ 44,365</u>	<u>\$ 413,656</u>

Charter Township of Cooper
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds
Year ended March 31, 2007

	Special revenue funds					Totals
	Fire Improvement	Public Improvement	Roosevelt Road	Street Lighting	Recycling	
REVENUES						
Interest	\$ 3,507	\$ 3,481	\$ 246	\$ -	\$ -	\$ 7,234
Other - special assessments	-	-	1,702	49,359	46,421	97,482
Total revenues	3,507	3,481	1,948	49,359	46,421	104,716
EXPENDITURES						
Public safety	8,900	-	-	-	-	8,900
Public works	-	2,500	-	47,010	30,586	80,096
Total expenditures	8,900	2,500	-	47,010	30,586	88,996
NET CHANGES IN FUND BALANCES	(5,393)	981	1,948	2,349	15,835	15,720
FUND BALANCES - BEGINNING	136,489	165,842	15,015	46,174	28,530	392,050
FUND BALANCES - ENDING	\$ 131,096	\$ 166,823	\$ 16,963	\$ 48,523	\$ 44,365	\$ 407,770

**Members of the Charter Township Board
Charter Township of Cooper, Michigan**

In planning and performing our audit of the financial statements of the Charter Township of Cooper as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Cooper'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. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 entity's internal control. We believe that the following deficiency constitutes a material weakness.

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

This communication is intended solely for the information and use of the Board of Trustees of the Charter Township of Cooper and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

July 11, 2007