

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 type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

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 type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Reynolds Township

Montcalm County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended March 31, 2007

Reynolds Township

Montcalm County, Michigan

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March 31, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board
Reynolds Township
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of Reynolds Township as of and for the year ended March 31, 2007 and 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Reynolds Township 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 and the major funds of Reynolds Township as of March 31, 2007 and 2006, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquires of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



Byron Center, Michigan
July 6, 2007

Reynolds Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 4% from a year ago, increasing from \$1,657,087 to \$1,724,777. This results from minimizing expenditures in the General Fund.

In a condensed format, the table below shows a comparison of the net assets as of March 31, 2007 to the prior year:

	Governmental Activities	
	2007	2006
Current assets	\$ 433,369	\$ 391,687
Noncurrent assets	1,471,547	1,445,949
Total assets	1,904,916	1,837,636
Long-term debt outstanding	169,840	169,840
Other liabilities	10,299	10,709
Total liabilities	180,139	180,549
Net assets		
Invested in capital assets - net of debt	1,291,777	1,268,183
Restricted	39,953	36,508
Unrestricted	393,047	352,396
Total net assets	\$ 1,724,777	\$ 1,657,087

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$40,651 for the governmental activities. This represents an increase approximately 2%. The current level of unrestricted net assets for our governmental activities stands at \$393,047, or about 67% of expenditures. This is within the targeted range set by the Township Board during its last budget process.

Reynolds Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of March 31, 2007 to the prior year:

	2007	2006
<u>Program revenues</u>		
Charges for services	\$ 60,269	\$ 54,427
Operating grants and contributions	124,987	115,127
Capital grants and contributions	10,748	70,968
<u>General Revenue</u>		
Property tax	226,457	226,243
State revenue	191,898	187,298
Unrestricted investment income	13,587	11,793
Franchise fees	2,954	2,821
Gain on sale of assets		47,327
Miscellaneous	20,663	10,573
Total Revenues	651,563	726,577
<u>Program expenses</u>		
General government	210,389	175,115
Public safety	97,500	57,977
Public works	58,721	79,315
Community development	11,201	9,379
Recreation and culture	206,062	219,122
Total expenses	583,873	540,908
Change in net assets	\$ 67,690	\$ 185,669

Governmental Activities

There was no significant change in governmental activities from the previous year.

The Township's Funds

Our analysis of the Township's major funds begins on page 11, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 was the General Fund and the Library Special Revenue Fund.

Capital Asset and Debt Administration

At the end of 2007, the Township had \$1,471,547, net of accumulated depreciation, invested in land, building and equipment.

At the end of 2007, the Township had \$179,770 of long-term debt incurred for the construction of a library building. Repayment of this debt will be made by the Library Fund.

Reynolds Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2008 remains little changed from 2007 because the Township has no plans to add long-term debt and expects to make no significant additions to its capital assets. The Township's management has identified no economic factors that may have a significant impact on the Township's financial condition in the foreseeable future.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's Supervisor at the Reynolds Township Hall, 215 E. Edgerton Street, PO Box 69, Howard City, MI 49329. The Township's phone number is (231) 937-6739.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reynolds Township

Montcalm County, Michigan

Statement of Net Assets

For the year ended March 31, 2007

	Governmental activities
<u>GOVERNMENTAL ASSETS</u>	
Cash and cash equivalents	\$ 401,999
Receivables (net)	31,370
Capital assets (net)	1,471,547
TOTAL ASSETS	\$ 1,904,916
<u>GOVERNMENTAL LIABILITIES</u>	
Accrued and other liabilities	\$ 369
Due within one year	9,930
Due in more than one year	169,840
TOTAL LIABILITIES	180,139
<u>GOVERNMENTAL NET ASSETS</u>	
Reserved for	
Capital projects	39,953
Invested in capital assets (net of related debt)	1,291,777
Unrestricted	393,047
TOTAL NET ASSETS	1,724,777
TOTAL LIABILITIES AND NET ASSETS	\$ 1,904,916

The Notes to the Financial Statements are an integral part of this statement.

Reynolds Township

Montcalm County, Michigan

Statement of Activities

For the year ended March 31, 2007

Functions/Programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities
<u>PRIMARY GOVERNMENT EXPENSES</u>					
General government	\$ 210,388	\$ 40,650	\$ -	\$ -	\$ (169,738)
Public safety	97,500	-	-	-	(97,500)
Public works	58,721	-	-	-	(58,721)
Community and economic development	11,201	1,590	-	-	(9,611)
Recreation and culture	206,062	18,029	133,926	16,919	(37,188)
Total Governmental activities	\$ 583,872	\$ 60,269	\$ 133,926	\$ 16,919	(372,758)

General Revenues

Property taxes	226,457
State-shared revenue	191,898
Unrestricted investment income	13,587
Franchise fees	2,954
Miscellaneous	5,552
Total general revenues - special items and transfers	440,448

Change in net assets **67,690**

Net assets at beginning of year	1,657,087
Net assets at end of year	\$ 1,724,777

The Notes to the Financial Statements are an integral part of this statement.

Reynolds Township

Montcalm County, Michigan

Governmental Funds

Balance Sheet

March 31, 2007

	General Fund	Library Fund	Library Capital Projects Fund	Nonmajor Fund	Total
ASSETS					
Cash	\$ 247,340	\$ 114,706	\$ 23,762	\$ 16,191	\$ 401,999
Receivables					
Taxes	21,056	10,315	-	-	31,371
Due from other funds	-	8,537	-	-	8,537
TOTAL ASSETS	\$ 268,396	\$ 133,558	\$ 23,762	\$ 16,191	\$ 441,907
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Payroll deductions payable	\$ 13	\$ 357	\$ -	\$ -	\$ 370
Due to other funds	8,537	-	-	-	8,537
TOTAL LIABILITIES	8,550	357	-	-	8,907
FUND BALANCES					
Reserved for					
Capital Projects	-	-	23,762	16,191	39,953
Undesignated	259,846	133,201	-	-	393,047
TOTAL FUND BALANCES	259,846	133,201	23,762	16,191	433,000
TOTAL LIABILITIES AND FUND BALANCES	\$ 268,396	\$ 133,558	\$ 23,762	\$ 16,191	\$ 441,907

The Notes to the Financial Statements are an integral part of this statement.

Reynolds Township

Montcalm County, Michigan

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

For the year ended March 31, 2007

Total fund balances - total governmental funds	\$ 433,000
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Capital assets at cost	1,549,868
Accumulated depreciation	(78,321)
Net capital assets	1,471,547
Installment purchase contracts payable	(179,770)
Net assets of governmental activities	\$ 1,724,777

The Notes to the Financial Statements are an integral part of this statement.

Reynolds Township

Montcalm County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended March 31, 2007

	General Fund	Library Fund	Library Capital Projects Fund	Nonmajor Funds	Total
REVENUE					
Property taxes	\$ 186,366	\$ 79,522	\$ -	\$ -	\$ 265,888
State grants	189,181	14,638	-	-	203,819
Licenses and permits	3,698	-	-	-	3,698
Intergovernmental	-	70,569	-	-	70,569
Charges for services	3,109	10,949	-	-	14,058
Fines	-	49,543	-	-	49,543
Interest and rents	7,851	4,231	130	346	12,558
Contributions	-	511	10,257	-	10,768
Other	3,735	16,870	58	-	20,663
TOTAL REVENUE	393,940	246,833	10,445	346	651,564
EXPENDITURES					
General government	188,042	-	-	-	188,042
Public Safety	97,500	-	-	-	97,500
Public works	58,721	-	-	-	58,721
Community and economic development	11,201	-	-	-	11,201
Recreation and culture	500	231,082	-	-	231,582
Other governmental functions	15,080	-	-	-	15,080
Capital outlay	-	-	7,346	-	7,346
TOTAL EXPENDITURES	371,044	231,082	7,346	-	609,472
NET CHANGE IN FUND BALANCES	22,896	15,751	3,099	346	42,092
FUND BALANCES, BEGINNING OF YEAR	236,950	117,450	20,663	15,845	390,908
FUND BALANCES, END OF YEAR	\$ 259,846	\$ 133,201	\$ 23,762	\$ 16,191	\$ 433,000

The Notes to the Financial Statements are an integral part of this statement.

Reynolds Township

Montcalm County, Michigan

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

For the year ended March 31, 2007

Net change in fund balances - total governmental funds	\$	42,092
 Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.		66,492
 Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Depreciation		(40,894)
Change in net assets of government activities	\$	67,690

The Notes to the Financial Statements are an integral part of this statement.

Reynolds Township

Montcalm County, Michigan

Fiduciary Fund

Statement of Net Assets

For the year ended March 31, 2007

	Agency Fund Type	
Cash	\$	11,229
Undistributed taxes	\$	11,229

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Reynolds Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Reynolds Township:

A. Reporting Entity

Reynolds Township is governed by an elected five member Board. The Township has no component units, entities for which the government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary 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, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 revenue.

This reporting model provides for separate financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Reynolds Township has no proprietary funds. The Township has one fiduciary fund, the Tax Agency Fund.

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2007

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Reynolds Township's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Reynolds Township as of the preceding December 31st.

Although Reynolds Township's 2006 ad valorem tax is levied and collectible on December 1, 2006, it is Reynolds Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 taxable valuation of Reynolds Township totaled \$95,511,295 for General Operations and Library Operations and \$70,895,510 for the Fire and Public Safety Millage on which ad valorem taxes levied consisted of the following:

	Mills levied	Raising
Operation	0.8351 \$	79,761
Library	0.8351	79,761
Fire	0.8839	62,665

The government 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.

The Library Fund accounts for property taxes and other revenues used to operate the library.

Library Capital Projects Fund accounts for donations and other money used to construct and furnish a library building.

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2007

Additionally, the government reports the following fund types:

Capital Project Fund Type

The Township Hall Capital Projects Fund accounts for money set aside for improvements to the Township hall.

Fiduciary Fund Type

The Trust and agency fund accounts for property tax collected on behalf of the Township and other units.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets--Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column 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 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings	40 to 60 years
Building improvements	15 to 30 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

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.

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2007

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

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

On or before March 1, the Township Supervisor submits to the Board, a proposed operating budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the Township hall to obtain taxpayer comments.

On or before March 31, the budget is adopted by resolution.

Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Budgeted amounts are presented as originally adopted, or as amended by the Township Board before March 31. Individual amendments were not material in relation to the original appropriations which were amended.

Budgets as presented for the General Fund and the Library Special Revenue Fund and are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

The Township legally adopts budgets for the General Fund.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Township Board.

The legal level of control is at the activity level of the General Fund.

The Township Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2007

Excess of Expenditures Over Appropriations in Budgeted Funds--During the year, Reynolds Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	Budget appropriation	Actual Expenditure
General Fund		
Fire Department	\$ 39,500	\$ 37,139
Public Works	58,645	58,721
Library Fund		
Recreation and culture	199,801	231,082

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Reynolds Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of State statutory authority as listed above.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At the year end, the Township had \$306,505 of bank deposits (money market, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2007

NOTE 4 - RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Library
Taxes receivable	\$ 21,056	\$ 10,315

NOTE 5 - CAPITAL ASSETS

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

Governmental Activities	Balance April 1, 2006	Additions	Disposals	Balance March 31, 2007
Assets not being depreciated				
Land	\$ 106,300	\$	\$	\$ 106,300
Construction in progress				
Capital assets being depreciated:				
Buildings	1,368,022	66,492		1,434,514
Furniture and equipment	9,054			9,054
Subtotal	1,377,076	66,492		1,443,568
Accumulated depreciation:				
Buildings	35,376	39,809		75,185
Furniture and equipment	2,051	1,085		3,136
Subtotal	37,427	40,894		78,321
Net capital assets being depreciated	1,339,649	25,598		1,365,247
Net capital assets	\$ 1,445,949	\$ 25,598		\$ 1,471,547

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

Governmental activities:	
General government	\$ 7,267
Recreation and culture	33,627
Total governmental activities	\$ 40,894

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances resulting from distribution of property taxes are described in the following schedule.

Receivable Fund	Payable Fund	Amount
Library Fund	General Fund	\$ 8,537
Total		\$ 8,537

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2007

NOTE 7 - LONG-TERM DEBT

The Township entered into an installment purchase agreement with Independent Bank to fund the construction of a Library Building. This debt will be repaid from property taxes collected for Library operations.

Bond and contractual obligation activity can be summarized as follows:

	Balance April 1, 2006	Additions	Reductions	Balance March 31, 2007	Due within one year
Library Construction Installment Purchase Agreement	\$ 179,770	\$	\$	\$ 179,770	\$ 9,930

Annual debt service requirements to maturity for the above obligations are as follows:

December 31,	Bonds Payable		Total
	Principal	Interest	
2008	\$ 9,930	\$ 8,359	\$ 18,289
2009	10,391	7,898	18,289
2010	10,874	7,415	18,289
2011	11,380	6,909	18,289
2012	11,909	6,380	18,289
2013	12,463	5,826	18,289
2014	13,042	5,247	18,289
2015	13,649	4,640	18,289
2016	14,284	4,005	18,289
2017	14,948	3,341	18,289
2018	15,643	2,646	18,289
2019	16,371	1,918	18,289
2020	17,132	1,157	18,289
2021	7,754	361	8,115
Totals	\$ 179,770	\$ 66,102	\$ 245,872

NOTE 8 - RISK MANAGEMENT

Reynolds Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. Reynolds Township has purchased commercial insurance for all claims and participates in the Accident Fund for claims relating to employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2007

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

The Township has no post-retirement benefit plans at this time.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan

Reynolds Township provides pension benefits to certain employees through defined contribution plans with Ing Annuity and Life Insurance Company and Gleaners Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Reynolds Township contributes an amount equal to 7.5 percent of all Township Board members' salaries toward the purchase of individual annuities to provide retirement benefits. Contributions to the plan for the current year totaled \$1,536 based on a covered payroll of \$20,475. Total Township payroll was \$66,539. Retirement benefits are limited to the amount of annuities purchased on behalf of each employee.

REQUIRED SUPPLEMENTAL INFORMATION

Reynolds Township

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2007

	Original budget	Final budget	Actual	Variance with final budget	2006
REVENUES					
Property Taxes					
Current real property taxes	\$ 157,600	\$ 157,825	\$ 146,935	\$ (10,890)	\$ 130,733
Penalties and interest on taxes	-	1,030	1,030	-	41
Property tax administration fee	34,400	29,400	38,401	9,001	29,196
Total Property Taxes	192,000	188,255	186,366	(1,889)	159,970
State Grants					
State revenue sharing	186,000	183,825	183,815	(10)	181,949
Other state grants	5,200	5,370	5,366	(4)	5,197
Total State Grants	191,200	189,195	189,181	(14)	187,146
Licenses and Permits					
Non-business licenses and permits	1,600	750	730	(20)	1,155
Business licenses and permits	3,150	2,974	2,968	(6)	3,647
Total Licenses and Permits	4,750	3,724	3,698	(26)	4,802
Charges for Services					
Services rendered	6,750	3,120	3,109	(11)	6,575
Interest and Rentals					
Interest and dividends	6,000	6,855	7,851	996	4,683
Other Revenue					
Refunds	1,200	950	946	(4)	9,551
Other	500	37,290	2,789	(34,501)	297
Total Other Revenue	1,700	38,240	3,735	(34,505)	9,848
TOTAL REVENUES	402,400	429,389	393,940	(35,449)	373,024

Reynolds Township

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2007

	Original budget	Final budget	Actual	Variance with final budget	2006
EXPENDITURES					
General government					
Township board	\$ 5,200	\$ 5,534	\$ 5,044	\$ 490	\$ 4,501
Supervisor	15,550	16,900	16,725	175	15,375
Clerk	20,400	22,765	22,387	378	19,941
Audit	2,000	1,600	1,600	-	1,900
Board of review	1,150	1,485	1,818	(333)	1,530
Treasurer	25,400	26,960	26,584	376	23,635
Assessor	39,675	43,367	43,439	(72)	33,633
Elections	9,100	9,840	10,523	(683)	730
Building and grounds	38,750	44,380	42,761	1,619	34,757
Attorney	7,500	7,500	5,665	1,835	12,609
Cemetery	8,000	11,610	11,496	114	8,587
Total General government	172,725	191,941	188,042	3,899	157,198
Public safety					
Police	39,500	39,500	37,139	2,361	21,824
Fire department	50,500	50,500	60,361	(9,861)	36,154
Total Public safety	90,000	90,000	97,500	(7,500)	57,978
Public works					
Public works	-	-	-	-	175
Drains	-	25	21	4	-
Street lighting	2,500	3,040	3,145	(105)	2,550
Highways, streets and bridges	56,700	55,580	55,555	25	76,590
Total Public works	59,200	58,645	58,721	(76)	79,315
Community and economic development					
Planning	2,000	2,700	1,326	1,374	1,114
Zoning	10,600	10,600	9,875	725	8,264
Total Community and economic development	12,600	13,300	11,201	2,099	9,378
Recreation and culture					
Parks and recreation	500	500	500	-	500

Reynolds Township

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2007

	Original budget	Final budget	Actual	Variance with final budget	2006
Other governmental functions					
Retirement	10,000	8,200	4,095	4,105	4,466
Social security	2,000	700	749	(49)	1,147
Other	44,600	41,075	10,236	30,839	9,468
Total Other governmental functions	56,600	49,975	15,080	34,895	15,081
TOTAL EXPENDITURES	391,625	404,361	371,044	33,317	319,450
NET CHANGE IN FUND BALANCES	10,775	25,028	22,896	(2,132)	53,574
Fund balance at beginning of year	236,950	236,950	236,950	-	183,376
Fund balance at end of year	\$ 247,725	\$ 261,978	\$ 259,846	\$ (2,132)	\$ 236,950

Reynolds Township

Montcalm County, Michigan

Library Fund

Budgetary Comparison Schedule

For the year ended March 31, 2007

	Original and final budget	Actual	Variance with final budget	2006
REVENUE				
Current real property taxes	\$ 87,000	\$ 79,522	\$ (7,478)	\$ 95,510
Other state grants	6,000	8,467	2,467	5,415
Intergovernmental	66,000	85,679	19,679	65,703
Services rendered	7,620	10,949	3,329	8,610
Fines and forfeitures	50,900	49,543	(1,357)	52,224
Interest and dividends	2,400	4,231	1,831	3,692
Contributions and donations	160	6,682	6,522	160
Other	1,200	1,760	560	725
Sale of capital assets	-	-	-	47,327
TOTAL REVENUE	221,280	246,833	25,553	279,366
EXPENDITURES				
Library	199,801	231,082	(31,281)	183,135
Debt Service	-	-	-	-
Principal	-	-	-	14,634
Interest	-	-	-	3,666
TOTAL EXPENDITURES	199,801	231,082	(31,281)	201,435
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21,479	15,751	(5,728)	77,931
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	(152,989)
NET CHANGE IN FUND BALANCES	21,479	15,751	(5,728)	(75,058)
Fund balance beginning of year	117,450	117,450	-	192,508
Fund balance end of year	\$ 138,929	\$ 133,201	\$ (5,728)	\$ 117,450

Reynolds Township

Montcalm County, Michigan

Library Capital Projects Fund

Budgetary Comparison Schedule

For the year ended March 31, 2007

	2007	2006
REVENUE		
Interest and rents	\$ 130	\$ 3,377
Contributions and donations	10,257	70,808
Other	58	-
TOTAL REVENUE	10,445	74,185
EXPENDITURES		
Capital outlay	7,346	1,118,509
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,099	(1,044,324)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	152,989
Installment purchase proceeds	-	194,406
TOTAL OTHER FINANCING SOURCES (USES)	-	347,395
NET CHANGE IN FUND BALANCES	3,099	(696,929)
Fund balance at beginning of year	20,663	717,592
Fund balance at end of year	\$ 23,762	\$ 20,663

The Township is not required to adopt a budget for the Library Capital Projects Fund and did not do so.

OTHER SUPPLEMENTAL INFORMATION

Reynolds Township

Montcalm County, Michigan

Township Hall Capital Projects Fund

Balance Sheet

March 31, 2007

	2007	2006
<u>ASSETS</u>		
Cash	\$ 16,191	\$ 15,845
<u>LIABILITIES AND FUND EQUITY</u>		
<u>FUND BALANCES</u>		
Reserved for capital projects	\$ 16,191	\$ 15,845

Reynolds Township

Montcalm County, Michigan

Township Hall Capital Projects Fund

Statement of Revenues, Expenditures and Change in Fund Balance

For the year ended March 31, 2007

	2007	2006
REVENUE		
Interest and rents	\$ 346	\$ -
EXPENDITURES		
Capital outlay	-	47,000
NET CHANGE IN FUND BALANCES	346	(47,000)
Fund balance beginning of year	15,845	62,845
Fund balance end of year	\$ 16,191	\$ 15,845

The Township is not required to adopt a budget for the Township Hall Capital Projects Fund and did not do so.

LONG-TERM DEBT SCHEDULE

Reynolds Township

Reynolds Township Schedule of Bonded Debt

\$194,406 Library Building Construction Purchase Agreement, 2006

March 31, 2007

Year ended	Interest Rate	Principal	Interest	Total
2008	4.650%	\$ 9,930	\$ 8,359	\$ 18,289
2009	4.650%	10,391	7,898	18,289
2010	4.650%	10,874	7,415	18,289
2011	4.650%	11,380	6,909	18,289
2012	4.650%	11,909	6,380	18,289
2013	4.650%	12,463	5,826	18,289
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2021	4.650%	7,754	361	8,115
Totals		\$ 179,770	\$ 66,102	\$ 245,872

AUDITORS' REPORTS

COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Board
Reynolds Township
Montcalm County, Michigan

We have audited the general purpose financial statements of Reynolds Township, Montcalm County, Michigan for the year ended March 31, 2007, and have issued our report thereon dated July 6, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated May 2, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Reynolds Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Reynolds Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Reynolds Township are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2007. We noted no transactions entered into by Reynolds Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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

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



Douglas Wohlberg, CPA
Byron Center, Michigan
July 6, 2007

MANAGEMENT COMMENTS LETTER

To the Board
Reynolds Township
Montcalm County, Michigan

In planning and performing our audit of the financial statements of Reynolds Township for the year ended March 31, 2007 we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated July 6, 2007 on the financial statements of Reynolds Township

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



Douglas Wohlberg, CPA
Byron Center, Michigan
July 6, 2007

Prior comments and suggestions

1. Property taxes collected for Fire Protection and Public Safety were disbursed from the Tax Account directly to the Village of Howard City which provides those services to the Township. By doing this, the revenue and expenditures for these services were not recorded in the General Fund. Also, a debt payment for the Library Building was paid directly from the Tax Account and not first recorded in the Library Fund, I recommend that property tax money collected in the Tax Account be disbursed to the funds for which they are collected.

Resolution:

Township personnel have changed their procedures to ensure future distributions from the Tax Account are paid to the correct funds.

Current comments and suggestions

1. We have no comments for the current year.