

# 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 Avery Township	County Montmorency
Fiscal Year End 3/31/07	Opinion Date 9/28/07	Date Audit Report Submitted to State 9/28/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

YES NO **Check each applicable box below.** (See instructions for further detail.)

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

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

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

<b>We have enclosed the following:</b>	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 type="checkbox"/>	None required		
Certified Public Accountant (Firm Name) Robertson & Carpenter CPAs, P.C.		Telephone Number 989-826-5442		
Street Address P.O. Box 308		City Mio	State MI	Zip 48647
Authorizing CPA Signature		Printed Name Robert J. Carpenter		License Number 1101008247

Avery Township  
Montmorency County, Michigan  
Financial Report  
With Supplemental Information  
March 31, 2007

Avery Township

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Robert J. Carpenter, CPA  
Rodney C. Robertson, CPA

## INDEPENDENT AUDITOR'S REPORT

Township Board  
Avery Township  
Montmorency County, Michigan

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

The management's discussion and analysis and budgetary comparison information on page 2 through page 7 and 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson & Carpenter P.C.  
Certified Public Accountants  
September 28, 2007

## Management's Discussion and Analysis

As management of Avery Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007.

### Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$300,259(*net assets*). Of this amount, \$191,836 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets increased by \$12,453.
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$191,836, an increase of \$21,159 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$187,887 or 150% percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental 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.

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 most recent fiscal year. All changes in net assets are reported as soon as 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 fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, health & welfare, community/economic development, recreation & culture, and other. The Township does not have any business-type activities as of and for the year ended March 31, 2007.

The Government-wide financial statements can be found on pages 8-9 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**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 *near-term inflows and outflows 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 Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 12 of this report.

**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. The notes to the financial statements can be found on pages 13-20 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Township, assets exceeded its liabilities by \$300,259 at the close of the most recent fiscal year.

A portion of the Township’s net assets (36%) reflects its investment in capital assets (e.g., land, land improvements, buildings, and equipment). The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

**Township’s Net Assets**

	<u>Governmental</u>	<u>Activities</u>
	<u>March 31,</u>	<u>March 31,</u>
	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 203,890	\$ 181,551
Capital Assets, Net	<u>108,423</u>	<u>117,129</u>
Total Assets	<u>312,313</u>	<u>298,680</u>
Current Liabilities	12,054	10,874
Long Term Liabilities	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>12,054</u>	<u>10,874</u>
Net Assets:		
Invested in Capital Assets	108,423	117,129
Unrestricted	<u>191,836</u>	<u>170,677</u>
<b>Total Net Assets</b>	<b>\$ <u><u>300,259</u></u></b>	<b>\$ <u><u>287,806</u></u></b>

The Township's net assets increased by \$15,613 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$24,319 or 15%, during fiscal year 2007.

### Township's Changes in Net Assets

	<b>Governmental</b>		<b>Activities</b>
	<b>March 31,</b>		<b>March 31,</b>
	<b>2007</b>		<b>2006</b>
<b>Revenue:</b>			
Program Revenue:			
Charges for services	\$ 763	\$	1,115
Operating Grants and Contributions	-0-		-0-
General Revenue:			
Property Taxes	72,831		69,504
State-Shared Revenues	54,351		53,458
Interest and Rent Earnings	6,231		3,329
Other	9,274		9,848
<b>Total Revenue</b>	<b>\$ 143,450</b>	<b>\$</b>	<b>137,254</b>
<b>Expenses:</b>			
General Government	\$ 69,136	\$	55,303
Public Safety	24,624		23,534
Public Works	6,668		7,350
Health & Welfare	24,534		23,034
Community/Economic Development	4,115		3,601
Recreation & Culture	1,920		1,307
<b>Total Expenses</b>	<b>\$ 130,997</b>	<b>\$</b>	<b>114,129</b>
<b>Increase in Net Assets</b>	<b>12,453</b>		<b>23,125</b>
Net Assets, Beginning of Year	287,806		264,681
<b>Net Assets, End of Year</b>	<b>\$ 300,259</b>	<b>\$</b>	<b>287,806</b>

**Governmental activities.** The Township's total governmental revenues increased by \$6,196 from last fiscal year. This was primarily attributed to additional revenue from property taxes and interest earnings. Expenses increased by \$16,868. The increase was primarily due to an increase in General Government expenses.

### Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township’s governmental funds reported combined ending fund balances of \$191,836, an increase of \$24,319 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township’s discretion, constitutes 98% of this total amount or \$187,887.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 150% and total fund balance represents 153% of total general fund expenditures.

The fund balance of the General Fund increased by \$21,159 during the current fiscal year.

**Governmental Funds Budgetary Highlights**

The Township’s budgets are prepared in accordance with Michigan Law. The budgeted fund is the General Fund. The General Fund budget was amended during the year.

**Capital Asset and Debt Administration**

**Capital assets.** The Township’s investment in capital assets for its governmental activities as of March 31, 2007, amounted to \$108,423 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$-0- for the fiscal year.

**Township’s Capital Assets**  
(net of depreciation)

	<b>March 31, 2007</b>	<b>March 31, 2006</b>
Land	\$ 34,675	\$ 34,675
Land Improvements	3,960	4,187
Buildings	33,112	35,351
Equipment	5,657	9,921
Park – Land Improvements	2,293	2,439
Park - Buildings	3,715	4,001
Park - Equipment	5,481	6,185
Infrastructure	<u>19,530</u>	<u>20,370</u>
<b>Total</b>	<b><u>108,423</u></b>	<b><u>117,129</u></b>

Additional information on the Township’s capital assets can be found in note 5 on page 18 of this report.

**Debt Administration.** The Township did not have any long term debt at March 31, 2007.

## **Factors Bearing on the Township's Future**

The following factors were considered in preparing the Township's budget for the 2007-2008 fiscal year:

- The State of Michigan continues to experience a downturn in the economy. The Township received slightly less in State Shared Revenues this year than the prior fiscal year. The Township anticipates an increase in property tax revenue and inflationary increases in expenses. Our budgets were prepared with these factors in mind and will need to be revised as needed.

## **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Avery Township  
P.O. Box 665  
Atlanta, Michigan 49709

## **Basic Financial Statements**

Avery Township  
Statement of Net Assets  
March 31, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 3)	\$ 122,608
Receivables: (Note 4)	
Other	-
Intergovernmental	19,816
Due from Fiduciary Fund	6,892
Investments (Note 3)	54,574
Capital assets-net (Note 5)	<u>108,423</u>
 Total assets	 <u>312,313</u>
 <b>Liabilities</b>	
Current Liabilities:	
Accounts payable	5,774
Due to other governmental units	<u>6,280</u>
Total current liabilities	<u>12,054</u>
 Total liabilities	 <u>12,054</u>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	108,423
Unrestricted	<u>191,836</u>
 Total net assets	 \$ <u><u>300,259</u></u>

See accompanying notes to financial statements.

Avery Township  
Statement of Activities  
Year Ended March 31, 2007

	Expenses	Program Revenues		Governmental Activities
<b>Functions/Programs</b>		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
General government	\$ 69,136	\$ 763	\$ -	\$ (68,373)
Public safety	24,624	-	-	(24,624)
Public works	6,668	-	-	(6,668)
Health & welfare	24,534	-	-	(24,534)
Comm./Econ. develop.	4,115	-	-	(4,115)
Recreation & culture	1,920	-	-	(1,920)
Other	-	-	-	-
Total governmental activities	\$ 130,997	\$ 763	\$ -	(130,234)
<b>General Revenues:</b>				
Property taxes				72,831
State-shared revenues				54,351
Interest and investment earnings				6,231
Other				9,274
Total general revenues				142,687
<b>Change in Net Assets</b>				12,453
<b>Net assets</b> - beginning of year				287,806
<b>Net assets</b> - end of year				\$ 300,259

**Amounts reported for governmental activities are different because:**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 21,159
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	\$ (5,546)
Capital outlay	-
	(5,546)
Government funds do not recognize the net book value of asset disposals as an offset to the sale proceeds	(3,160)
<b>Change in Net Assets of Governmental Activities</b>	\$ 12,453

See accompanying notes to financial statements.

Avery Township  
Governmental Funds  
Balance Sheet  
March 31, 2007

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 122,608
Investments	54,574
Due from other funds	6,892
Due from other governmental units	19,816
Total assets	\$ 203,890
<b>Liabilities</b>	
Accounts payable	\$ 5,774
Due to other funds	-
Due to other governments	6,280
Total liabilities	12,054
<b>Fund balances</b>	
Reserved:	
Metro Act	3,949
Unreserved:	
Undesignated:	
General Fund	187,887
Total fund balances	191,836
Total liabilities and fund balances	\$ 203,890

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

<b>Fund Balances - Total Governmental Funds</b>	\$ 191,836
Elimination of due to and due from governmental funds	
Due to	-
Due from	-
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.	
The cost of capital assets is	157,534
Accumulated depreciation is	(49,111)
<b>Net Assets of Governmental Activities</b>	<b>\$ 300,259</b>

See accompanying notes to financial statements.

Avery Township  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended March 31, 2007

	<u>General Fund</u>
<b>Revenues</b>	
Taxes and penalties	\$ 72,831
Licenses and permits	525
State grants	54,351
Charges for services	238
Interest and rentals	12,988
Other revenue	5,677
Total revenues	<u>146,610</u>
<b>Expenditures</b>	
Current:	
General government	65,566
Public safety	24,624
Public works	5,828
Health & welfare	24,534
Community/Economic development	4,115
Recreation & culture	784
Other	-
Capital outlay	-
Total expenditures	<u>125,451</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	21,159
<b>Fund balance - April 1, 2006</b>	<u>170,677</u>
<b>Fund balance - March 31, 2007</b>	<u><u>\$ 191,836</u></u>

See accompanying notes to financial statements.

Avery Township  
 Fiduciary Funds  
 Statement of Net Assets  
 March 31, 2007

		Agency Fund Type (Property Tax Collection Fund)
<b>Assets</b>		
Cash	\$	6,892
Due from other funds		-
Total assets	\$	6,892
 <b>Liabilities</b>		
Due to other funds	\$	6,892
Due to other governments		-
Total liabilities		6,892
<b>Net Assets</b>	\$	-

See accompanying notes to financial statements.

Avery Township  
Notes to Financial Statements  
March 31, 2007

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Avery Township ("the 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 more significant policies used by the Township:

**Reporting Entity**

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

**Government-wide and Fund Financial Statements**

The Government-side 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 Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

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. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

**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 fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Government 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 Township 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 severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the Township reports the following funds:

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

**Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include 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.

Avery Township  
Notes to Financial Statements  
March 31, 2007

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2006 taxable value of the Township was \$24,609,400. The 2006 tax levy was .9058 mills for general operating purposes raising \$22,289 for general operating purposes, 1.0000 mills for fire protection, raising \$24,609 for fire protection, and 1.0000 mills for ambulance services raising \$24,609 for ambulance services.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 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 the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land Improvements	20 years
Buildings and additions	20-50 years
Equipment	5-20 years

**Compensated Absences** - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. The Township had a reserved fund balance (Metro Act) of \$3,949 at March 31, 2007. Designations of fund balance represent tentative management plans that are subject to change. The Township did not have a designated fund balance at March 31, 2007.

Avery Township  
Notes to Financial Statements  
March 31, 2007

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

**Note 2 - Stewardship, Compliance and Accountability**

**Excess of expenditures over appropriations in budgeted funds:**

The Township incurred expenditures in excess of amounts budgeted as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
Legislative	\$ 19,737	\$ 20,212	\$ 475
Supervisor	7,524	7,667	143
Assessor	8,940	9,978	1,038
Board of Review	826	853	27
Community/Economic Development	4,084	4,115	31

Avery Township  
Notes to Financial Statements  
March 31, 2007

**Note 3 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures 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 that are legal for direct investment by local units of government in Michigan.

The Township Board has designated three financial institutions for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with State statutory authority as listed above.

Avery Township's deposits and investment policy are in accordance with statutory authority.

At year-end, Avery Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Township Total</u>
Cash and cash equivalents	\$ 122,608	\$ 6,892	\$ 129,500
Investments (CD's)	54,574	-	54,574
Total	<u>\$ 177,182</u>	<u>\$ 6,892</u>	<u>\$ 184,074</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings and CDs)	\$ 129,500
Investments (CD's)	54,574
	<u>\$ 184,074</u>

The deposits of the Township were reflected in the accounts of two financial institutions, of which \$62,081 is covered by federal depository insurance.

The investments Certificates of Deposits with maturities in excess of three months and are reflected in the accounts of one financial institution.

Avery Township  
Notes to Financial Statements  
March 31, 2007

**Note 4 - Receivables**

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

Receivables:	General Fund	Tax Coll. Fund	Total
Other	\$ -	\$ -	\$ -
Intergovernmental	19,816	-	19,816
	<u>\$ 19,816</u>	<u>\$ -</u>	<u>\$ 19,816</u>

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

**Note 5 - Capital Assets**

Capital assets activity of the Township's Governmental activities were as follows:

	<u>Balance</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2007</u>
Capital assets not being depreciated:				
Land	\$ 34,675	\$ -	\$ -	\$ 34,675
Capital assets being depreciated:				
Land improvements	4,537	-	-	4,537
Buildings	66,887	-	-	66,887
Equipment	17,459	-	5,124	12,335
Park - Land improvements	2,920	-	-	2,920
Park - Buildings	7,382	-	-	7,382
Park - Equipment	7,798	-	-	7,798
Infrastructure	21,000	-	-	21,000
Subtotal	<u>127,983</u>	<u>-</u>	<u>5,124</u>	<u>122,859</u>
Accumulated Depreciation				
Land improvements	350	227	-	577
Buildings	31,536	2,239	-	33,775
Equipment	7,538	1,104	1,964	6,678
Park - Land improvements	481	146	-	627
Park - Buildings	3,381	286	-	3,667
Park - Equipment	1,613	704	-	2,317
Infrastructure	630	840	-	1,470
Subtotal	<u>45,529</u>	<u>5,546</u>	<u>1,964</u>	<u>49,111</u>
Net capital assets being depreciated	<u>82,454</u>	<u>(5,546)</u>	<u>3,160</u>	<u>73,748</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 117,129</u>	<u>\$ (5,546)</u>	<u>\$ 3,160</u>	<u>\$ 108,423</u>

Avery Township  
Notes to Financial Statements  
March 31, 2007

**Note 5 - Capital Assets (Continued)**

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

Governmental activities:	
General government	\$ 3,570
Recreation & cultural	1,136
Public works	840
Total governmental activities	\$ 5,546

**Note 6 - Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 6,892	Tax Collection Fund	\$ 6,892
Total	\$ 6,892	Total	\$ 6,892
<u>Transfers In</u>		<u>Transfers Out</u>	
None	\$ -	None	\$ -

**Note 7 - Risk Management**

Rust Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

**Note 8 - Pension Plan**

Avery Township provides pension benefits for all employees that earn in excess of \$350 per year through a defined contribution plan. The plan is a Simplified Employee Pension (SEP) plan administered through Prime Vest. The retirement benefits in a defined contribution plan depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 7 1/2% of the employee's earnings. The plan also requires the employees to make contributions of 7 1/2% of earnings. The Township's contributions, as well as the employees' contributions, are vested upon payment to the plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The Township's total payroll for the year ended March 31, 2007 was \$37,874. The Township's contribution of 7 1/2% to the plan was computed on eligible wages of \$32,360. The Township deposited the required amount of \$2,427, in addition to the administrative fee of \$210. Employees contributed \$2,427, as required, to the plan.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township. The plan held no securities of the Township or other related parties during the year or at the close of the fiscal year.

Avery Township  
Notes to Financial Statements  
March 31, 2007

**NOTE 9 - Joint Venture**

Avery Township participates, along with Briley Township, in the operation of the Atlanta Municipal Airport that is organized as a non-profit corporation. Avery and Briley Townships own the land and buildings. Avery Township's share of the land and buildings is included in the capital assets in Note 5. Avery Township contributed \$1,500 toward airport operations for the year ended March 31, 2007.

The Township appoints two members to the joint venture's governing board, who then approve the annual budget. The following information of the joint venture, obtained from the most recent audited financial statements dated March 31, 2006, is as follows:

Total assets	\$ <u>12,695</u>
Total liabilities	\$ <u>-</u>
Total net assets	\$ <u>12,695</u>
Total revenues	\$ <u>21,880</u>
Total expenses	\$ <u>25,416</u>
Increase (decrease) in net assets	\$ <u>(3,536)</u>

## **Required Supplemental Information**

Avery Township  
 Budgetary Comparison Schedule - General Fund  
 Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	2007	2007		
	Original	Final		
<b>Fund Balance - Beginning of year</b>	\$ 101,723	\$ 101,723	\$ 170,677	\$ 68,954
<b>Resources (Inflows)</b>				
Taxes and fees	32,373	81,591	72,831	(8,760)
Licenses and permits	500	500	525	25
State grants	55,050	55,050	54,351	(699)
Charges for services	640	640	238	(402)
Interest and rentals	9,707	9,707	12,988	3,281
Other	160	160	5,677	5,517
Amounts available for appropriation	200,153	249,371	317,287	67,916
<b>Charges to Appropriations (Outflows)</b>				
General government	72,223	72,223	65,566	(6,657)
Public safety	593	25,202	24,624	(578)
Public works	13,971	13,971	5,828	(8,143)
Health & welfare	275	24,884	24,534	(350)
Community/Economic development	3,984	4,084	4,115	31
Recreation & culture	3,707	3,707	784	(2,923)
Other	105,400	105,300	-	(105,300)
Capital outlay	-	-	-	-
Total charges to appropriations	200,153	249,371	125,451	(123,920)
<b>Fund Balance - end of year</b>	\$ -	\$ -	\$ 191,836	\$ 191,836

## **Supplemental Information**

Avery Township  
General Fund  
Statement of Revenues - Budget and Actual  
Year Ended March 31, 2007

	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>TAXES:</b>			
Property taxes	\$	\$ 70,655	\$
Property taxes - interest		271	
Property tax administration		1,905	
<b>TOTAL TAXES</b>	<u>81,591</u>	<u>72,831</u>	<u>(8,760)</u>
<b>LICENSES AND PERMITS:</b>			
Zoning permits	<u>500</u>	<u>525</u>	<u>25</u>
<b>STATE GRANTS:</b>			
State shared revenues		48,778	
Bankhead Jones		1,844	
Swamp tax		1,846	
Metro Act		1,883	
<b>TOTAL STATE GRANTS</b>	<u>55,050</u>	<u>54,351</u>	<u>(699)</u>
<b>CHARGES FOR SERVICES:</b>			
Cemetery lots		150	
Cemetery grave openings		-	
Property splits		75	
Copies and printed materials		13	
<b>TOTAL CHARGES FOR SERVICES</b>	<u>640</u>	<u>238</u>	<u>(402)</u>
<b>INTEREST AND RENTALS:</b>			
Interest		6,231	
Rent - Townhall		-	
Rent - Park		-	
Royalties		6,757	
<b>TOTAL INTEREST AND RENTALS</b>	<u>9,707</u>	<u>12,988</u>	<u>3,281</u>
<b>OTHER REVENUE</b>			
Reimbursements		4,995	
Miscellaneous		682	
<b>TOTAL OTHER REVENUE</b>	<u>160</u>	<u>5,677</u>	<u>5,517</u>
<b>TOTAL REVENUES</b>	<u>\$ 147,648</u>	<u>\$ 146,610</u>	<u>\$ (1,038)</u>

Avery Township  
General Fund  
Statement of Expenditures - Budget and Actual  
Year Ended March 31, 2007

	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>GENERAL GOVERNMENT</b>			
Legislative			
Trustee wages	\$	\$ 4,612	\$
Meetings per diem		155	
Social security & medicare		738	
Pension contribution		2,637	
Insurance		4,322	
Internet service		108	
Legal		776	
Audit		3,675	
Data processing		1,670	
Printing & publishing		345	
Memberships & dues		500	
Supplies		540	
Miscellaneous		134	
Total Legislative	<u>19,737</u>	<u>20,212</u>	<u>(475)</u>
Supervisor			
Salary		7,174	
Supplies		9	
Travel & seminars		484	
Total Supervisor	<u>7,524</u>	<u>7,667</u>	<u>(143)</u>
Elections			
Wages		1,645	
Supplies		424	
Training		562	
Miscellaneous		23	
Total Elections	<u>2,800</u>	<u>2,654</u>	<u>146</u>
Assessor			
Contracted services		9,893	
Supplies		85	
Total Assessor	<u>8,940</u>	<u>9,978</u>	<u>(1,038)</u>
Clerk			
Salary		6,479	
Deputy clerk wages		1,346	
Supplies		1	
Total Clerk	<u>8,322</u>	<u>7,826</u>	<u>496</u>
Board of Review			
Wages		281	
Per diem		331	
Supplies		2	
Travel & seminars		239	
Total Board of Review	<u>826</u>	<u>853</u>	<u>(27)</u>

Avery Township  
 General Fund  
 Statement of Expenditures - Budget and Actual  
 Year Ended March 31, 2007

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
<b>GENERAL GOVERNMENT (Continued)</b>			
Treasurer	\$	\$	\$
Salary		6,479	
Deputy wages		1,468	
Supplies		40	
Total Treasurer	8,347	7,987	360
Cemetery			
Contracted services		959	
Gas & oil		72	
Burials		-	
Supplies		28	
Miscellaneous		39	
Total Cemetery	5,125	1,098	4,027
Townhall			
Contracted services		314	
Office supplies		218	
Postage		1,127	
Gas & oil		1	
Improvements		353	
Custodial supplies		59	
Maintenance		562	
Telephone		526	
Electric		452	
Heat		1,275	
Miscellaneous		53	
Reimbursements		378	
Small equipment items		1,164	
Computer expense		809	
Total Townhall	10,602	7,291	3,311
TOTAL GENERAL GOVERNMENT	72,223	65,566	6,657

Avery Township  
General Fund  
Statement of Expenditures - Budget and Actual  
Year Ended March 31, 2007

	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>PUBLIC SAFETY</b>			
Fire Department			
Allocation	\$	\$ 24,282	\$
Per diem		342	
<b>TOTAL PUBLIC SAFETY</b>	<u>25,202</u>	<u>24,624</u>	<u>578</u>
<b>PUBLIC WORKS</b>			
Airport			
Per diem		413	
Allocation		1,500	
Gas royalty		3,915	
<b>Total Airport</b>	<u>8,275</u>	<u>5,828</u>	<u>2,447</u>
Roads	5,696	-	
<b>TOTAL PUBLIC WORKS</b>	<u>13,971</u>	<u>5,828</u>	<u>8,143</u>
<b>HEALTH &amp; WELFARE</b>			
Ambulance			
Per diem		257	
Allocation		24,277	
<b>TOTAL HEALTH &amp; WELFARE</b>	<u>24,884</u>	<u>24,534</u>	<u>350</u>
<b>COMMUNITY/ECONOMIC DEVELOPMENT</b>			
Zoning			
Per diem		742	
Contracted services		3,047	
Supplies		326	
<b>TOTAL COMM/ECONOMIC DEV.</b>	<u>4,084</u>	<u>4,115</u>	<u>(31)</u>
<b>RECREATION &amp; CULTURE</b>			
Park			
Contracted services		180	
Gas & oil		14	
Maintenance		150	
Supplies		352	
Electric		88	
<b>TOTAL RECREATION &amp; CULTURE</b>	<u>3,707</u>	<u>784</u>	<u>2,923</u>
<b>OTHER</b>			
Tax Tribunal	1,000	-	1,000
Contribution to community	500	-	500
Contingency	103,800	-	103,800
<b>TOTAL OTHERS</b>	<u>105,300</u>	<u>-</u>	<u>105,300</u>
<b>CAPITAL OUTLAY</b>			
	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 249,371</u>	<u>\$ 125,451</u>	<u>\$ 123,920</u>

Avery Township  
Statement of Changes in Assets and Liabilities  
All Agency Funds  
March 31, 2007

		Current Tax Collection Fund			
		Balance April 1, 2006	Additions	Deductions	Balance March 31, 2007
<b>Assets</b>					
Cash	\$	<u>5,206</u>	<u>169,174</u>	<u>167,488</u>	<u>6,892</u>
<b>Liabilities</b>					
Due to other funds	\$	5,206	\$ 63,217	\$ 61,531	\$ 6,892
Due to county		-	59,483	59,483	-
Due to schools		-	45,374	45,374	-
Refunds		<u>-</u>	<u>1,100</u>	<u>1,100</u>	<u>-</u>
Total liabilities	\$	<u>5,206</u>	<u>169,174</u>	<u>167,488</u>	<u>6,892</u>



# ROBERTSON & CARPENTER CPAs, P.C.

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Other office: Rose City, Michigan

Robert J. Carpenter, CPA  
Rodney C. Robertson, CPA

September 28, 2007

Township Board  
Avery Township  
Montmorency County, 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 Avery 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 Avery Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 Township'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 Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiency to be a significant deficiency in internal control.

## **Lack of adequate controls to produce full-disclosure GAAP basis financial statements.**

*Requirement:* All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township's management. The preparation of financial statements

in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

*Condition:* The Township, as is common with smaller and medium-sized entities, 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 Township'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 part of the government's internal controls.

*Cause:* This condition was caused by the Township'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 Township to perform this task internally.

*Effect:* The result of this condition is that the Township 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.

*View of responsible officials:* The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township 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.

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

Robertson & Carpenter CPA's, P.C.  
Certified Public Accountants  
Mio, Michigan