

### 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 Clam Union Township	County Missaukee
Fiscal Year End 03/31/2007	Opinion Date November 7, 2007	Date Audit Report Submitted to State December 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

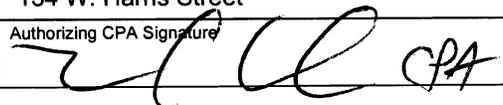
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**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"/>	Communication of Significant Deficiencies		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number (231) 775-9789		
Street Address 134 W. Harris Street		City Cadillac	State MI	Zip 49601
Authorizing CPA Signature 		Printed Name Michael D. Cool, C.P.A.		License Number 1101023146

**CLAM UNION TOWNSHIP, MISSAUKEE COUNTY**

**FALMOUTH, MICHIGAN**

**MARCH 31, 2007**

*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](http://www.bcbcpa.com)

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MARCH 31, 2007

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditors' Report</b>	i-ii
<b>Management's Discussion and Analysis</b>	iii-ix
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances to the Statement of Activities	6
Fiduciary Fund	
Statement of Fiduciary Assets and Liabilities	7
Notes to Financial Statements	8-20
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - Major Governmental Funds	21
<b>Individual Fund Financial Statements</b>	
Agency Funds	
Current Tax Collection Fund	
Statement of Changes in Assets and Liabilities	22
<b>Other Information</b>	
Statement of 2006 Tax Roll	23

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

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www.bcbcpa.com

November 7, 2007

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Clam Union Township  
Missaukee County  
Falmouth, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clam Union Township, Missaukee County, Falmouth, 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. 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, each major fund, and the aggregate remaining fund information of Clam Union Township, Missaukee County, Falmouth, Michigan as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 21 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 Clam Union Township, Missaukee County, Falmouth, Michigan's basic financial statements. The individual fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Clam Union Township, a general law township located in Missaukee County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Clam Union Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2007, along with specific comparative information as required.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$486,201. Of this amount, \$104,908 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$218,853, a decrease of \$11,966 in comparison with the prior 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 future 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, public safety, public works, and other functions. The Township does not have any business-type activities.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**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, governmental fund 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.

**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.

**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 \$486,201 at March 31, 2007, meaning the Township’s assets were greater than its liabilities by this amount. As noted earlier, Net Assets may serve over time as a useful indicator of a government’s financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Clam Union Township**  
**Net Assets as of March 31,**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Current Assets	\$ 230,743	\$ 241,553
Non Current Assets		
Capital Assets	623,042	568,944
Less: Accumulated Depreciation	<u>(318,730)</u>	<u>(282,532)</u>
Total Non Current Assets	<u>304,312</u>	<u>286,412</u>
<b>Total Assets</b>	<u><u>\$ 535,055</u></u>	<u><u>\$ 527,965</u></u>
<b>Liabilities</b>		
Current Liabilities	\$ 32,726	\$ 30,876
Non-Current Liabilities	<u>16,128</u>	<u>36,964</u>
<b>Total Liabilities</b>	<u>48,854</u>	<u>67,840</u>
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	267,348	229,306
Restricted for Specific Purposes	113,945	131,478
Unrestricted	<u>104,908</u>	<u>99,341</u>
<b>Total Net Assets</b>	<u>486,201</u>	<u>460,125</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 535,055</u></u>	<u><u>\$ 527,965</u></u>

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), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has \$104,908 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

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.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

The total Net Assets of the Township increased by \$26,076 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

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.

**Clam Union Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31,**

	2007	2006
<b><u>Revenues</u></b>		
<b>Program Revenues</b>		
Charges for Services	\$ 23,703	\$ 21,111
Operating Grants and Contributions	11,209	10,354
Capital Grants and Contributions	6,779	5,000
<b>General Revenues</b>		
Taxes	111,471	105,149
State Grants	60,694	61,508
Investment Earnings	2,093	1,810
Other	10,883	1,239
<b>Total Revenues</b>	226,832	206,171
<b><u>Expenses</u></b>		
Legislative	16,020	33,558
General Government	75,745	66,968
Public Safety	59,514	56,526
Public Works	4,194	7,488
Recreational and Cultural	30,256	11,784
Other Functions	15,027	15,823
<b>Total Expenses</b>	200,756	192,147
Change in Net Assets	26,076	14,024
NET ASSETS - Beginning of Year	460,125	446,101
NET ASSETS - End of Year	\$ 486,201	\$ 460,125

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, 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 \$26,076 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 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 Clam Union Township comes from property taxes. The Township levied 1.4717 mills for operating purposes, 0.9811 mills for road maintenance, 1.0000 mills for fire protection, and 0.2654 mills for the library.

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 general government expenses that total 37.7% of total expenses. The Township spent \$75,745 in fiscal year 2007 on General Government expenses. Public safety represented the next largest expense at \$59,514, or 29.6% of total expenses.

**Financial Analysis of the Government's Funds**

**Governmental Funds** The focus of Clam Union 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, Clam Union Township's governmental funds reported combined ending fund balances of \$218,853. Approximately 48%, or \$104,908 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

**General Fund** – The General Fund increased its fund balance by \$9,064 which brings the fund balance to \$117,707. At the end of the current fiscal year, unreserved fund balances of the general fund and the total fund balance were \$104,908 and \$117,707 respectively. All of the General Fund's functions, except for the Elections and Parks and Recreation, ended the year with expenditures below budgeted amounts. The Election expenditures and Parks and Recreation differential was funded by available fund balance. Taxes amounted to \$51,068. State grant revenues were collected in the amount of \$60,694.

**Road Fund** – The Road Fund decreased its fund balance by \$15,513 which brings the fund balance to \$72,441. This balance is reserved and must be used for road improvements. Property taxes collected amounted to \$26,380.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Library Fund** – The Library Fund decreased its fund balance by \$886 which brings the fund balance to \$2,462. This balance is reserved and must be used for the Library. Property taxes collected amounted to \$7,133.

**Fire Fund** – The Fire Fund decreased its fund balance by \$4,631 which brings the fund balance to \$26,243. This balance is reserved and must be used for fire protection and fire equipment. Property taxes collected amounted to \$26,890.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2007, amounted to \$304,312 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was 6.2%.

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:

**Clam Union Township**  
**Capital Assets as of March 31,**

	<u>2007</u>	<u>2006</u>
Land and Land Improvements	\$ 69,727	\$ 69,727
Buildings and Building Improvements	225,681	216,538
Infrastructure	38,176	0
Machinery and Equipment	<u>289,458</u>	<u>282,679</u>
	623,042	568,944
Less Accumulated Depreciation	<u>318,730</u>	<u>282,532</u>
<b>Net Capital Assets</b>	<u><u>\$ 304,312</u></u>	<u><u>\$ 286,412</u></u>

Major capital asset events during the current fiscal year include the following:

- New voting machine was acquired from the State of Michigan.
- New records room was constructed.
- New ladder truck was purchased.
- Township roads were paved.

**Long-Term Debt.** At the end of the current fiscal year, the Township had total installment debt outstanding of \$36,964 for the purchase of a fire truck. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

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 Clam Union Township at P.O. Box 28, Falmouth, Michigan 49632.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2007

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 193,266
Taxes Receivable	6,573
Due from External Parties (Fiduciary Fund)	2,005
Due from Other Governments	28,899
	230,743
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	69,727
Buildings and Building Improvements	225,681
Infrastructure	38,176
Machinery and Equipment	289,458
	623,042
Less Accumulated Depreciation	318,730
Net Capital Assets	304,312
TOTAL ASSETS	535,055
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	9,619
Payroll Taxes and Withholdings	2,271
Current Portion of Non-Current Liabilities	20,836
	32,726
<u>NON-CURRENT LIABILITIES</u>	
Note Payable (Net of Current Portion)	16,128
	48,854
<u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	267,348
Restricted for Specific Purposes	113,945
Unrestricted	104,908
	\$ 486,201

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

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET ASSETS
					TOTALS
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 16,020	\$ 0	\$ 0	\$ 0	\$ (16,020)
General Government	75,745	3,407	2,669	6,779	(62,890)
Public Safety	59,514	20,296	1,726	0	(37,492)
Public Works	4,194	0	3,497	0	(697)
Recreation and Cultural	30,256	0	3,317	0	(26,939)
Other Functions	15,027	0	0	0	(15,027)
Total Governmental Activities	\$ 200,756	\$ 23,703	\$ 11,209	\$ 6,779	(159,065)
<u>GENERAL REVENUES</u>					
Taxes					111,471
State Grants					60,694
Investment Earnings					2,093
Other					10,883
Total General Revenues					185,141
Change in Net Assets					26,076
<u>NET ASSETS</u> - Beginning of Year					460,125
<u>NET ASSETS</u> - End of Year					\$ 486,201

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

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2007

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>ROAD FUND</u>	<u>FIRE FUND</u>	<u>LIBRARY FUND</u>	<u>TOTALS</u>
Cash	\$ 108,137	\$ 70,707	\$ 11,229	\$ 3,193	\$ 193,266
Due from Other Governments	15,447	0	13,452	0	28,899
Due from Other Funds	2,005	0	0	0	2,005
Taxes Receivable	2,602	1,734	1,768	469	6,573
Total Assets	<u>\$ 128,191</u>	<u>\$ 72,441</u>	<u>\$ 26,449</u>	<u>\$ 3,662</u>	<u>\$ 230,743</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 8,213	\$ 0	\$ 206	\$ 1,200	\$ 9,619
Payroll Taxes and Withholdings	2,271	0	0	0	2,271
Total Liabilities	<u>10,484</u>	<u>0</u>	<u>206</u>	<u>1,200</u>	<u>11,890</u>
<u>FUND BALANCE</u>					
Reserved for:					
Telecommunications Right-of-Way	12,799	0	0	0	12,799
Road Improvements	0	72,441	0	0	72,441
Fire Protection	0	0	26,243	0	26,243
Library	0	0	0	2,462	2,462
Unreserved, Undesignated Reported in:					
General Fund	104,908	0	0	0	104,908
Total Fund Balance	<u>117,707</u>	<u>72,441</u>	<u>26,243</u>	<u>2,462</u>	<u>218,853</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><b>\$ 128,191</b></u>	<u><b>\$ 72,441</b></u>	<u><b>\$ 26,449</b></u>	<u><b>\$ 3,662</b></u>	<u><b>\$ 230,743</b></u>

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

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

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

Total Fund Balances for Governmental Funds \$ 218,853

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.

Land and Land Improvements	\$ 69,727	
Buildings and Building Improvements	225,681	
Infrastructure	38,176	
Machinery and Equipment	289,458	
Accumulated Depreciation	<u>(318,730)</u>	304,312

Long term liabilities are not due and payable in the current period and  
are not reported in the funds

Note Payable		<u>(36,964)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 486,201</u></u>
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The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY

FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	<u>GENERAL</u>			<u>LIBRARY</u>	
	<u>FUND</u>	<u>ROAD FUND</u>	<u>FIRE FUND</u>	<u>FUND</u>	<u>TOTALS</u>
<u>REVENUES</u>					
Taxes	\$ 51,068	\$ 26,380	\$ 26,890	\$ 7,133	\$ 111,471
State Grants	70,970	0	1,726	3,317	76,013
Contributions from Local Units	0	0	20,296	0	20,296
Charges for Services	3,407	0	0	0	3,407
Interest and Rents	3,462	0	0	116	3,578
Other Revenue	11,997	0	0	70	12,067
Total Revenues	<u>140,904</u>	<u>26,380</u>	<u>48,912</u>	<u>10,636</u>	<u>226,832</u>
<u>EXPENDITURES</u>					
Legislative	16,020	0	0	0	16,020
General Government	82,059	0	0	0	82,059
Public Safety	0	0	53,543	0	53,543
Public Works	0	41,893	0	0	41,893
Recreation and Cultural	18,734	0	0	11,522	30,256
Other Functions	15,027	0	0	0	15,027
Total Expenditures	<u>131,840</u>	<u>41,893</u>	<u>53,543</u>	<u>11,522</u>	<u>238,798</u>
Net Change in Fund Balance	<u>9,064</u>	<u>(15,513)</u>	<u>(4,631)</u>	<u>(886)</u>	<u>(11,966)</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>108,643</u>	<u>87,954</u>	<u>30,874</u>	<u>3,348</u>	<u>230,819</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 117,707</u>	<u>\$ 72,441</u>	<u>\$ 26,243</u>	<u>\$ 2,462</u>	<u>\$ 218,853</u>

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

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, 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	\$ (11,966)
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.	
Capital Outlay	60,098
Depreciation Expense	(42,198)
Repayments of principal on long-term debt is an expenditure in the governmental fund, but not in the statement of activities (where it is a reduction of liabilities).	<u>20,142</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 26,076</u></u></b>

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

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
MARCH 31, 2007

	<u>AGENCY FUNDS</u>
	<u>ASSETS</u>
Cash	<u>\$ 2,005</u>
	<u>LIABILITIES</u>
Due to Other Funds	<u>\$ 2,005</u>

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

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Clam Union Township is a general law township located in Missaukee 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**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*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 government. For the most part, the effect of interfund activity has been removed from these statements.

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. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, 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 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 and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 is maintained consistent with legal and managerial requirements.

Clam Union 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 *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Library Fund* accounts for revenue sources that are legally restricted to expenditures for the Library.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Additionally Clam Union Township reports the following fund types:

*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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide 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 three months or less from date of acquisition.

(I) The Township authorized the Township Treasurer to invest funds as follows:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
- (c) In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) In repurchase agreements consisting of instruments listed in subdivision (a).

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

- (e) In bankers' acceptances of United States banks.
- (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
  - (i) The purchase of securities on a when-issued or delayed delivery basis.
  - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.
- (j) In the investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (II) A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- (III) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- (IV) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

**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

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

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."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

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 remaining millages are levied and due December 1, and become delinquent after February 14. Collections of 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 Clam Union Township totaled \$27,116,665, on which ad valorem taxes levied consisted of 1.4717 mills for Clam Union Township operating purposes, 0.9811 mills for road maintenance, 1.0000 mills for fire protection, and 0.2654 mills for the library. The levies raised \$39,574 for operating purposes, \$26,380 for road maintenance, \$26,890 for fire protection, and \$7,133 for the library.

**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 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.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

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

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building and land improvements	20
Public domain infrastructure	20
Vehicles	5
Equipment	5-10

Clam Union Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

**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.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**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 31, 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.

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

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Elections	\$ 6,500	\$ 9,150
Parks and Recreation	13,500	18,734
Special Revenue Funds		
Road Fund		
Roads	38,000	41,893
Fire Fund		
Fire Department	43,850	53,543

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are on deposit with Citizens Bank and Fifth Third Bank.

*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.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

*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 Township'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, \$40,136 of the government's bank balance of \$196,136 was exposed to custodial credit risk because it was insured.

*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 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 major funds are as follows:

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Library</u>	<u>Total</u>
Receivables					
Taxes	\$ 2,602	\$ 1,734	\$ 1,768	\$ 469	\$ 6,573
Due from Other Governments	15,447	0	13,452	0	28,899
	<hr/>				
Total	<u>\$ 18,049</u>	<u>\$ 1,734</u>	<u>\$ 15,220</u>	<u>\$ 469</u>	<u>\$ 35,472</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

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.

**C. Capital Assets**

Primary Government

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 16,500	\$ 0	\$ 0	\$ 16,500
Capital assets, being depreciated				
Buildings and Building Improvements	216,538	9,143	0	225,681
Land Improvements	53,227	0	0	53,227
Infrastructure	0	38,176	0	38,176
Machinery and Equipment	282,679	12,779	6,000	289,458
Total capital assets, being depreciated	552,444	60,098	6,000	606,542
Less accumulated depreciation for:				
Buildings and Building Improvements	63,604	7,579	0	71,183
Land Improvements	14,247	1,659	0	15,906
Infrastructure	0	477	0	477
Machinery Equipment	204,681	32,483	6,000	231,164
Total accumulated depreciation	282,532	42,198	6,000	318,730
Total capital assets, being depreciated, net	269,912	17,900	0	287,812
Governmental activities capital assets, net	\$ 286,412	\$ 17,900	\$ 0	\$ 304,312

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

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

Governmental activities:

General Government	\$ 9,608
Public Safety	32,113
Public Works	<u>477</u>
 Total Depreciation Expense	 <u><u>\$ 42,198</u></u>

Construction Commitments:

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

**D. Interfund Receivables, Payables and Transfers**

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

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
<u>FUND</u>		
General Fund	\$ 2,005	\$ 0
Fiduciary Funds		
Current Tax Collection Fund	<u>0</u>	<u>2,005</u>
	<u><u>\$ 2,005</u></u>	<u><u>\$ 2,005</u></u>

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

No interfund transfers occurred during the fiscal year ended March 31, 2007.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**E. Long-Term Debt**

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

	INSTALLMENT NOTE
Long-Term Debt Payable	
At April 1, 2006	\$ 57,106
New Debt Incurred	0
Payments on Debt	(20,142)
<b>LONG-TERM DEBT PAYABLE AT MARCH 31, 2007</b>	<b>\$ 36,964</b>
Amount due within one year	\$ 20,836

YEAR ENDING MARCH 31,	PRINCIPAL	INTEREST	TOTAL
2008	\$ 20,836	\$ 993	\$ 21,829
2009	16,128	275	16,403
	\$ 36,964	\$ 1,268	\$ 38,232

Installment Notes:

\$100,000 2003 Fire Truck note due in quartely installments of \$5,457 through December 15, 2008; interest at 3.39%	\$ 36,964
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CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**F. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE

Reserved

General Fund

Telecommunications Right-of-Way \$ 12,799

Special Revenue Funds

Road Fund

Road Improvements 72,441

Fire Fund

Fire Protection 26,243

Library Fund

Library 2,462

TOTAL FUND BALANCE RESERVES \$ 113,945

**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 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. Retirement Plan**

The Township has a defined contribution pension plan with John Hancock which covers all elected officials, Deputy Clerk, Deputy Treasurer, and Deputy Supervisor. An employee's normal retirement date is age 65 or the 10<sup>th</sup> anniversary of the first day of the plan year in which participation in the plan is commenced.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Township contributions to the plan for 2006-2007 amounted to \$4,998 including administration fees of \$1,132. Total covered payroll amounted to \$26,490 and total wages including non-covered payroll was \$61,556.

**C. Property Tax Administration Fee**

The Township passed a resolution on August 9, 1983, to charge 1% administration fee on all ad valorem taxes levied. The resolution is to continue in force and effect until revoked by the Township Board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

**D. Land Lease**

Operating Lease – The Township land on which the Internet tower resides is leased at \$2,100 per year on a year-to-year basis.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2007

	<u>GENERAL FUND</u>			<u>ROAD FUND</u>			<u>FIRE FUND</u>			<u>LIBRARY FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>									
<u>REVENUES</u>												
Taxes	\$ 39,700	\$ 39,700	\$ 51,068	\$ 23,500	\$ 23,500	\$ 26,380	\$ 21,600	\$ 21,600	\$ 26,890	\$ 6,150	\$ 6,150	\$ 7,133
State Grants	60,000	60,000	70,970	0	0	0	100	100	1,726	4,000	4,000	3,317
Contributions from Local Units	0	0	0	0	0	0	14,500	14,500	20,296	0	0	0
Charges for Services	500	500	3,407	0	0	0	1,400	1,400	0	0	0	0
Interest and Rents	1,050	1,050	3,462	0	0	0	0	0	0	50	50	116
Other Revenues	3,700	3,700	11,997	0	0	0	0	0	0	0	0	70
Total Revenues	104,950	104,950	140,904	23,500	23,500	26,380	37,600	37,600	48,912	10,200	10,200	10,636
<u>EXPENDITURES</u>												
Legislative												
Township Board	21,400	21,400	16,020	0	0	0	0	0	0	0	0	0
General Government												
Supervisor	10,880	10,880	10,799	0	0	0	0	0	0	0	0	0
Clerk	14,200	14,200	9,953	0	0	0	0	0	0	0	0	0
Board of Review	1,650	1,650	1,041	0	0	0	0	0	0	0	0	0
Treasurer	16,550	16,550	12,415	0	0	0	0	0	0	0	0	0
Assessor	14,850	14,850	12,617	0	0	0	0	0	0	0	0	0
Elections	6,500	6,500	9,150	0	0	0	0	0	0	0	0	0
Building and Grounds	34,400	34,400	20,750	0	0	0	0	0	0	0	0	0
Cemetery	8,800	8,800	5,334	0	0	0	0	0	0	0	0	0
Public Safety												
Fire	0	0	0	0	0	0	43,850	43,850	53,543	0	0	0
Public Works												
Highways, Streets, Bridges	0	0	0	38,000	38,000	41,893	0	0	0	0	0	0
Recreation and Cultural												
Parks and Recreation	11,500	13,500	18,734	0	0	0	0	0	0	0	0	0
Library	0	0	0	0	0	0	0	0	0	11,650	11,650	11,522
Other Functions												
Insurance and Bonds	6,000	6,000	4,999	0	0	0	0	0	0	0	0	0
Employee Benefits	18,700	18,700	10,028	0	0	0	0	0	0	0	0	0
Total Expenditures	165,430	167,430	131,840	38,000	38,000	41,893	43,850	43,850	53,543	11,650	11,650	11,522
Excess (Deficiency) of Revenues Over Expenditures	(60,480)	(62,480)	9,064	(14,500)	(14,500)	(15,513)	(6,250)	(6,250)	(4,631)	(1,450)	(1,450)	(886)
<u>OTHER FINANCING SOURCES (USES)</u>												
Transfers In (Out)	(5,000)	(5,000)	0	0	0	0	0	0	0	0	0	0
Net Change in Fund Balance	(65,480)	(67,480)	9,064	(14,500)	(14,500)	(15,513)	(6,250)	(6,250)	(4,631)	(1,450)	(1,450)	(886)
<u>FUND BALANCE - Beginning of Year - (Deficit)</u>	227,814	227,814	108,643	34,245	34,245	87,954	(22,510)	(22,510)	30,874	705	705	3,348
<u>FUND BALANCE - End of Year - (Deficit)</u>	\$ 162,334	\$ 160,334	\$ 117,707	\$ 19,745	\$ 19,745	\$ 72,441	\$ (28,760)	\$ (28,760)	\$ 26,243	\$ (745)	\$ (745)	\$ 2,462

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED MARCH 31, 2007

	BALANCE		BALANCE
	4/1/2006	ADDITIONS	3/31/2007
<u>ASSETS</u>			
Cash	\$ 98,830	\$ 849,904	\$ 946,729
			\$ 2,005
<u>LIABILITIES</u>			
Due to Other Funds	\$ 98,809	\$ 104,012	\$ 200,816
Due to Other Governmental Units	0	745,888	745,888
Due to Other Organizations and Individuals	21	4	25
			0
TOTAL LIABILITIES	\$ 98,830	\$ 849,904	\$ 946,729
			\$ 2,005

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

STATEMENT OF 2006 TAX ROLL  
MARCH 31, 2007

TAXES ASSESSED

County	\$ 192,695	
County - State Education Tax	162,697	
Township		
Operating	39,574	
Roads	26,380	
Fire	26,889	
Library	7,133	
Schools		
McBain Rural Agricultural School	271,186	
Intermediate Schools		
Wexford-Missaukee	<u>159,785</u>	\$ 886,339

TAXES COLLECTED

County	182,978	
County - State Education Tax	157,403	
Township		
Operating	36,972	
Roads	24,646	
Fire	25,122	
Library	6,664	
Schools		
McBain Rural Agricultural School	258,663	
Intermediate Schools		
Wexford-Missaukee	<u>149,280</u>	<u>841,728</u>

TAXES RETURNED DELINQUENT

County	9,717	
County - State Education Tax	5,294	
Township		
Operating	2,602	
Roads	1,734	
Fire	1,767	
Library	469	
Schools		
McBain Rural Agricultural School	12,523	
Intermediate Schools		
Wexford-Missaukee	<u>10,505</u>	<u>\$ 44,611</u>

*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

November 7, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Clam Union Township  
Missaukee County  
Falmouth, Michigan

Having completed our audit of the basic financial statements of Clam Union Township for the year ended March 31, 2007, we would like to note the following:

Capitalization Policy

The Township should officially adopt and record in the minutes its' Capitalization Policy of \$5,000. We have provided an appropriate sample policy for the board to consider for adoption.

Budgeting

Two General Fund categories exceeded the budgeted amount. Also, total expenditures in the Road Fund and Fire Fund exceeded the total budgeted expenditures. The budget should always be amended prior to incurring expenditures in excess of budgeted amounts. All amendments should be approved by the Township Board and be recorded in the minutes.

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 passes a motion each year to write off the loss.

Internal Control

While testing we observed a couple of cancelled checks that did not have two signatures. For strengthening internal control we recommend all checks written have two signatures, except for the Tax Collection Fund.

### Reconciliation of Clerk and Treasurer Records

The Michigan Department of Treasury Uniform Accounting Procedures Manual requires the Clerk to reconcile the Clerk's records to the Treasurer's records on a monthly basis. It does not appear that the Township is currently following this procedure.

### Separate Bank Accounts

Currently the Township has one common checking and savings account. Going forward, we recommend that the Township consider opening a separate bank account for the Fire, Roads, and Library Funds. By doing this, the Township would have a separate account to deposit receipts into and transfer funds out of, thereby simplifying the accounting for these separate extra voted funds. This would work much better than the current system of commingling all funds of the Township in one checking and savings account.

### Missing Invoices

During the course of our audit, we found checks written that we could not locate an invoice for. The amounts and type of expenditure seemed reasonable, and the invoices may have been misfiled, but there is no way to know for sure. We recommend the Township do a better job of maintaining custody over source documents and make sure all invoices are present and reviewed before approving payment. Also, having the annual audit timely would lessen the potential for records coming up missing.

We would like to thank the board for its continued confidence in our firm and to thank the township clerk and treasurer 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.

Very truly yours,

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

November 7, 2007

To the Township Board  
Clam Union Township  
Missaukee County  
Falmouth, 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 the Clam Union Township 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 Clam Union Township's internal control over financial reporting (internal control) 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 first 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 interest 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.

## 3) Lack of Adequate Controls to Timely Record, Process, and Summarize Accounting Data

Management is responsible for ensuring that a reliable system exists for recording, processing, and summarizing accounting data.

The Clerk and Treasurer of the Township have requirements imposed by the State of Michigan to ensure transactions are recorded, processed, and summarized timely in a manner prescribed by the Michigan Department of Treasury. During the year this process was not functioning properly.

This condition was caused by data input into the recordkeeping system in an incorrect and untimely manner. Also, lack of reconciliation between the Clerk and Treasurer helped to further the problems.

The Township is aware of these problems and is in the process of trying to implement procedures to correct or mitigate these problems in the future.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described in (1) and (3) above (Lack of Segregation of Duties and Lack of Adequate Controls to Timely Record, Process, and Summarize Accounting Data) constitute material weaknesses.

This report 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.*