Michigan Department of Treasury
496 (02/06)

# Auditing Procedures Report

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

| Local Unit of Government Type | Local Unit Name | County |
|---|---|---|
| ☐County ☐City ☒Twp ☐Village ☐Other | Township of Algoma | Kent |

| Fiscal Year End | Opinion Date | Date Audit Report Submitted to State |
|---|---|---|
| 3/31/2007 | 6/18/2007 | 7/16/07 |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

| **We have enclosed the following:** | Enclosed | Not Required (enter a brief justification) |
|---|---|---|
| Financial Statements | ☒ | |
| The letter of Comments and Recommendations | ☐ | None issued |
| Other (Describe) | ☒ | SAS 112 Letter |

| Certified Public Accountant (Firm Name) | Telephone Number |
|---|---|
| BDO Seidman, LLP | 616-774-7000 |

| Street Address | City | State | Zip |
|---|---|---|---|
| 99 Monroe Ave. NW Suite 800 | Grand Rapids | MI | 49503 |

| Authorizing CPA Signature | Printed Name | License Number |
|---|---|---|
| Patricia A Duperron, CPA | Patricia A Duperron | 1101019522 |

# Township of Algoma, Michigan

## Annual Financial Report

**Year Ended March 31, 2007**

BDO Seidman, LLP
Accountants and Consultants

# Township of Algoma, Michigan

## Annual Financial Report

**Year Ended March 31, 2007**

# Township of Algoma, Michigan

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Accountants and Consultants

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# Independent Auditors' Report

Board of Trustees
Township of Algoma
Rockford, Michigan

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Township of Algoma, Michigan as of March 31, 2007, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparison information on pages 45-49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Township of Algoma. 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.

BDO Seidman, LLP

Grand Rapids, Michigan
June 18, 2007

# Management's Discussion and Analysis

## 1) Financial Highlights

a) Net assets of governmental activities totaled $2,380,116 as presented in the Government-Wide Statement of Net Assets.

b) Net assets of business-type activities totaled $1,167,205 as presented in the Government-Wide Statement of Net Assets.

c) Total General Fund expenditures were under the final budget by $219,358.

d) Fund balance in the General Fund decreased by $27,909 to $474,069.

## 2) Overview of Financial Statements

The financial statements provide two views of the Township's financial position. At the broadest level, the government-wide statements summarize all Township funds into one statement using the full accrual method of accounting. This method of accounting is similar to private sector, for-profit accounting. The more detailed level is the fund financial statements which are prepared using the modified accrual method of accounting.

### a) Government-Wide Financial Statements

i) Statement of Net Assets

The focus of the Statement of Net Assets is similar to a balance sheet in private sector accounting. This statement, for the first time, combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations (total economic resources). This statement presents all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets can serve as a barometer of financial health and whether the Township's financial position is improving or deteriorating.

ii) Statement of Activities

The Statement of Activities is focused on both the gross and net cost of the various activities that are supported by the Township's general tax and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various governmental services and/or the subsidy to various business-type activities.

### b) Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial presentation more familiar. These statements provide more detailed information about the Township's most significant funds (major funds). A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to maintain control over resources that have been segregated for specific activities or objectives.

i) Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund statements are presented on a modified accrual basis, which focuses on the near-term sources and uses of available resources. This is the manner in which the budget is typically developed. The balance sheet for governmental funds does not include any capital assets or long-term debt. Governmental funds include the general fund and special revenue funds and are reported as governmental activities in the government-wide financial statements.

(1) Major Funds

In the new reporting model, the focus shifted from fund type to a major funds emphasis. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. The following funds meet this requirement:

- General Fund
- Fire Department Special Revenue Fund
- Building Department Special Revenue Fund
- Special Assessments Special Revenue Fund

ii) Proprietary Funds

Proprietary funds are used to account for the services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting. The Township maintains one enterprise fund that is used to report the sewer operations and maintenance. It is reported as business-type activities in the government-wide financial statements.

**c) Notes to the Financial Statements**

Immediately after the financial statements are the Notes to Financial Statements. The notes are an integral part of the financial statements. The notes contain many additional disclosures about the financial health of the Township.

## 3) Government-Wide Financial Analysis

**a) Net Assets**

Following is a summarized version of the Statement of Net Assets.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| *March 31,* | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| **Assets** | | | | | | |
| Current and other assets | $ 694,506 | $ 844,321 | $ 179,975 | $ 205,707 | $ 874,481 | $ 1,050,028 |
| Capital assets, net of accumulated depreciation | 2,023,853 | 2,111,655 | 987,377 | 932,306 | 3,011,230 | 3,043,961 |
| Total assets | 2,718,359 | 2,955,976 | 1,167,352 | 1,138,013 | 3,885,711 | 4,093,989 |
| **Liabilities** | | | | | | |
| Long-term liabilities | 300,655 | 389,589 | - | - | 300,655 | 389,589 |
| Other liabilities | 37,588 | 28,758 | 147 | 563 | 37,735 | 29,321 |
| Total liabilities | 338,243 | 418,347 | 147 | 563 | 338,390 | 418,910 |
| **Net Assets** | | | | | | |
| Invested in capital assets, net of related debt | 1,734,853 | 1,732,655 | 987,377 | 932,306 | 2,722,230 | 2,664,961 |
| Restricted | 130,898 | 313,585 | - | - | 130,898 | 313,585 |
| Unrestricted | 514,365 | 491,389 | 179,828 | 205,144 | 694,193 | 696,533 |
| **Total Net Assets** | $ 2,380,116 | $ 2,537,629 | $ 1,167,205 | $ 1,137,450 | $ 3,547,321 | $ 3,675,079 |

The total net assets of the Township are $3,547,321. Net assets totaling $130,898 are restricted for public safety and health and welfare. The Township has $694,193 in unrestricted net assets.

## b) Changes in Net Assets

i) The following table shows how activities affected changes in net assets during the fiscal year.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| *March 31,* | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| **Revenues** | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 248,902 | $ 282,761 | $ 97,303 | $ 92,370 | $ 346,205 | $ 375,131 |
| Operating grants and contributions | 16,211 | 137,026 | - | - | 16,211 | 137,026 |
| Capital grants | 21,881 | - | 80,000 | - | 101,881 | - |
| General revenues: | | | | | | |
| Property taxes | 636,900 | 598,958 | - | - | 636,900 | 598,958 |
| Other taxes and revenues | 523,666 | 519,084 | - | - | 523,666 | 519,084 |
| Investment earnings | 28,767 | 27,319 | 9,443 | 6,716 | 38,210 | 34,035 |
| Total revenues | 1,476,327 | 1,565,148 | 186,746 | 99,086 | 1,663,073 | 1,664,234 |
| **Expenses** | | | | | | |
| General government | 562,993 | 486,392 | - | - | 562,993 | 486,392 |
| Public safety | 605,842 | 458,623 | - | - | 605,842 | 458,623 |
| Public works | 206,575 | 226,933 | 156,991 | 143,388 | 363,566 | 370,321 |
| Health and welfare | 54,641 | 16,975 | - | - | 54,641 | 16,975 |
| Culture and recreation | 95,394 | 97,170 | - | - | 95,394 | 97,170 |
| Community development | 77,359 | 129,225 | - | - | 77,359 | 129,225 |
| Other | 18,453 | 38,698 | - | - | 18,453 | 38,698 |
| Interest and fiscal charges | 12,583 | 15,531 | - | - | 12,583 | 15,531 |
| Total expenses | 1,633,840 | 1,469,547 | 156,991 | 143,388 | 1,790,831 | 1,612,935 |
| Change in net assets | (157,513) | 95,601 | 29,755 | (44,302) | (127,758) | 51,299 |
| **Net Assets,** beginning of year | 2,537,629 | 2,442,028 | 1,137,450 | 1,181,752 | 3,675,079 | 3,623,780 |
| **Net Assets,** end of year | $ 2,380,116 | $ 2,537,629 | $ 1,167,205 | $ 1,137,450 | $ 3,547,321 | $ 3,675,079 |

(1) Revenue Sources and Changes

Total revenue from all sources totaled $1,663,073, of which $1,476,327 was from governmental activities and $186,746 was from business-type activities. Revenue from governmental activities consists mainly of $636,900 (43%) from property taxes and $516,745 (35%) from state revenue sharing. The millage rate for general operations was .7924 and .9854 for the fire department. Revenue from operating and capital grants decreased by approximately $99,000 due to a grant received in 2006 for fire equipment.

(2) Expenses

(a) Expenses by Function

Using a full accrual basis of accounting, the Township spent $1,633,840 on governmental activities. This equates to 35% on general government, 37% on public safety, 13% on public works and 6% on culture and recreation. Expenditures for public safety increased in part due to the addition of a public safety officer.

ii) Business-Type Activity Highlights

Business-type activities show an increase in net assets of $29,755 on revenues of $186,746. The largest source of revenue was from charges for services, which represent 52% of revenues for business-type activities.

**4) Financial Analysis of Individual Funds**

**a) General Fund**

The General Fund had revenues of $961,466 and expenditures of $989,375. Major expenditures include the completion of the Grange paving project and the beginning of improvements to Edgerton Ct. In addition the Township performed a mid-year census count.

**5) Capital Assets and Debt Administration**

**a) Capital Assets**

i) Summary of Capital Assets

The Township has $3,011,230 invested in capital assets net of accumulated depreciation, which consists of $2,023,853 in governmental activities and $987,377 in business-type activities. The major investments are in real property, buildings and infrastructure. During the year an $80,000 sewer extension was completed and donated to the Township by a developer.

Capital assets include all purchases of assets that exceed $1,000. Capital assets include land and land improvements, buildings and improvements, machinery and equipment, motor vehicles and infrastructure such as streets and sidewalks. The Township uses straight-line depreciation for all depreciable assets.

ii) Future Plans include the paving of Edgerton Court which is expected to be completed in calendar year 2007.

## 6) Debt

### a) Summary of Debt

The Township had $300,655 of debt outstanding for governmental activities. The major portion, $289,000, is the installment purchase of the Edgerton Fire Station constructed in 2003.

## 7) Economic Forecast

### a) Main Sources of Revenue

The Township has three main sources of revenue. These include property taxes, utility charges, and state shared revenue. The economic forecast for the community is mostly dependent on state shared revenue as discussed below.

i) State Shared Revenue

State shared revenue is the largest source of revenue for the General Fund, representing 54% of General Fund revenue. State shared revenue is made up of two components and is based on the State sales tax rate of 6%. The constitutional component is based on the former 4% sales tax rate. This portion cannot be adjusted by the legislature. This total is $516,745 in fiscal year 2007. The statutory component is based on the additional percentage added to the State sales tax and can be adjusted by the State legislature. This total is $ 0 in fiscal year 2007. In both components, the overall distribution is dependent on the collection of the State sales taxes. When the economy and sales diminish, the revenue stream is reduced. When the economy and sales improve, revenue increases. Therefore, the General Fund is partially dependent on the overall State of Michigan economy.

In preparing the annual budgets, management uses the Michigan Department of Treasury's estimates as published on their web site. The current fund balance will enable the Township to weather any likely reductions in fiscal year 2008 state shared revenue; however, conservative estimates for the future are needed.

# Government-Wide Financial Statements

# Township of Algoma, Michigan

## Statement of Net Assets

| *March 31, 2007* | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total |
| **Assets** | | | |
| Cash and investments (Note 2) | $ 554,283 | $ 172,494 | $ 726,777 |
| Taxes receivable | 34,108 | - | 34,108 |
| Accounts receivable | 19,688 | 6,092 | 25,780 |
| Special assessments receivable | 1,587 | 1,389 | 2,976 |
| Due from other governments | 84,840 | - | 84,840 |
| Land (Note 4) | 230,265 | - | 230,265 |
| Depreciable capital assets, net of accumulated depreciation (Note 4) | 1,793,588 | 987,377 | 2,780,965 |
| **Total Assets** | 2,718,359 | 1,167,352 | 3,885,711 |
| **Liabilities** | | | |
| Accounts payable | 36,784 | 147 | 36,931 |
| Accrued liabilities | 804 | - | 804 |
| Noncurrent liabilities (Note 7): | | | |
| Due within one year | 93,000 | - | 93,000 |
| Due in more than one year | 207,655 | - | 207,655 |
| **Total Liabilities** | 338,243 | 147 | 338,390 |
| **Net Assets** | | | |
| Invested in capital assets, net of related debt | 1,734,853 | 987,377 | 2,722,230 |
| Restricted for: | | | |
| Public safety | 66,822 | - | 66,822 |
| Health and welfare | 64,076 | - | 64,076 |
| Unrestricted | 514,365 | 179,828 | 694,193 |
| **Total Net Assets** | $ 2,380,116 | $ 1,167,205 | $ 3,547,321 |

*See accompanying notes to financial statements.*

| *Year ended March 31, 2007* | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants |
|---|---|---|---|---|
| **Primary Government** | | | | |
| Governmental activities: | | | | |
| General government | $ 562,993 | $ 100,650 | $ - | $ 21,881 |
| Public safety | 605,842 | 108,775 | - | - |
| Public works | 206,575 | - | - | - |
| Health and welfare | 54,641 | 37,787 | 16,211 | - |
| Cultural and recreation | 95,394 | 1,690 | - | - |
| Community and economic development | 77,359 | - | - | - |
| Other | 18,453 | - | - | - |
| Interest and fiscal charges | 12,583 | - | - | - |
| Total governmental activities | 1,633,840 | 248,902 | 16,211 | 21,881 |
| Business-type activities: | | | | |
| Sewer operations and maintenance | 156,991 | 97,303 | - | 80,000 |
| **Total Primary Government** | $1,790,831 | $ 346,205 | $ 16,211 | $ 101,881 |

General revenues:
Property taxes levied for general purposes
Property taxes levied for public safety
Other taxes
Other revenues
Unrestricted investment earnings

Total general revenues

Change in net assets

**Net Assets,** beginning of year

**Net Assets,** end of year

## Statement of Activities

| Net (Expense) Revenue and Changes in Net Assets | | |
|---|---|---|
| Primary Government | | |
| Governmental Activities | Business-Type Activities | Total |
| $ (440,462) | $ - | $ (440,462) |
| (497,067) | - | (497,067) |
| (206,575) | - | (206,575) |
| (643) | - | (643) |
| (93,704) | - | (93,704) |
| (77,359) | - | (77,359) |
| (18,453) | - | (18,453) |
| (12,583) | - | (12,583) |
| (1,346,846) | - | (1,346,846) |
| - | 20,312 | 20,312 |
| (1,346,846) | 20,312 | (1,326,534) |
| 297,341 | - | 297,341 |
| 339,559 | - | 339,559 |
| 516,745 | - | 516,745 |
| 6,921 | - | 6,921 |
| 28,767 | 9,443 | 38,210 |
| 1,189,333 | 9,443 | 1,198,776 |
| (157,513) | 29,755 | (127,758) |
| 2,537,629 | 1,137,450 | 3,675,079 |
| $ 2,380,116 | $1,167,205 | $ 3,547,321 |

*See accompanying notes to financial statements.*

# Township of Algoma, Michigan

## Governmental Funds
## Balance Sheet

| *March 31, 2007* | General | Special Revenue Funds: Fire Department | Special Revenue Funds: Building Department | Special Revenue Funds: Special Assessments | Total Governmental Funds |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and investments (Note 2) | $ 385,218 | $ 50,469 | $ 53,732 | $ 64,864 | $ 554,283 |
| Taxes receivable | 15,203 | 18,905 | - | - | 34,108 |
| Special assessments receivable | - | - | - | 1,587 | 1,587 |
| Due from other funds (Note 3) | 19,401 | 287 | - | - | 19,688 |
| Due from other governments | 84,840 | - | - | - | 84,840 |
| **Total Assets** | $ 504,662 | $ 69,661 | $ 53,732 | $ 66,451 | $ 694,506 |
| **Liabilities and Fund Balances** | | | | | |
| Liabilities | | | | | |
| Accounts payable | $ 30,593 | $ 2,036 | $ 1,780 | $ 2,375 | $ 36,784 |
| Unreserved fund balances | | | | | |
| Designated for subsequent years' expenditures | 295,174 | 40,645 | 39,833 | - | 375,652 |
| Undesignated: | | | | | |
| Reported in General Fund | 178,895 | - | - | - | 178,895 |
| Reported in Special Revenue Funds | - | 26,980 | 12,119 | 64,076 | 103,175 |
| Total fund balances | 474,069 | 67,625 | 51,952 | 64,076 | 657,722 |
| **Total Liabilities and Fund Balances** | $ 504,662 | $ 69,661 | $ 53,732 | $ 66,451 | $ 694,506 |

*See accompanying notes to financial statements.*

# Township of Algoma, Michigan

## Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

*March 31, 2007*

| | |
|---|---|
| Total fund balances - total governmental funds | $ 657,722 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of: | |
| Capital assets, at cost | 3,107,139 |
| Accumulated depreciation | (1,083,286) |
| Net capital assets | 2,023,853 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Balances were: | |
| Bonds payable | (289,000) |
| Accrued interest on bonds | (804) |
| Compensated absences | (11,655) |
| **Net Assets of Governmental Activities** | $ 2,380,116 |

*See accompanying notes to financial statements.*

# Township of Algoma, Michigan

## Governmental Funds
## Statement of Revenues, Expenditures and Changes in Fund Balances

| *Year ended March 31, 2007* | General | Special Revenue Funds: Fire Department | Special Revenue Funds: Building Department | Special Revenue Funds: Special Assessments | Total Governmental Funds |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Property taxes | $ 297,341 | $ 339,559 | $ - | $ - | $ 636,900 |
| Intergovernmental | 532,956 | - | - | - | 532,956 |
| Licenses and permits | 1,690 | - | - | - | 1,690 |
| Charges for services | 100,650 | - | 105,499 | 37,787 | 243,936 |
| Investment earnings | 22,182 | 2,093 | 2,950 | 1,542 | 28,767 |
| Other revenues | 6,647 | 3,276 | - | - | 9,923 |
| Total revenues | 961,466 | 344,928 | 108,449 | 39,329 | 1,454,172 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General government | 551,622 | - | - | - | 551,622 |
| Public safety | 57,091 | 336,970 | 150,459 | - | 544,520 |
| Public works | 206,575 | - | - | - | 206,575 |
| Health and welfare | 5,000 | - | - | 33,430 | 38,430 |
| Community and economic development | 77,359 | - | - | - | 77,359 |
| Cultural and recreation | 57,064 | - | - | - | 57,064 |
| Other | 34,664 | - | - | - | 34,664 |
| Debt service: | | | | | |
| Principal | - | 90,000 | - | - | 90,000 |
| Interest | - | 12,834 | - | - | 12,834 |
| Total expenditures | 989,375 | 439,804 | 150,459 | 33,430 | 1,613,068 |
| Net change in fund balances | (27,909) | (94,876) | (42,010) | 5,899 | (158,896) |
| **Fund Balances**, beginning of year | 501,978 | 162,501 | 93,962 | 58,177 | 816,618 |
| **Fund Balances**, end of year | $ 474,069 | $ 67,625 | $ 51,952 | $ 64,076 | $ 657,722 |

*See accompanying notes to financial statements.*

# Township of Algoma, Michigan

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

*Year ended March 31, 2007*

| | |
|---|---|
| Net change in fund balances - total governmental funds | $ (158,896) |
| 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 as depreciation expense. | |
| Capital outlay | 63,982 |
| Depreciation expense | (150,843) |
| Governmental funds report proceeds from the sale of capital assets as revenue while in the statement of activities only the gain or loss is reported. The change in net assets differs from the change in fund balance by the basis of the property disposed. | (941) |
| Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | 90,000 |
| 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. | |
| Compensated absences | (1,066) |
| Accrued interest | 251 |
| **Change in Net Assets of Governmental Activities** | $ (157,513) |

*See accompanying notes to financial statements.*

# Township of Algoma, Michigan

## Proprietary Fund
## Statement of Net Assets

| *March 31, 2007* | Enterprise Fund<br>Sewer Operations<br>and Maintenance |
|---|---|
| **Assets** | |
| Current assets | |
| Cash and investments (Note 2) | $ 172,494 |
| Accounts receivable | 6,092 |
| Special assessments receivable | 1,389 |
| Total current assets | 179,975 |
| Noncurrent assets | |
| Capital assets, net of accumulated depreciation (Note 3) | 987,377 |
| **Total Assets** | 1,167,352 |
| **Liabilities** | |
| Current liabilities | |
| Accounts payable | 147 |
| **Net Assets** | |
| Invested in capital assets, net of related debt | 987,377 |
| Unrestricted | 179,828 |
| **Total Net Assets** | $ 1,167,205 |

*See accompanying notes to financial statements.*

# Township of Algoma, Michigan

## Proprietary Fund
## Statement of Revenues, Expenses and Changes in Fund Net Assets

| *Year ended March 31, 2007* | Enterprise Fund<br>Sewer Operations<br>and Maintenance |
|---|---|
| **Operating Revenues** | |
| Charges for services | $ 92,840 |
| Other | 4,463 |
| Total operating revenues | 97,303 |
| **Operating Expenses** | |
| Operations | 50,751 |
| Administrative | 12,058 |
| Depreciation | 31,916 |
| Charges from other governmental units | 62,266 |
| Total operating expenses | 156,991 |
| Operating loss | (59,688) |
| **Nonoperating Revenues** | |
| Interest income | 9,443 |
| Loss before capital contributions | (50,245) |
| **Capital Contributions** | 80,000 |
| Change in net assets | 29,755 |
| **Net Assets**, beginning of year | 1,137,450 |
| **Net Assets**, end of year | $ 1,167,205 |

*See accompanying notes to financial statements.*

# Township of Algoma, Michigan

## Proprietary Fund
## Statement of Cash Flows

| *Year ended March 31, 2007* | Enterprise Fund<br>Sewer Operations<br>and Maintenance |
|---|---|
| **Cash Flows for Operating Activities** | |
| Receipts from customers | $ 96,971 |
| Payments to suppliers | (124,068) |
| Payments to employees | (1,425) |
| Net cash for operating activities | (28,522) |
| **Cash Flows From Investing Activity** | |
| Investment earnings | 9,444 |
| **Cash Flows for Capital and Related Financing Activity** | |
| Purchase of fixed assets | (6,986) |
| **Net Decrease in Cash and Equivalents** | (26,064) |
| **Cash and Equivalents**, beginning of year | 198,558 |
| **Cash and Equivalents**, end of year | $ 172,494 |
| **Reconciliation of Operating Loss to Net Cash for Operating Activities** | |
| Operating loss | $ (59,688) |
| Adjustments to reconcile operating loss to net cash for operating activities: | |
| Depreciation expense | 31,916 |
| Changes in assets and liabilities: | |
| Accounts receivable | (1,258) |
| Accounts payable | (417) |
| Other receivable | 925 |
| **Net Cash for Operating Activities** | $ (28,522) |
| **Noncash Capital Financing Activity** | |
| Contributed capital | $ 80,000 |

*See accompanying notes to financial statements.*

# Township of Algoma, Michigan

## Fiduciary Funds
## Statement of Fiduciary Net Assets

| *March 31, 2007* | | Agency Funds |
|---|---|---|
| **Assets** | | |
| Cash and investments (Note 2) | $ | 89,613 |
| Accounts receivable | | 11,968 |
| **Total Assets** | $ | 101,581 |
| **Liabilities** | | |
| Deposits | $ | 31,663 |
| Due to other funds (Note 3) | | 19,688 |
| Due to other governmental units | | - |
| Sewer escrows (Note 6) | | 50,230 |
| **Total Liabilities** | $ | 101,581 |

*See accompanying notes to financial statements.*

## 1. Summary of Significant Accounting Policies

***Reporting Entity***

The basic financial statements of the Township of Algoma (the Township) contain all the funds that are controlled by, or dependent on, the Township's executive or legislative branches. Control by, or dependence on, the Township was determined on the basis of appointment of the governing authority, budget adoption, taxing authority, obligation of the Township to finance any deficits that may occur, scope of public service, and ability to significantly influence operations.

***Basis of Presentation***

*Government-wide financial statements:* The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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 operation or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

*Fund financial statements*: The fund financial statements provide information about the Township's funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Township reports the following major governmental funds:

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

*Fire Department Special Revenue Fund* - accounts for taxes collected for operations of the Fire Department.

*Building Department Special Revenue Fund* - accounts for revenues received for building permits that are earmarked for building construction code enforcement activities.

*Special Assessments Special Revenue Fund* - accounts for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes such as lighting or weed control. Revenue is collected in the form of special assessments.

The Township reports the following major enterprise fund:

*Sewer Operations and Maintenance Fund* - accounts for the operation and maintenance of the sewer system. Financing is provided primarily by user charges.

In addition, the Township reports the following funds:

*Fiduciary Funds* - the Tax Collection Fund and the Trust and Agency Fund are used to account for assets held by the Township as an agent. These funds are custodial in nature and do not involve measurement of results of operations.

***Measurement Focus and Basis of Accounting***

*Government-wide, proprietary and fiduciary fund financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide and enterprise fund financial statements follow applicable accounting and financial reporting standards of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, unless those pronouncements conflict with Governmental Accounting Standards Board pronouncements. The Township has elected not to apply FASB pronouncements issued after November 30, 1989 to the Enterprise Funds.

*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 for the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

***Cash and Cash Equivalents***

The Township considers cash on hand and demand deposits to be cash equivalents for the statement of cash flows. In addition, all deposits in the Kent County Pooled Cash and Investment System and municipal investment funds are considered to be cash equivalents. These deposits have the general characteristics of demand deposit accounts in that entities may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

***Investments***

Investments are reported at fair value.

***Capital Assets***

Capital assets, which include infrastructure, property, buildings and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed $1,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated fixed assets are stated at their market value as of the donation date. Infrastructure assets, including roads, bridges and underground pipes, are included.

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

| | Years |
|---|---|
| Land improvements | 10-20 |
| Water and sewer facilities | 20-50 |
| Buildings and improvements | 10-50 |
| Vehicles and equipment | 5-20 |
| Furniture and fixtures | 5-10 |

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

***Property Taxes***

The Township's property taxes are levied as an enforceable lien on property as of December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and a portion of the taxes billed on behalf of Kent County and various school districts within the Township's boundaries. Real property taxes not collected as of March 1 are turned over to Kent County for collection. The County advances the Township 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Township's treasurer. The Township's property taxes levied on December 1 provide the revenue for the current fiscal year.

A portion of the taxes billed on behalf of Kent County and various school districts within the Township's boundaries are billed on July 1. These taxes are due without penalty on September 14. Taxes collected on behalf of school districts and Kent County are remitted to the school districts and Kent County following collection and are accounted for in the Tax Collection Fund.

The assessed and state equalized taxable value of real and personal property located in the Township totaled $343,254,230. The Township's general operating levy for the year was based on a millage rate of .7924 and the fire department levy was .9854.

***Interfund Activity***

During the course of its operations, the Township has transactions between funds. To the extent that certain transactions had not been paid or received as of March 31, 2007, balances of interfund receivables or payables have been recorded.

***Risk Management***

The Township has transferred the risk of loss associated with liability, property, employee health care, workers' compensation and life insurance by purchasing insurance from commercial insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

***Compensated Absences***

Township employees are granted vacation leave in varying amounts based on length of service. Employees may not accumulate over 10 days of vacation leave in any one fiscal year. Township employees are paid for earned but unused vacation benefits at their current rates of pay upon retirement or resignation with a two week written notice. The Township has accrued a liability for the amount of unused vacation and sick leave pay in the government-wide and proprietary fund financial statements. Only the matured liability is reported in the governmental fund financial statements.

Full-time employees accumulate sick leave at a rate of 12 days per year. Unused sick leave accumulates from year to year to a maximum of 30 days. No portion of unused sick leave is paid to employees upon termination.

## 2. Cash and Investments

***Deposits***

Statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

***Custodial Credit Risk for Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be recovered. The Township's policy to mitigate custodial credit risk is to employ portfolio diversification.

At March 31, 2007, the book balance was $355,707 and the bank balance (without recognition of outstanding checks or deposits in transit) was $700,549, of which $150,230 was insured by federal depository insurance, and $550,319 was uninsured.

***Investments***

Statutes require and Board resolutions authorize the Township to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements, and mutual funds composed of the types of investment vehicles previously named.

The Township had the following investment at March 31, 2007:

| *Investment* | Maturity | Fair Value |
|---|---|---|
| Kent County Investment Pool | Less than 1 year | $ 460,383 |

The Township participates in the Kent County Pooled Cash and Investment System, in which the fair value of the Township's position in the pool is the same as the value of the pool shares.

***Interest Rate Risk***

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The Township's investment policy to mitigate interest rate risk specifies that investment maturities shall not exceed one to six years at the time of purchase.

***Custodial Credit Risk Related to Investments***

Custodial credit risk 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 that are in the possession of an outside party. The Township had no investments subject to custodial credit risk at March 31, 2007.

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township's investment policy to mitigate such risk is to employ portfolio diversification. The Kent County Investment Pool is not rated.

## 3. Interfund Receivables and Payables

Interfund receivables and payables at March 31, 2007 are as follows:

| *Fund* | Interfund Receivables | Interfund Payables |
|---|---|---|
| General Fund | $ 19,401 | $ - |
| Fire Department Special Revenue Fund | 287 | - |
| Trust and Agency Funds | - | 19,688 |
| | $ 19,688 | $ 19,688 |

## 4. Capital Assets

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

| | Balance April 1, 2006 | Additions | Disposals | Balance March 31, 2007 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets not depreciated: | | | | |
| Land | $ 230,265 | $ - | $ - | $ 230,265 |
| Capital assets being depreciated: | | | | |
| Land improvements | 731,439 | 5,372 | - | 736,811 |
| Buildings | 1,150,167 | - | - | 1,150,167 |
| Building improvements | 135,354 | - | - | 135,354 |
| Equipment | 207,492 | 20,407 | 2,567 | 225,332 |
| Vehicles | 501,063 | - | 34,000 | 467,063 |
| Office equipment and furniture | 139,001 | 38,203 | 15,057 | 162,147 |
| Totals at historical cost | 3,094,781 | 63,982 | 51,624 | 3,107,139 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 239,426 | 39,383 | - | 278,809 |
| Buildings | 208,695 | 29,098 | - | 237,793 |
| Building improvements | 99,815 | 3,965 | - | 103,780 |
| Equipment | 73,854 | 30,855 | 1,626 | 103,083 |
| Vehicles | 279,087 | 28,932 | 34,000 | 274,019 |
| Office equipment and furniture | 82,249 | 18,610 | 15,057 | 85,802 |
| Total accumulated depreciation | 983,126 | 150,843 | 50,683 | 1,083,286 |
| **Governmental Activities - Net Capital Assets** | $ 2,111,655 | $ (86,861) | $ 941 | $ 2,023,853 |

Depreciation expense was charged to governmental functions as follows:

| *March 31,* | 2007 |
|---|---|
| General government | $ 27,589 |
| Public safety | 79,552 |
| Cultural and recreation | 43,702 |
| **Total Depreciation Expense** | $ 150,843 |

| | Balance April 1, 2006 | Additions | Disposals | Balance March 31, 2007 |
|---|---|---|---|---|
| **Business-Type Activities** | | | | |
| Capital assets being depreciated: | | | | |
| Mains | $ 1,548,556 | $ 80,000 | $ - | $ 1,628,556 |
| Machinery and equipment | 422,199 | 6,987 | 108,181 | 321,005 |
| Vehicle | 22,444 | - | - | 22,444 |
| Totals at historical cost | 1,993,199 | 86,987 | 108,181 | 1,972,005 |
| Less accumulated depreciation for: | | | | |
| Mains | 620,978 | 31,104 | - | 652,082 |
| Machinery and equipment | 417,471 | 812 | 108,181 | 310,102 |
| Vehicle | 22,444 | - | - | 22,444 |
| Total accumulated depreciation | 1,060,893 | 31,916 | 108,181 | 984,628 |
| **Business-Type Activities - Net Capital Assets** | $ 932,306 | $ 55,071 | $ - | $ 987,377 |

## 5. Retirement Plan

The Township has a defined contribution pension plan covering all elected officials and full-time employees. The plan is administered by Manufacturers Life Insurance Company and plan assets are invested in fixed interest governmental, federal and corporate bonds, and commercially-backed mortgages.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Such benefits depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. Contributions to the plan are made by the Township based upon 15% of each participant's annual compensation. Participants of the plan may make voluntary contributions up to 10% of annual compensation. Total covered payroll and total current year payroll for all employees of the Township for the year ended March 31, 2007, was $279,425 and $440,031, respectively.

Employees become vested in the plan immediately. Vested benefits are equal to the death benefit or cash value, which is equal to the actual annual premiums plus interest. The plan may only be amended upon Township board approval. Employer contributions for the year ended March 31, 2007 totaled $44,594.

## 6. Sewer Escrows

The Township has established escrow accounts for the funds received to date from purchasers of units in the Summit Breeze and Serenity Shores condominium developments. The escrow funds are to reimburse the Township for costs associated with operating, maintaining, repairing, and replacing the sewer system in the event the Township ever assumes responsibility for the operating and maintenance of the sewer system.

## 7. Long-Term Debt

The following is a summary of the Township's long-term debt activity:

| *Year ended March 31, 2007* | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| Installment purchase agreement | $379,000 | $ - | $ 90,000 | $289,000 |
| Compensated absences | 10,589 | 1,066 | - | 11,655 |
| **Total General Long-Term Debt** | $389,589 | $ 1,066 | $ 90,000 | $300,655 |

The installment purchase agreement was issued to finance the construction of a fire station. Installment payments are due through March 1, 2010 and range from $93,000 to $100,000. Interest is paid semiannually at a rate of 3.34%.

The annual principal and interest requirements on the installment purchase agreement is as follows:

| *Year ending March 31,* | Principal | Interest | Total |
|---|---|---|---|
| 2008 | $ 93,000 | $ 9,787 | $ 102,787 |
| 2009 | 96,000 | 6,637 | 102,637 |
| 2010 | 100,000 | 3,386 | 103,386 |
| **Total** | $ 289,000 | $ 19,810 | $ 308,810 |

## 8. Litigation

The Township is subject to various legal proceedings which normally occur in governmental operations. In the opinion of management and the Township attorney, the outcome of these lawsuits will not materially affect the financial condition of the Township and accordingly, no provision for losses has been recorded.

# Required Supplemental Information

# Township of Algoma, Michigan

## General Fund
## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

| *Year ended March 31, 2007* | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property taxes | $ 297,000 | $ 297,000 | $ 297,341 | $ 341 |
| Intergovernmental | 543,000 | 543,000 | 532,956 | (10,044) |
| Licenses and permits | 1,200 | 1,200 | 1,690 | 490 |
| Charges for services | 88,500 | 88,500 | 100,650 | 12,150 |
| Investment earnings | 5,900 | 5,900 | 22,182 | 16,282 |
| Other revenues | 5,600 | 5,600 | 6,647 | 1,047 |
| Total revenues | 941,200 | 941,200 | 961,466 | 20,266 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | 621,584 | 676,584 | 551,622 | 124,962 |
| Public safety | 90,000 | 90,000 | 57,091 | 32,909 |
| Public works | 252,500 | 217,500 | 206,575 | 10,925 |
| Health and welfare | 5,000 | 5,000 | 5,000 | - |
| Community and economic development | 67,457 | 98,457 | 77,359 | 21,098 |
| Cultural and recreation | 76,850 | 83,405 | 57,064 | 26,341 |
| Other | 96,000 | 37,787 | 34,664 | 3,123 |
| Total expenditures | 1,209,391 | 1,208,733 | 989,375 | 219,358 |
| Net change in fund balance | (268,191) | (267,533) | (27,909) | 239,624 |
| **Fund Balance**, beginning of year | 501,978 | 501,978 | 501,978 | - |
| **Fund Balance**, end of year | $ 233,787 | $ 234,445 | $ 474,069 | $ 239,624 |

# Township of Algoma, Michigan

## Fire Department Special Revenue Fund
## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

| *Year ended March 31, 2007* | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property taxes | $ 344,000 | $ 344,000 | $ 339,559 | $ (4,441) |
| Investment earnings | 1,250 | 1,250 | 2,093 | 843 |
| Other revenues | 1,500 | 1,500 | 3,276 | 1,776 |
| Total revenues | 346,750 | 346,750 | 344,928 | (1,822) |
| **Expenditures** | | | | |
| Current: | | | | |
| Administration | 154,663 | 154,663 | 153,346 | 1,317 |
| Operations | 205,450 | 205,450 | 183,420 | 22,030 |
| Fire prevention | 700 | 700 | 204 | 496 |
| Contingency | 750 | 750 | - | 750 |
| Debt service: | | | | |
| Principal | 90,000 | 90,000 | 90,000 | - |
| Interest | 13,035 | 13,035 | 12,834 | 201 |
| Total expenditures | 464,598 | 464,598 | 439,804 | 24,794 |
| Net change in fund balance | (117,848) | (117,848) | (94,876) | 22,972 |
| **Fund Balance**, beginning of year | 162,501 | 162,501 | 162,501 | - |
| **Fund Balance**, end of year | $ 44,653 | $ 44,653 | $ 67,625 | $ 22,972 |

# Township of Algoma, Michigan

## Building Department Special Revenue Fund
## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

| *Year ended March 31, 2007* | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Charges for services | $ 173,500 | $ 173,500 | $ 105,499 | $(68,001) |
| Investment earnings | 2,000 | 2,000 | 2,950 | 950 |
| Total revenues | 175,500 | 175,500 | 108,449 | (67,051) |
| **Expenditures** | | | | |
| Current: | | | | |
| Administration | 19,274 | 19,274 | 18,467 | 807 |
| Inspections | 181,191 | 181,191 | 131,992 | 49,199 |
| Total expenditures | 200,465 | 200,465 | 150,459 | 50,006 |
| Net change in fund balance | (24,965) | (24,965) | (42,010) | (17,045) |
| **Fund Balance,** beginning of year | 93,962 | 93,962 | 93,962 | - |
| **Fund Balance,** end of year | $ 68,997 | $ 68,997 | $ 51,952 | $(17,045) |

# Township of Algoma, Michigan

## Special Assessments Special Revenue Fund
## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

| *Year ended March 31, 2007* | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Special assessments: | | | | |
| Crystal Pines Light District | $ 720 | $ 720 | $ 934 | $ 214 |
| Saddle Ridge Light District | 2,218 | 2,218 | 1,954 | (264) |
| Camp Lake Weed Control | 34,650 | 34,650 | 34,899 | 249 |
| Investment earnings | - | - | 1,542 | 1,542 |
| Total revenues | 37,588 | 37,588 | 39,329 | 1,741 |
| **Expenditures** | | | | |
| Current: | | | | |
| Utilities: | | | | |
| Crystal Pines Light District | 720 | 720 | 753 | (33) |
| Saddle Ridge Light District | 2,218 | 2,218 | 163 | 2,055 |
| Contracted services - Camp Lake Weed Control | 34,650 | 34,650 | 32,514 | 2,136 |
| Total expenditures | 37,588 | 37,588 | 33,430 | 4,158 |
| Net change in fund balance | - | - | 5,899 | 5,899 |
| **Fund Balance,** beginning of year | 58,177 | 58,177 | 58,177 | - |
| **Fund Balance,** end of year | $ 58,177 | $ 58,177 | $ 64,076 | $ 5,899 |

## 1. Budgets and Budgetary Accounting

The Township establishes budgets which are reflected in the financial statements for the General Fund and the Special Revenue Funds. Budgets are presented on the modified accrual basis of accounting.

Budgeted amounts are as originally adopted or amended during the year by the Board of Trustees. Individual amendments were not material in relation to the original appropriations and were made as permitted by law. Appropriations are authorized at the department level, which is the legal level of budgetary control. Unexpended appropriations lapse at year-end.

# Supplemental Information

# Township of Algoma, Michigan

## General Fund
## Comparative Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

| *Year ended March 31,* | 2007 Final Budget | 2007 Actual | 2007 Variance Positive (Negative) | 2006 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | | | | |
| Current property taxes | **$ 297,000** | **$ 297,341** | **$ 341** | $ 280,272 |
| Licenses and permits | | | | |
| Trailer fees | **1,200** | **1,486** | **286** | 1,559 |
| Animal licenses | **-** | **204** | **204** | 131 |
| Total licenses and permits | **1,200** | **1,690** | **490** | 1,690 |
| State sources | | | | |
| Sales taxes | **543,000** | **516,745** | **(26,255)** | 519,084 |
| Charges for services | | | | |
| Cemetery fees | **3,500** | **7,555** | **4,055** | 4,165 |
| Cemetery lot sales | **2,000** | **1,100** | **(900)** | 2,065 |
| Cable television fees | **40,000** | **43,423** | **3,423** | 37,397 |
| Zoning fees | **15,000** | **11,548** | **(3,452)** | 22,218 |
| Land division fees | **1,000** | **600** | **(400)** | 1,465 |
| Tax collection fees | **13,000** | **14,361** | **1,361** | 15,789 |
| Other fees | **11,000** | **20,253** | **9,253** | 25,279 |
| Mineral material removal fees | **3,000** | **1,810** | **(1,190)** | 3,261 |
| Total charges for services | **88,500** | **100,650** | **12,150** | 111,639 |
| Federal funds | **-** | **16,211** | **16,211** | 11,918 |
| Other revenues | | | | |
| Interest on deposits and investments | **5,900** | **22,182** | **16,282** | 20,727 |
| Other | **5,600** | **6,647** | **1,047** | - |
| Total other revenues | **11,500** | **28,829** | **17,329** | 20,727 |
| **Total Revenues** | **941,200** | **961,466** | **20,266** | 945,330 |

# Township of Algoma, Michigan

## General Fund
## Comparative Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

| *Year ended March 31,* | 2007 Final Budget | 2007 Actual | 2007 Variance Positive (Negative) | 2006 |
|---|---|---|---|---|
| **Expenditures** | | | | |
| General government | | | | |
| Legislative: | | | | |
| Township board: | | | | |
| Fees and per diem | **$ 8,280** | **$ 8,280** | **$ -** | $ 8,000 |
| Payroll taxes and benefits | **3,357** | **2,959** | **398** | 2,860 |
| Education and dues | **12,000** | **11,253** | **747** | 10,275 |
| Total legislative | **23,637** | **22,492** | **1,145** | 21,135 |
| Executive: | | | | |
| Supervisor: | | | | |
| Salary | **41,400** | **41,400** | **-** | 40,000 |
| Payroll taxes and benefits | **12,080** | **11,634** | **446** | 11,136 |
| Miscellaneous | **300** | **62** | **238** | 60 |
| Total executive | **53,780** | **53,096** | **684** | 51,196 |
| Clerk: | | | | |
| Salaries - clerical | **66,200** | **61,344** | **4,856** | 59,119 |
| Payroll taxes and benefits | **13,566** | **12,546** | **1,020** | 12,163 |
| Printing and publishing | **-** | **-** | **-** | 3,154 |
| Auto | **1,000** | **1,048** | **(48)** | 771 |
| Miscellaneous | **400** | **205** | **195** | 316 |
| Total clerk | **81,166** | **75,143** | **6,023** | 75,523 |
| Census | **23,530** | **11,648** | **11,882** | - |
| Board of review | **1,570** | **1,524** | **46** | 1,100 |
| Treasurer: | | | | |
| Salaries | **63,800** | **61,712** | **2,088** | 60,003 |
| Payroll taxes and benefits | **13,502** | **12,636** | **866** | 12,292 |
| Contracted services | **5,500** | **2,509** | **2,991** | 3,659 |
| Auto | **500** | **340** | **160** | 351 |
| Miscellaneous | **800** | **199** | **601** | 194 |
| Total treasurer | **84,102** | **77,396** | **6,706** | 76,499 |

# Township of Algoma, Michigan

## General Fund
## Comparative Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

| | 2007 | | | |
|---|---|---|---|---|
| *Year ended March 31,* | Final Budget | Actual | Variance Positive (Negative) | 2006 |
| Assessor: | | | | |
| Salaries | **$ 68,079** | **$ 59,546** | **$ 8,533** | $ 56,656 |
| Payroll taxes and benefits | **37,890** | **33,601** | **4,289** | 31,048 |
| Contracted services | **24,300** | **17,371** | **6,929** | 8,870 |
| Auto | **1,550** | **964** | **586** | 1,020 |
| Printing | **2,500** | **2,648** | **(148)** | 1,398 |
| Miscellaneous | **1,050** | **368** | **682** | 288 |
| Total assessor | **135,369** | **114,498** | **20,871** | 99,280 |
| Elections: | | | | |
| Fees and per diem | **12,000** | **9,793** | **2,207** | 1,880 |
| Payroll taxes | **918** | **10** | **908** | 2 |
| Contracted services | **5,100** | **2,495** | **2,605** | 147 |
| Supplies and postage | **7,000** | **2,025** | **4,975** | 817 |
| Equipment | **2,000** | **298** | **1,702** | 37 |
| Miscellaneous | **1,400** | **304** | **1,096** | 100 |
| Total elections | **28,418** | **14,925** | **13,493** | 2,983 |
| Buildings and grounds: | | | | |
| Payroll taxes and benefits | **3,000** | **2,680** | **320** | 2,527 |
| Contracted services | **41,366** | **35,503** | **5,863** | 4,482 |
| Postage and supplies | **16,600** | **17,184** | **(584)** | 44,966 |
| Printing and publishing | **8,500** | **3,145** | **5,355** | - |
| Utilities | **9,950** | **9,234** | **716** | 8,932 |
| Escrow accounts | **7,900** | **(1,336)** | **9,236** | 3,276 |
| Repairs and maintenance | **15,000** | **7,072** | **7,928** | 8,259 |
| Capital outlay | **23,000** | **14,119** | **8,881** | 8,608 |
| Miscellaneous | **6,234** | **2,410** | **3,824** | 2,161 |
| Total buildings and grounds | **131,550** | **90,011** | **41,539** | 83,211 |
| Legal and accounting: | | | | |
| Legal fees | **70,000** | **68,891** | **1,109** | 41,208 |
| Audit/consulting fees | **12,000** | **8,367** | **3,633** | 11,774 |
| Total legal and accounting | **82,000** | **77,258** | **4,742** | 52,982 |

## General Fund
## Comparative Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

| *Year ended March 31,* | 2007 Final Budget | 2007 Actual | 2007 Variance Positive (Negative) | 2006 |
|---|---|---|---|---|
| Cemetery: | | | | |
| Contracted services | **$ 7,362** | **$ 7,342** | **$ 20** | $ 4,247 |
| Maintenance | **7,000** | **6,194** | **806** | 6,043 |
| Lot buy backs | **1,000** | **-** | **1,000** | - |
| Capital outlay | **15,500** | **-** | **15,500** | 30,213 |
| Utilities | **100** | **95** | **5** | 80 |
| Miscellaneous | **500** | **-** | **500** | 95 |
| Total cemetery | **31,462** | **13,631** | **17,831** | 40,678 |
| Total general government | **676,584** | **551,622** | **124,962** | 504,587 |
| Public safety | | | | |
| Contracted services - police officer | **90,000** | **57,091** | **32,909** | - |
| Public works | | | | |
| Highways, streets and bridges | **202,500** | **196,126** | **6,374** | 219,394 |
| Drains | **13,500** | **9,176** | **4,324** | 5,214 |
| Engineering | **1,500** | **1,273** | **227** | 2,324 |
| Total public works | **217,500** | **206,575** | **10,925** | 226,932 |
| Health and welfare | | | | |
| Rockford D.A.R.E. | **5,000** | **5,000** | **-** | - |
| Community and economic development | | | | |
| Planning: | | | | |
| Fees and per diem | **22,040** | **20,153** | **1,887** | 21,773 |
| Payroll taxes | **1,687** | **1,541** | **146** | 1,666 |
| Contracted services | **46,000** | **40,619** | **5,381** | 67,795 |
| Miscellaneous | **1,200** | **960** | **240** | 874 |
| Total planning | **70,927** | **63,273** | **7,654** | 92,108 |

# Township of Algoma, Michigan

## General Fund
## Comparative Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

| *Year ended March 31,* | 2007 Final Budget | 2007 Actual | 2007 Variance Positive (Negative) | 2006 |
|---|---|---|---|---|
| Zoning: | | | | |
| Salaries | **$ 11,146** | **$ 11,146** | **$ -** | $ - |
| Payroll taxes and benefits | **854** | **854** | **-** | - |
| Contracted services | **11,000** | **300** | **10,700** | 35,175 |
| Miscellaneous | **500** | **-** | **500** | 47 |
| Total zoning | **23,500** | **12,300** | **11,200** | 35,222 |
| Board of appeals: | | | | |
| Fees and per diem | **3,000** | **1,660** | **1,340** | 1,760 |
| Payroll taxes | **230** | **126** | **104** | 135 |
| Contracted services | **500** | **-** | **500** | - |
| Miscellaneous | **300** | **-** | **300** | - |
| Total board of appeals | **4,030** | **1,786** | **2,244** | 1,895 |
| Total community and economic development | **98,457** | **77,359** | **21,098** | 129,225 |
| Cultural and recreation | | | | |
| Parks maintenance | **81,405** | **55,564** | **25,841** | 51,216 |
| Museum | **500** | **-** | **500** | 4,058 |
| Historical society | **1,500** | **1,500** | **-** | 1,500 |
| Total cultural and recreation | **83,405** | **57,064** | **26,341** | 56,774 |
| Other township | | | | |
| Federal programs | **-** | **16,211** | **(16,211)** | 11,918 |
| Insurance and bonds | **24,000** | **18,453** | **5,547** | 26,780 |
| Contingency | **13,787** | **-** | **13,787** | - |
| Total other township | **37,787** | **34,664** | **3,123** | 38,698 |
| **Total Expenditures** | **1,208,733** | **989,375** | **219,358** | 956,216 |
| Net change in fund balance | **(267,533)** | **(27,909)** | **239,624** | (10,886) |
| **Fund Balance,** beginning of year | **501,978** | **501,978** | **-** | 512,864 |
| **Fund Balance,** end of year | **$ 234,445** | **$ 474,069** | **$ 239,624** | $ 501,978 |

# Township of Algoma, Michigan

## Sewer Operations and Maintenance Proprietary Fund
## Schedule of Revenues, Expenses and Changes in Fund Net Assets - Budget and Actual

| *Year ended March 31, 2007* | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Charges for services | $ 90,000 | $ 92,840 | $ 2,840 |
| Private contributions | - | 80,000 | 80,000 |
| Interest | 4,000 | 9,443 | 5,443 |
| Other | 1,800 | 4,463 | 2,663 |
| Total revenues | 95,800 | 186,746 | 90,946 |
| **Expenses** | | | |
| Salaries and administration | 2,850 | 1,425 | 1,425 |
| Contracted services | 14,120 | 10,633 | 3,487 |
| Treatment costs | 28,000 | 27,807 | 193 |
| Sparta debt and depreciation | 64,200 | 62,266 | 1,934 |
| Maintenance and repairs | 20,000 | 11,282 | 8,718 |
| Other | 14,480 | 7,562 | 6,918 |
| Insurance | 3,916 | 4,100 | (184) |
| Total expenses | 147,566 | 125,075 | 22,491 |
| Income (loss) before depreciation | (51,766) | 61,671 | 113,437 |
| **Depreciation** | - | 31,916 | (31,916) |
| Change in net assets | (51,766) | 29,755 | 81,521 |
| **Net Assets**, beginning of year | 1,137,450 | 1,137,450 | - |
| **Net Assets**, end of year | $ 1,085,684 | $ 1,167,205 | $ 81,521 |

# Township of Algoma, Michigan

## Agency Funds
## Statement of Changes in Assets and Liabilities

| | Balances April 1, 2006 | Additions | Deductions | Balances March 31, 2007 |
|---|---|---|---|---|
| ***Trust and Agency Fund*** | | | | |
| **Assets** | | | | |
| Cash | $ 80,155 | $ 82,764 | $ 86,092 | $ 76,827 |
| Accounts receivable | 17,175 | 9,096 | 14,303 | 11,968 |
| | $ 97,330 | $ 91,860 | $ 100,395 | $ 88,795 |
| **Liabilities** | | | | |
| Deposits | $ 39,605 | $ 163,596 | $ 171,538 | $ 31,663 |
| Due to other funds | 9,913 | 3,214 | 6,225 | 6,902 |
| Sewer escrows | 47,812 | 2,418 | - | 50,230 |
| | $ 97,330 | $ 169,228 | $ 177,763 | $ 88,795 |
| ***Tax Collection Fund*** | | | | |
| **Assets** | | | | |
| Cash | $ 10,686 | $ 10,861,005 | $ 10,858,905 | $ 12,786 |
| **Liabilities** | | | | |
| Due to other governmental units | $ - | $ 10,861,005 | $ 10,861,005 | $ - |
| Due to other funds | 10,686 | 16,585 | 14,485 | 12,786 |
| | $ 10,686 | $ 10,877,590 | $ 10,875,490 | $ 12,786 |
| ***Total - Agency Funds*** | | | | |
| **Assets** | | | | |
| Cash | $ 90,841 | $ 10,943,769 | $ 10,944,997 | $ 89,613 |
| Accounts receivable | 17,175 | 9,096 | 14,303 | 11,968 |
| | $ 108,016 | $ 10,952,865 | $ 10,959,300 | $ 101,581 |
| **Liabilities** | | | | |
| Deposits | $ 39,605 | $ 163,596 | $ 171,538 | $ 31,663 |
| Due to other funds | 20,599 | 19,799 | 20,710 | 19,688 |
| Due to other governmental units | - | 10,861,005 | 10,861,005 | - |
| Sewer escrows | 47,812 | 2,418 | - | 50,230 |
| | $ 108,016 | $ 11,046,818 | $ 11,053,253 | $ 101,581 |