

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 Yates Township	County Lake
Fiscal Year End 03/31/2007	Opinion Date 10/29/2007	Date Audit Report Submitted to State November 13, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

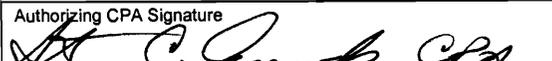
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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 checked="" type="checkbox"/>	
Other (Describe)	<input checked="" type="checkbox"/>	Letter of Deficiencies
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.	Telephone Number (231) 775-9789	
Street Address 134 West Harris Street	City Cadillac	State Zip MI 49601
Authorizing CPA Signature 	Printed Name Steven C. Arends, C.P.A.	License Number 1101013211

YATES TOWNSHIP, LAKE COUNTY

IDLEWILD, MICHIGAN

MARCH 31, 2007

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

MARCH 31, 2007

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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October 29, 2007

INDEPENDENT AUDITORS' REPORT

To the Township Board
Yates Township
Lake County
Idlewild, 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 Yates Township, Lake County, Idlewild, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's Management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 24 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 Yates Township, Lake County, Idlewild Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements and supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Yates Township, a general law township is located in Lake County. The Management's Discussion and Analysis is intended to be the Yates Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2007.

Financial Highlights

Government-Wide

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$2,539,120. Of this amount, \$1,135,205 may be used to meet the township's ongoing obligations to citizens and creditors.

Fund Level Financial Statements

- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$802,998.

Long-Term Debt

- ◆ The Township's total debt decreased by \$17,179 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration,

YATES TOWNSHIP, LAKE COUNTY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

public safety, public works, and other functions. Business-type activities of the Township include sewer utility services.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Yates Township’s own programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$2,539,120 at March 31, 2007, meaning the Township's assets were greater than its liabilities by this amount.

Yates Township
Net Assets as of March 31, 2007

	Governmental Activities	Business Type Activities	Total
Assets			
Current and Other Assets	\$ 812,695	\$ 54,572	\$ 867,267
Non Current Assets			
Prepaid Sewage Treatment	0	348,450	348,450
Capital Assets	396,540	1,772,442	2,168,982
Less: Accumulated Depreciation	(146,191)	(178,463)	(324,654)
Total Non Current Assets	250,349	1,942,429	2,192,778
Total Assets	\$ 1,063,044	\$ 1,997,001	\$ 3,060,045
Liabilities			
Current Liabilities	\$ 21,064	\$ 6,345	\$ 27,409
Long-Term Liabilities	129,516	364,000	493,516
Total Liabilities	150,580	370,345	520,925
Net Assets			
Invested in Capital Assets, Net of Related Debt	109,466	1,224,979	1,334,445
Restricted	53,270	16,200	69,470
Unrestricted	749,728	385,477	1,135,205
Total Net Assets	912,464	1,626,656	2,539,120
Total Liabilities and Net Assets	\$ 1,063,044	\$ 1,997,001	\$ 3,060,045

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others).

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Yates Township
Change in Net Assets
For the Fiscal Year Ended March 31, 2007

	Governmental Activities	Business Type Activities	Total
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$ 18,004	\$ 38,372	\$ 56,376
Operating Grants and Contributions	242,814	0	242,814
General Revenues			
Taxes	201,439	0	201,439
State Grants	55,107	0	55,107
Investment Earnings	20,381	1,456	21,837
Other	40,433	0	40,433
Total Revenues	578,178	39,828	618,006
<u>Expenses</u>			
Legislative	67,031	0	67,031
General Government	99,612	0	99,612
Public Safety	131,510	0	131,510
Public Works	86,786	78,698	165,484
Community and Economic Development	1,700	0	1,700
Recreational and Cultural	15,907	0	15,907
Other Functions	56,569	0	56,569
Total Expenses	459,115	78,698	537,813
Changes in Net Assets	119,063	(38,870)	80,193
NET ASSETS - Beginning of Year	793,401	1,665,526	2,458,927
NET ASSETS - End of Year	\$ 912,464	\$ 1,626,656	\$ 2,539,120

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Governmental Activities

During the fiscal year ended March 31, 2007, the Township's net assets increased by \$119,063 in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Yates Township comes from property taxes. The Township levied 6.7583 mills for operating purposes. In addition, the Township levied a per parcel special assessment of \$39.50 to supplement general fund operations.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by Public Safety expenses that total 28.6% of total expenses. The Township spent \$131,510 in fiscal year 2007 on Public Safety expenses. General Government represented the next largest expense at \$99,612, or 21.7% of total expenses.

Business-Type Activities

These activities accounted for a decrease of \$(38,870) in the Township's Net Assets.

The Business-type activities of the Township include the Sewer Fund, which provides sewer utility services to Township residents as well as commercial customers.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Yates Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Yates Township's governmental funds reported combined ending fund balances of \$802,998.

General Fund – The General Fund increased its fund balance by \$98,512 which brings the fund balance to \$725,133. The General Fund's fund balance is unreserved. Property taxes amounted to \$201,434. State shared revenues were collected in the amount of \$55,107.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of March 31, 2007, amounted to \$1,844,328 net of accumulated depreciation.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Yates Township
Capital Assets as of March 31, 2007

	Governmental Activities	Business-Type Activities	Totals
System Infrastructure	\$ 0	\$ 1,747,442	\$ 1,747,442
Easements	0	5,000	5,000
Vehicles	232,500	0	232,500
Equipment	164,040	20,000	184,040
	<hr/> 396,540	<hr/> 1,772,442	<hr/> 2,168,982
Less Accumulated Depreciation	(146,191)	(178,463)	(324,654)
Net Capital Assets	<hr/> <hr/> \$ 250,349	<hr/> <hr/> \$ 1,593,979	<hr/> <hr/> \$ 1,844,328

No Major capital asset events occurred during the current fiscal year.

Long-Term Debt. Yates Township has sewer bonds payable and fire contracts payable for equipment and a fire truck.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means possible further reductions in state-shared revenues. State-shared revenues are expected to remain the same in the 2007-08 fiscal year. The Township's millage rate will be reduced again by the Headlee Amendment rollback.

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Yates Township at P.O. Box 115, 413 E. Baldwin Rd, Idlewild, Michigan 49642.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2007

<u>ASSETS</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS</u> <u>TYPE</u> <u>ACTIVITIES</u>	<u>TOTALS</u>
 <u>CURRENT ASSETS</u>			
Cash	\$ 637,824	\$ 22,256	\$ 660,080
Accounts Receivable	4,242	16,116	20,358
Taxes and Special Assessments Receivable	132,885	0	132,885
External Parties Receivable (Fiduciary Funds)	25,655	0	25,655
Due from Other Governments	12,089	0	12,089
Total Current Assets	\$ 812,695	\$ 38,372	\$ 851,067
 <u>RESTRICTED ASSETS</u>			
Cash			
Bond Reserve Account	\$ 0	\$ 16,053	\$ 16,053
Bond and Interest Redemption Fund	0	147	147
Total Restricted Assets	\$ 0	\$ 16,200	\$ 16,200
 <u>NON-CURRENT ASSETS</u>			
Prepaid Sewage Treatment	\$ 0	\$ 348,450	\$ 348,450
 <u>CAPITAL ASSETS</u>			
System Infrastructure	\$ 0	\$ 1,747,442	\$ 1,747,442
Easements	0	5,000	5,000
Vehicles	232,500	0	232,500
Equipment	164,040	20,000	184,040
	\$ 396,540	\$ 1,772,442	\$ 2,168,982
Less Accumulated Depreciation	(146,191)	(178,463)	(324,654)
Net Capital Assets	\$ 250,349	\$ 1,593,979	\$ 1,844,328
TOTAL ASSETS	\$ 1,063,044	\$ 1,997,001	\$ 3,060,045

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

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2007

<u>LIABILITIES AND NET ASSETS</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS</u> <u>TYPE</u> <u>ACTIVITIES</u>	<u>TOTALS</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 9,697	\$ 0	\$ 9,697
Accrued Interest Payable	0	1,345	1,345
Notes Payable - Current Portion	11,367	0	11,367
Revenue Bonds Payable - Current Portion	0	5,000	5,000
Total Current Liabilities	\$ 21,064	\$ 6,345	\$ 27,409
<u>LONG-TERM LIABILITIES</u>			
Fire Equipment Contract Payable	\$ 6,642	\$ 0	\$ 6,642
Fire Truck Contract Payable	122,874	0	122,874
Revenue Bonds Payable - Net of Current Portion	0	364,000	364,000
Total Long-Term Liabilities	\$ 129,516	\$ 364,000	\$ 493,516
Total Liabilities	\$ 150,580	\$ 370,345	\$ 520,925
<u>NET ASSETS</u>			
Invested in Capital Assets Net of Related Debt	\$ 109,466	\$ 1,224,979	\$ 1,334,445
Restricted for Debt Service	0	16,200	16,200
Restricted for Special Purposes	53,270	0	53,270
Unrestricted	749,728	385,477	1,135,205
TOTAL NET ASSETS	\$ 912,464	\$ 1,626,656	\$ 2,539,120
TOTAL LIABILITIES AND NET ASSETS	\$ 1,063,044	\$ 1,997,001	\$ 3,060,045

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

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2007

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 67,031	\$ 0	\$ 0	\$ 0	\$ (67,031)	\$ 0	\$ (67,031)
General Government	99,612	17,069	0	0	(82,543)	0	(82,543)
Public Safety	131,510	0	131,756	0	246	0	246
Public Works	86,786	0	103,015	0	16,229	0	16,229
Community and Economic Development	1,700	935	0	0	(765)	0	(765)
Recreation and Cultural	15,907	0	8,043	0	(7,864)	0	(7,864)
Other Functions	56,569	0	0	0	(56,569)	0	(56,569)
Total Governmental Activities	\$ 459,115	\$ 18,004	\$ 242,814	\$ 0	\$ (198,297)	\$ 0	\$ (198,297)
<u>BUSINESS TYPE ACTIVITIES</u>							
Sewer System	\$ 78,698	\$ 38,372	\$ 0	\$ 0	\$ 0	\$ (40,326)	\$ (40,326)
TOTAL	\$ 537,813	\$ 56,376	\$ 242,814	\$ 0	\$ (198,297)	\$ (40,326)	\$ (238,623)
<u>GENERAL REVENUES</u>							
Taxes					\$ 201,439	\$ 0	\$ 201,439
State Grants					55,107	0	55,107
Investment Earnings					20,381	1,456	21,837
Other					40,433	0	40,433
Total General Revenues					\$ 317,360	\$ 1,456	\$ 318,816
Change in Net Assets					\$ 119,063	\$ (38,870)	\$ 80,193
<u>NET ASSETS</u> - Beginning of Year					793,401	1,665,526	2,458,927
<u>NET ASSETS</u> - End of Year					\$ 912,464	\$ 1,626,656	\$ 2,539,120

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

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2007

	<u>GENERAL</u> FUND	<u>LAND</u> TRUST FUND	<u>FIRE HALL</u> CONSTRUCTION FUND	<u>TOTALS</u>
<u>ASSETS</u>				
Cash	\$ 562,284	\$ 22,270	\$ 53,270	\$ 637,824
Accounts Receivable	4,242	0	0	4,242
Taxes and Special Assessments Receivable	132,885	0	0	132,885
Due from Other Funds	25,655	2,305	0	27,960
Due from Other Governments	12,089	0	0	12,089
Total Assets	\$ 737,155	\$ 24,575	\$ 53,270	\$ 815,000
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 9,697	\$ 0	\$ 0	\$ 9,697
Due to Other Funds	2,305	0	0	2,305
Total Liabilities	\$ 12,002	\$ 0	\$ 0	\$ 12,002
 <u>FUND BALANCE</u>				
Reserved for Fire Hall Construction	\$ 0	\$ 0	\$ 53,270	\$ 53,270
Unreserved				
Undesignated	725,153	24,575	0	749,728
Total Fund Balance	\$ 725,153	\$ 24,575	\$ 53,270	\$ 802,998
TOTAL LIABILITIES AND FUND BALANCE	\$ 737,155	\$ 24,575	\$ 53,270	\$ 815,000

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

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2007

Total Fund Balances for Governmental Funds	\$	802,998
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.		
Vehicles	\$	232,500
Equipment		164,040
Accumulated Depreciation		<u>(146,191)</u>
		250,349
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Fire Equipment Contract Payable		(11,221)
Fire Truck Contract Payable		<u>(129,662)</u>
		(140,883)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>912,464</u></u>

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

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	GENERAL FUND	LAND TRUST FUND	FIRE HALL CONSTRUCTION FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 201,439	\$ 0	\$ 0	\$ 201,439
Licenses and Permits	935	0	0	935
Federal Grants	0	0	50,000	50,000
State Grants	57,941	0	0	57,941
Charges for Services	13,009	0	0	13,009
Interest and Rents	22,029	880	1,532	24,441
Other Revenues	228,212	2,201	0	230,413
Total Revenues	\$ 523,565	\$ 3,081	\$ 51,532	\$ 578,178
<u>EXPENDITURES</u>				
Legislative	\$ 67,031	\$ 0	\$ 0	\$ 67,031
General Government	99,612	0	0	99,612
Public Safety	97,448	0	8,337	105,785
Public Works	86,786	0	0	86,786
Community and Economic Development	1,700	0	0	1,700
Recreation and Cultural	15,907	0	0	15,907
Other Functions	56,569	0	0	56,569
Total Expenditures	\$ 425,053	\$ 0	\$ 8,337	\$ 433,390
Net Change in Fund Balance	\$ 98,512	\$ 3,081	\$ 43,195	\$ 144,788
<u>FUND BALANCE</u> - Beginning of Year	626,641	21,494	10,075	658,210
<u>FUND BALANCE</u> - End of Year	\$ 725,153	\$ 24,575	\$ 53,270	\$ 802,998

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

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2007

Net Change in Fund Balance - Total Governmental Funds	\$ 144,788
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(37,904)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	
Notes Payable	<u>12,179</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 119,063</u></u>

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

YATES TOWNSHIP, LAKE COUNTY

IDLEWILD, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>ASSETS</u>	<u>SEWER FUND</u>
<u>CURRENT ASSETS</u>		
Cash		\$ 22,256
Accounts Receivable		16,116
		<hr/>
Total Current Assets		\$ 38,372
		<hr/>
<u>RESTRICTED ASSETS</u>		
Cash		
Bond Reserve Account		\$ 16,053
Bond and Interest Redemption Fund		147
		<hr/>
Total Restricted Assets		\$ 16,200
		<hr/>
<u>NON-CURRENT ASSETS</u>		
Prepaid Sewage Treatment		\$ 348,450
		<hr/>
<u>CAPITAL ASSETS</u>		
Machinery and Equipment		\$ 20,000
Easements		5,000
Sewer System		1,747,442
Less Accumulated Depreciation		(178,463)
		<hr/>
Net Capital Assets		\$ 1,593,979
		<hr/>
Total Non-Current Assets		\$ 1,942,429
		<hr/>
TOTAL ASSETS		\$ 1,997,001
		<hr/> <hr/>

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

YATES TOWNSHIP, LAKE COUNTY

IDLEWILD, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accrued Interest Payable	\$ 1,345
Revenue Bonds Payable - Current Portion	5,000
	<hr/>
Total Current Liabilities	\$ 6,345
 <u>LONG TERM LIABILITIES</u>	
Revenue Bonds Payable - Net of Current Portion	364,000
	<hr/>
Total Liabilities	\$ 370,345
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 1,224,979
Restricted	16,200
Unrestricted	385,477
	<hr/>
Total Net Assets	\$ 1,626,656
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 1,997,001
	<hr/> <hr/>

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

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

MARCH 31, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges and Connection Fees	\$ 38,372
<u>OPERATING EXPENSES</u>	
Public Works	
Sewage Treatment	\$ 16,401
Utilities	5,538
Telephone	1,317
Repairs	500
Professional Services	1,500
Depreciation	37,098
Total Operating Expenses	\$ 62,354
Operating Income (Loss)	\$ (23,982)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	\$ 1,456
Interest Expense	(16,344)
Total NonOperating Revenues (Expenses)	\$ (14,888)
Change in Net Assets	\$ (38,870)
<u>NET ASSETS</u> - Beginning of Year	1,665,526
<u>NET ASSETS</u> - End of Year	\$ 1,626,656

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

YATES TOWNSHIP, LAKE COUNTY

IDLEWILD, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

MARCH 31, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities	
Cash Received from Customers and Other Revenues	\$ 37,824
Cash Payments to Suppliers for Goods and Services	(8,854)
	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ 28,970
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Bonds	\$ (5,000)
Interest Paid	(16,363)
	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (21,363)
	<hr/>
Cash Flows from Investing Activities	
Interest Received	\$ 1,456
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 9,063
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	29,393
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 38,456
	<hr/> <hr/>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u> <u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ (23,982)
	<hr/>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	\$ 37,098
(Increase) Decrease Prepaid Sewage Treatment	16,402
(Increase) Decrease in Current Assets	
Accounts Receivable	(548)
	<hr/>
Total Adjustments	\$ 52,952
	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ 28,970
	<hr/> <hr/>

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

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2007

	<u>AGENCY</u>
<u>ASSETS</u>	
Cash	\$ 39,682
	<hr/>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 25,655
Due to Other Governments	14,027
	<hr/>
Total Liabilities	\$ 39,682
	<hr/>
<u>NET ASSETS</u>	0
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 39,682
	<hr/>

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

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Yates Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

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 primary government and its component units. 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 or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

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

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

C. Measurement Focus, Basis of Accounting and Basis of 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 the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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 revenue 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 when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest, and special assessments 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. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Yates 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 general government, except those required to be accounted for in another fund.

The *Land Trust Fund* is used to purchase tax sale property and sell it to residents at a later date.

The *Fire Hall Construction Fund* is used to account for the building of the new fire department facilities.

Additionally Yates Township reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. 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 government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from 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.

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

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from date of acquisition.

The Investment Policy adopted by the Township allows the Treasurer to invest in certificates of deposit, savings deposit receipts and savings accounts.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and two-thirds of county taxes are levied and due July 1, and become delinquent after September 14. The balance of county and all other taxes is levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2006 taxable valuation of Yates Township totaled \$26,667,363, on which ad valorem taxes levied consisted of 6.7583 mills for Yates Township operating purposes. The levy raised approximately \$180,441 for operating purposes.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *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 columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land Improvements	25
Equipment	10
System Infrastructure	50

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *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.

7. *Use of Estimates*

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 30, 2006, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund	\$ 424,457	\$ 425,053

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are owned by several of the Township's funds. Bank deposits are in Lake Osceola State Bank, Baldwin, Michigan.

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

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Village's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

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

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2007, of the government's bank balance of \$703,542, \$411,069 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual funds are as follows:

	<u>General</u>	<u>Sewer</u>	<u>Total</u>
Receivables			
Accounts	\$ 4,242	\$ 16,116	\$ 20,358
Taxes and Special Assessments	132,885	0	132,885
Intergovernmental	12,089	0	12,089
	<u>\$ 149,216</u>	<u>\$ 16,116</u>	<u>\$ 165,332</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

C. Capital Assets

Primary Government

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<u>Governmental activities</u>				
Capital assets, being depreciated				
Vehicles	\$ 232,500	\$ 0	\$ 0	\$ 232,500
Equipment	164,040	0	0	164,040
	<u>396,540</u>	<u>0</u>	<u>0</u>	<u>396,540</u>
Less accumulated depreciation for:				
Vehicles	91,250	21,500	0	112,750
Equipment	17,037	16,404	0	33,441
	<u>108,287</u>	<u>37,904</u>	<u>0</u>	<u>146,191</u>
Total capital assets, being depreciated net	<u>\$ 288,253</u>	<u>\$ (37,904)</u>	<u>\$ 0</u>	<u>\$ 250,349</u>

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated				
Easements	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Equipment	20,000	0	0	20,000
System Infrastructure	1,747,442	0	0	1,747,442
Total capital assets, being depreciated	1,772,442	0	0	1,772,442
Less accumulated depreciation for:				
Equipment	8,833	2,000	0	10,833
System Infrastructure	132,532	35,098	0	167,630
Total accumulated depreciation	141,365	37,098	0	178,463
Business-type activities capital assets, net	\$ 1,631,077	\$ (37,098)	\$ 0	\$ 1,593,979

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

Governmental activities	
Public Safety	<u>\$ 37,904</u>
Business-Type Activities	
Sewer	<u>\$ 37,098</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2007.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2007, were:

<u>Fund</u>	<u>INTERFUND RECEIVABLES DUE FROM'S</u>	<u>INTERFUND PAYABLES DUE TO'S</u>
General Fund		
Land Trust Fund	\$ 0	\$ 2,305
Current Tax	25,655	0
Land Trust Fund		
General Fund	2,305	0
Current Tax		
General Fund	0	25,655
Total	\$ 27,960	\$ 27,960

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

E. Long-Term Debt

The following is a summary of the long-term debt transactions of the Township for the year ended March 31, 2007:

	<u>BONDS</u>	<u>NOTES</u>	<u>TOTAL</u>
Long-Term Debt Payable at April 1, 2006	\$ 374,000	\$ 153,062	\$ 680,124
Long-Term Debt Incurred	0	0	0
Long-Term Debt Retired	(5,000)	(12,179)	(17,179)
LONG-TERM DEBT PAYABLE AT MARCH 31, 2007	\$ 369,000	\$ 140,883	\$ 662,945

Long-term debts at March 31, 2007 are comprised of the following individual amounts:

Bonds Payable

The long-term debt at March 31, 2007 consists of a bond payable for Yates Township Sanitary Sewage Disposal System Bonds - Series 1999 - due in annual installments of \$5,000 to \$21,000 through March 1, 2039, interest at 4.375%. \$ 369,000

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Fire Equipment Note

The long-term debt at March 31, 2007 consists of a note payable to Lake-Osceola State Bank for the purchase of fire protection equipment. The note is being repaid in annual installments of \$5,000 to \$6,852 through June 29, 2008 including interest at 3.75% \$ 11,221

Fire Truck Note

The long-term debt at March 31, 2007, consists of a note payable to Lake Osceola State Bank for the purchase of a fire truck. The note is being repaid in annual installments of \$14,808 through September 8, 2018 including interest at 5.25% 129,662
\$ 509,883

The annual requirements to amortize the long-term debt outstanding as of March 31, 2007, including interest payments of \$372,856 are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>BONDS</u> <u>PAYABLE</u>	<u>FIRE</u> <u>EQUIPMENT</u> <u>NOTE</u>	<u>FIRE</u> <u>TRUCK</u> <u>NOTE</u>	<u>TOTAL</u>
2008	\$ 21,144	\$ 5,000	\$ 14,808	\$ 40,952
2009	21,926	6,852	14,808	43,586
2010	21,662	0	14,808	36,470
2011	21,400	0	14,808	36,208
2012	22,138	0	14,808	36,946
2013-2017	108,050	0	74,040	182,090
2018-2022	108,256	0	29,616	137,872
2023-2027	107,320	0	0	107,320
2028-2032	108,750	0	0	108,750
2033-2037	108,828	0	0	108,828
2038	43,714	0	0	43,714
	<u>\$ 693,188</u>	<u>\$ 11,852</u>	<u>\$ 177,696</u>	<u>\$882,736</u>

IV. OTHER INFORMATION

A. 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; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Property Taxes

The Township levied 6.7583 mills in tax on state taxable value of \$180,441 on the 2006 tax roll. In addition the Township levies a per parcel special assessment to supplement general fund operations, for Police, Fire, Street Lights, Garage and Fire Truck. This amounted to \$181,937 for the fiscal year.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED MARCH 31, 2007

	<u>GENERAL FUND</u>		
	<u>ORIGINAL</u>	<u>FINAL</u>	
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 175,346	\$ 175,346	\$ 201,439
Licenses and Permits	2,390	2,390	935
State Grants	49,368	49,368	57,941
Contributions from Local Units	4,750	4,750	0
Charges for Services	500	500	13,009
Interest and Rents	3,600	3,600	22,029
Other Revenues	183,928	183,928	228,212
	<hr/>		
Total Revenues	\$ 419,882	\$ 419,882	\$ 523,565
	<hr/>		
<u>EXPENDITURES</u>			
Legislative	\$ 67,586	\$ 69,688	\$ 67,031
General Government	109,813	106,396	99,612
Public Safety	91,008	89,950	97,448
Public Works	83,550	85,992	86,786
Community and Economic Development	5,900	1,700	1,700
Recreation and Cultural	15,320	14,703	15,907
Other Functions	44,153	56,028	56,569
	<hr/>		
Total Expenditures	\$ 417,330	\$ 424,457	\$ 425,053
	<hr/>		
Net Change in Fund Balance	\$ 2,552	\$ (4,575)	\$ 98,512
	<hr/>		
<u>FUND BALANCE</u> - Beginning of Year	626,641	626,641	626,641
	<hr/>		
<u>FUND BALANCE</u> - End of Year	\$ 629,193	\$ 622,066	\$ 725,153
	<hr/>		

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

GENERAL FUND
BALANCE SHEET

MARCH 31, 2007

ASSETS

Cash	\$ 562,284
Accounts Receivable	4,242
Taxes and Special Assessments Receivable	132,885
Due from Other Funds	25,655
Due from Other Governments	<u>12,089</u>
 TOTAL ASSETS	 <u>\$ 737,155</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 9,697
Due to Land Trust Fund	<u>2,305</u>
 Total Liabilities	 \$ 12,002

FUND BALANCE

Unreserved	<u>725,153</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 737,155</u>

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2007

REVENUES

Taxes	\$ 201,439
Licenses and Permits	935
State Grants	57,941
Charges for Services	13,009
Interest and Rents	22,029
Other Revenues	<u>228,212</u>
 Total Revenues	 <u>\$ 523,565</u>

EXPENDITURES

Legislative	
Township Board	\$ 67,031
General Government	
Supervisor	11,867
Assessor	37,459
Clerk	11,030
Board of Review	910
Treasurer	12,980
Computer Administration	1,350
Elections	2,766
Building and Grounds	20,853
Cemetery	397
Public Safety	97,448
Public Works	86,786
Community and Economic Development	1,700
Recreation and Cultural	15,907
Other Functions	<u>56,569</u>
 Total Expenditures	 <u>\$ 425,053</u>

Excess (Deficiency) of Revenues Over Expenditures \$ 98,512

FUND BALANCE - Beginning of Year 626,641

FUND BALANCE - End of Year \$ 725,153

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

LAND TRUST FUND
BALANCE SHEET

MARCH 31, 2007

ASSETS

Cash	
Commercial Account	\$ 22,270
Due from Other Funds	
General Fund	<u>2,305</u>
 TOTAL ASSETS	 <u><u>\$ 24,575</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Balance	
Unreserved	<u>24,575</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 24,575</u></u>

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

LAND TRUST FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2007

REVENUES

Land Sales	\$ 2,201
Interest Earnings	880
	<hr/>
Total Revenues	\$ 3,081

EXPENDITURES

	<hr/>
	0
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,081

FUND BALANCE - Beginning of Year

21,494

FUND BALANCE - End of Year

\$ 24,575

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

FIRE HALL CONSTRUCTION FUND
BALANCE SHEET

MARCH 31, 2007

ASSETS

Cash \$ 53,270

LIABILITIES AND FUND BALANCE

LIABILITIES \$ 0

FUND BALANCE

Reserved for
Fire Hall Construction 53,270

TOTAL LIABILITIES AND FUND BALANCE \$ 53,270

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

FIRE HALL CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2007

REVENUES

Federal Grants	\$ 50,000
Interest and Rents	<u>1,532</u>
Total Revenues	\$ 51,532

EXPENDITURES

Public Safety	<u>8,337</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 43,195

FUND BALANCE - Beginning of Year 10,075

FUND BALANCE - End of Year \$ 53,270

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

SEWER FUND
STATEMENT OF NET ASSETS

MARCH 31, 2007

ASSETS

Current Assets

Cash	\$ 22,256
Accounts Receivable	16,116
Total Current Assets	<u>\$ 38,372</u>

Restricted Assets

Cash	
Bond Reserve Account	\$ 16,053
Bond and Interest Redemption Fund	147
Total Restricted Assets	<u>\$ 16,200</u>

Non-Current Assets

Prepaid Sewage Treatment	<u>\$ 348,450</u>
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Capital Assets

Machinery and Equipment	\$ 20,000
Easements	5,000
Sewer System	1,747,442
Total Capital Assets	<u>\$ 1,772,442</u>
Less Accumulated Depreciation	(178,463)
Net Capital Assets	<u>\$ 1,593,979</u>

Total Non-Current Assets	<u>\$ 1,942,429</u>
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TOTAL ASSETS	<u><u>\$ 1,997,001</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued Interest Payable	\$ 1,345
Revenue Bonds Payable - Current Portion	5,000
Total Current Liabilities	<u>\$ 6,345</u>

LONG-TERM LIABILITIES

Revenue Bonds Payable - Net of Current Portion	364,000
Total Liabilities	<u>\$ 370,345</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 1,224,979
Restricted	16,200
Unrestricted	385,477
Total Net Assets	<u>\$ 1,626,656</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,997,001</u></u>
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YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2007

OPERATING REVENUES

Charges for Services \$ 38,372

OPERATING EXPENSES

Other Services and Charges

Sewage Treatment	\$ 16,401	
Utilities	5,538	
Telephone	1,317	
Repairs	500	
Professional Services	1,500	
Depreciation	<u>37,098</u>	<u>62,354</u>

Operating Income (Loss) \$ (23,982)

NONOPERATING REVENUES (EXPENSES)

Interest Income	\$ 1,456
Interest Expense	<u>(16,344)</u>

Total Nonoperating Revenues (Expenses) \$ (14,888)

Change in Net Assets \$ (38,870)

NET ASSETS - Beginning of Year 1,665,526

NET ASSETS - End of Year \$ 1,626,656

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

SEWER FUND
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2007

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities	
Cash Received from Customers and Other Revenues	\$ 37,824
Cash Payments to Suppliers for Goods and Services	<u>(8,854)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 28,970</u>
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Bonds	\$ (5,000)
Interest Paid	<u>(16,363)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (21,363)</u>
Cash Flows from Investing Activities	
Interest Received	<u>\$ 1,456</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 9,063
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>29,393</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 38,456</u></u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Income (Loss)	<u>\$ (23,982)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	\$ 37,098
(Increase) Decrease in Prepaid Sewage Treatment	16,402
(Increase) Decrease in Current Assets	
Accounts Receivable	<u>(548)</u>
Total Adjustments	<u>\$ 52,952</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 28,970</u></u>

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2007

	BALANCE		BALANCE
	4/1/2006	ADDITIONS	3/31/2007
<u>ASSETS</u>			
Cash in Bank	\$ 3,758	\$ 970,473	\$ 934,549
			\$ 39,682
 <u>LIABILITIES</u>			
Due to Other Funds	\$ 3,758	\$ 269,756	\$ 247,859
Due to Other Governments	0	700,717	686,690
			14,027
TOTAL LIABILITIES	\$ 3,758	\$ 970,473	\$ 934,549

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

STATEMENT OF 2006 TAX ROLL
MARCH 31, 2007

TAXES ASSESSED

County	\$ 296,053	
County - State Education Tax	160,221	
County - Renaissance Zone	405	
Township		
Operating	180,441	
Special Assessment	181,937	
Delinquent Sewer Assessment and Usage	11,630	
Lake Assessment	8,043	
School		
Baldwin Community Schools	439,630	
Intermediate Schools		
Mason/Lake Intermediate	95,960	\$ 1,374,320

TAXES COLLECTED

County	\$ 216,724	
County - State Education Tax	126,292	
County - Renaissance Zone	206	
Township		
Operating	126,233	
Special Assessment	104,218	
Delinquent Sewer Assessment and Usage	718	
Lake Assessment	7,085	
School		
Baldwin Community Schools	301,088	
Intermediate School		
Mason/Lake Intermediate	67,131	949,695

TAXES RETURNED DELINQUENT

County	\$ 79,329	
County - State Education Tax	33,929	
County - Renaissance Zone	199	
Township		
Operating	54,208	
Special Assessment	77,719	
Delinquent Sewer Assessment and Usage	10,912	
Lake Assessment	958	
School		
Baldwin Community Schools	138,542	
Intermediate School		
Mason/Lake Intermediate	28,829	\$ 424,625

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE
MARCH 31, 2007

TITLE OF ISSUE

United States of America, State of Michigan, County of Lake, Township of Yates, Sanitary Sewage Disposal System Revenue Bonds - Series 1999

PURPOSE

The proceeds of the series 1999 bonds were used in whole to accompany federal and local grant proceeds to finance the construction of a sanitary sewage disposal system in the Township of Yates.

DATE OF ISSUE

December 22, 1999

INTEREST RATE

4.375%

AMOUNT OF ISSUE

\$ 396,000

AMOUNT REDEEMED

Prior to Current Year

\$ 22,000

During Current Year

5,000 27,000

BALANCE OUTSTANDING - March 31, 2007

\$ 369,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
September 1, 2007	4.375%		\$ 8,072	\$ 8,072
March 1, 2008	4.375%	\$ 5,000	8,072	13,072
September 1, 2008	4.375%		7,963	7,963
March 1, 2009	4.375%	6,000	7,963	13,963
September 1, 2009	4.375%		7,831	7,831

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE
MARCH 31, 2007

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
March 1, 2010	4.375%	6,000	7,831	13,831
September 1, 2010	4.375%		7,700	7,700
March 1, 2011	4.375%	6,000	7,700	13,700
September 1, 2011	4.375%		7,569	7,569
March 1, 2012	4.375%	7,000	7,569	14,569
September 1, 2012	4.375%		7,416	7,416
March 1, 2013	4.375%	7,000	7,416	14,416
September 1, 2013	4.375%		7,263	7,263
March 1, 2014	4.375%	7,000	7,263	14,263
September 1, 2014	4.375%		7,109	7,109
March 1, 2015	4.375%	7,000	7,109	14,109
September 1, 2015	4.375%		6,956	6,956
March 1, 2016	4.375%	8,000	6,956	14,956
September 1, 2016	4.375%		6,781	6,781
March 1, 2017	4.375%	8,000	6,781	14,781
September 1, 2017	4.375%		6,606	6,606
March 1, 2018	4.375%	8,000	6,606	14,606
September 1, 2018	4.375%		6,431	6,431
March 1, 2019	4.375%	9,000	6,431	15,431
September 1, 2019	4.375%		6,234	6,234
March 1, 2020	4.375%	9,000	6,234	15,234
September 1, 2020	4.375%		6,038	6,038
March 1, 2021	4.375%	10,000	6,038	16,038
September 1, 2021	4.375%		5,819	5,819
March 1, 2022	4.375%	10,000	5,819	15,819
September 1, 2022	4.375%		5,600	5,600
March 1, 2023	4.375%	10,000	5,600	15,600
September 1, 2023	4.375%		5,381	5,381
March 1, 2024	4.375%	11,000	5,381	16,381
September 1, 2024	4.375%		5,141	5,141

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE
MARCH 31, 2007

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
March 1, 2025	4.375%	11,000	5,141	16,141
September 1, 2025	4.375%		4,900	4,900
March 1, 2026	4.375%	12,000	4,900	16,900
September 1, 2026	4.375%		4,638	4,638
March 1, 2027	4.375%	12,000	4,638	16,638
September 1, 2027	4.375%		4,375	4,375
March 1, 2028	4.375%	13,000	4,375	17,375
September 1, 2028	4.375%		4,091	4,091
March 1, 2029	4.375%	14,000	4,091	18,091
September 1, 2029	4.375%		3,784	3,784
March 1, 2030	4.375%	14,000	3,784	17,784
September 1, 2030	4.375%		3,475	3,475
March 1, 2031	4.375%	15,000	3,475	18,475
September 1, 2031	4.375%		3,150	3,150
March 1, 2032	4.375%	15,000	3,150	18,150
September 1, 2032	4.375%		2,822	2,822
March 1, 2033	4.375%	16,000	2,822	18,822
September 1, 2033	4.375%		2,472	2,472
March 1, 2034	4.375%	17,000	2,472	19,472
September 1, 2034	4.375%		2,100	2,100
March 1, 2035	4.375%	18,000	2,100	20,100
September 1, 2035	4.375%		1,707	1,707
March 1, 2036	4.375%	18,000	1,707	19,707
September 1, 2036	4.375%		1,313	1,313
March 1, 2037	4.375%	19,000	1,313	20,313
September 1, 2037	4.375%		897	897
March 1, 2038	4.375%	20,000	897	20,897
September 1, 2038	4.375%		460	460
March 1, 2039	4.375%	21,000	460	21,460
		\$ 369,000	\$ 324,188	\$ 693,188

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE
MARCH 31, 2007

REDEMPTION PRIOR TO MATURITY

The bonds shall be subject to prepayment prior to maturity at the option of the Township, in any order, in whole or in part, in integral multiples of \$1,000, on any date, at par plus accrued interest to the date of such prepayment.

Notice of the redemption for any principal installment of this Bond for repayment at the option of the Township shall be given by first class mail, not less than 30 days prior to the date fixed for prepayment, to the registered owner of this Bond at the address shown on the bond register kept by the Registrar; provided, however, that failure to give such notice by mailing or any defect therein shall not effect the validity of any proceedings for the redemption of Bonds.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

October 29, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS

To the Township Board
Yates Township
Lake County
Idlewild, Michigan

We have audited the financial statements of Yates Township as of and for the year ended March 31, 2007, and have issued our report thereon dated October 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control

deficiency, or combination of control deficiencies, that adversely affects the 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. We consider the deficiencies described in the accompanying letter of significant deficiencies, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Township in a separate letter dated October 29, 2007.

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

October 29, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Yates Township
Lake County
Idlewild, Michigan

During the course of our audit of the basic financial statements of Yates Township for the year ended March 31, 2007, we noted the following:

Bank Reconciliations

At year end we assisted your staff in reconciling the book balances to the bank for all accounts. This procedure should be completed by the Township on a monthly basis with copies of the reconciliations maintained with the bank statements. We caution the Board that without the reconciliation procedure, the results of operations and safe guarding of assets is impaired. We recommend the township treasurer initiate a timely bank reconciliation procedure to be completed no later than the 10th of each month.

Accounting Records

The trust and agency transactions for special assessments and other revenues were not posted to the Townships computerized general ledger. As a result, we had to make adjustments to include those transactions in the General Fund. In the future all transactions should be recorded in the computerized general ledger. We would recommend the Township in lieu of computerizing the trust and agency account, consider depositing general fund revenues directly to the General Fund, thus eliminating the trust and agency account. The only items traditionally deposited to the trust and agency are funds belonging to third parties. In our review of the trust and agency transactions, we found large transfers which were not posted to the accounts. This resulted in misleading balances in some of the accounts. These postings were missed during the time of transition from the prior treasurer to the current treasurer.

Sewer Fund – Restricted Assets

Restricted funds are required to be set aside to meet Sewer Fund bond ordinance requirements. At March 31, 2007, the Sewer Fund Bond Reserve and Bond and Interest Redemption Accounts did not meet the ordinance requirements. The Township should transfer excess funds from the Sewer Receiving Fund to meet the requirements of the bond ordinance. In addition, the Sewer Construction Fund can be closed out.

Budgeting

The budget document should include all items required by PA 621, including estimated beginning and ending fund balances for each fund. The budget should be amended during the year before incurring expenditures in excess of appropriations. All amendments to the budget should be clearly recorded in the official township minutes. This year, expenditures exceeded appropriations in the General Fund by \$596. Our audit adjustments caused some of the over expenditures. The Township should also adopt budgets for the Land Trust Fund and the Fire Hall Construction Fund.

Property Tax Administration Fee

The Township has determined that authorized costs of collecting taxes will be repeatedly in excess of revenue generated by the administration fee, but has not formally taken action to write off this loss. We recommend that the Township maintain subsidiary records which reflect property tax administration fee collections and costs, and that the board pass a motion each year to write off the loss.

Balance in the Tax Collection Fund

A balance remained in the Tax Collection Fund at March 31, 2007. We recommend that the Township disburse each year all remaining funds in the Tax Collection Fund by March 31, except a small residual amount to maintain a minimum balance in order to keep the bank account open.

Prepaid Sewage Treatment

When the hook-up of township residents to the sewer system was complete, some of the grant money, approximately \$425,000, was paid to the Village of Baldwin to pay for treatment. This "pre-payment" means the Township residents are not paying for treatment on a yearly basis. The balance in this pre-payment account is \$348,450. The yearly cost of treatment is approximately \$16,000. This means the prepaid amount should last up to 30 years before residents would be charged for treatment expenses. This assumes there is no substantial increase in the treatment costs or volume.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

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October 29, 2007

To the Township Board
Yates Township
Lake County
Idlewild, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Yates Township, Lake County, Idlewild, Michigan 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 Yates Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit'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 certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with 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. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

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

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

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

A *material weakness* is a significant deficiency, or a 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 deficiency described in (1) above (Lack of Segregation of Duties) constitutes a material weakness.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.