

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 Lincoln Township	County Newaygo
Fiscal Year End 3/31/07	Opinion Date 7/24/07	Date Audit Report Submitted to State 8/14/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

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

We have enclosed the following :	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.		Telephone Number 231-924-6890	
Street Address 711 W. Main Street		City Fremont	State Zip MI 49412
Authorizing CPA Signature		Printed Name Jodi DeKuiper	License Number 1101021180

**TOWNSHIP OF LINCOLN
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

March 31, 2007

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LINCOLN TOWNSHIP

Board Members

	<u>Position</u>
Buckley A. Geno, Jr.	Supervisor
Sharon Noggle	Clerk
George Dickinson	Treasurer
Dennis Dickinson	Trustee
Tom Worden	Trustee

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Township Board
Lincoln Township
Newaygo County, Michigan

Independent Auditor's Report

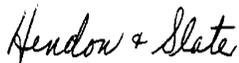
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' 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 general purpose financial statements are free from 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 Lincoln Township, Michigan 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 pages 3 through 5 and 21 through 23, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln Township, Michigan's basic financial statements. The individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Hendon & Slate, P.C.
Certified Public Accountants
July 24, 2007

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LINCOLN TOWNSHIP

Management's Discussion and Analysis (MD&A) For the Year Ended March 31, 2007

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide 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 by approximately \$102,800 (or 34%) from two years ago - increasing from \$308,996 to \$411,818. The main reason was a decrease in contracted services in the Road Fund of approximately \$63,500 (or 62%) from two years ago. Also, the total property taxes collected for all funds increased by approximately \$49,700 (or 45%) over two years ago. In a condensed format, the table below

	Governmental Activities	
	<u>2007</u>	<u>2005</u>
Current Assets	\$ 400,267	\$ 295,590
Noncurrent Assets	17,686	18,801
Total Assets	\$ 417,953	\$ 314,391
Current Liabilities Due to Other Units	\$ 6,135	\$ 5,395
Net Assets	\$ 411,818	\$ 308,996

Unrestricted net assets - the part of net assets that can be used to finance day to day operating, increased by \$100,937 - increasing from \$293,195 to \$394,132 - for the governmental activities. This represents an increase of approximately 34.4%.

	Activities	
	<u>2007</u>	<u>2005</u>
Program Revenues		
Charges for Services	\$ 4,386	\$ 2,883
General Revenues		
Property Taxes	160,318	110,619
State Grants	96,401	101,963
Interest and Rent Income	11,639	2,545
Miscellaneous	17,321	12,294
Total Revenues	290,065	230,304

Management's Discussion and Analysis (Continued)

Program Expenses		
General Government	92,077	85,975
Public Safety	46,474	38,847
Public Works	61,909	120,383
Community/Economic Development	10,498	11,722
Other	14,914	10,894
Unallocated Depreciation	<u>2,004</u>	<u>1,680</u>
Total Expenses	<u>227,876</u>	<u>269,501</u>
Change in Net Assets	<u>\$ 62,189</u>	<u>\$ (39,197)</u>

The Township's total net assets continue to remain healthy. Unrestricted net assets is approximately 73% of total expenses.

Governmental Activities

The Township's total governmental revenues increased by \$59,762 from two years ago. Interest and Rentals saw the largest increase of approximately \$9,000 or 356%.

Expenses decreased by approximately \$49,000 (or 17.9%) from two years ago - partially due to a decrease in contracted services in the Road Fund.

Business-Type Activities

The Township had no business type activities.

The Township's Fund

Our analysis of the Township's major funds follows 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 include the General Fund, the Fire Fund, and the Road Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board found it necessary to amend the budget to take into account events during the year. In the General fund and Fire Fund, the Board did not increase total budgeted expenditures. If a particular activity needed an increase, it was offset with a decrease from another activity.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$17,686 invested in a broad range of capital assets, including land, buildings, and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the township's financial statements because of Michigan law, which makes these roads property of the Newaygo County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's General Fund budget for 2007 - 2008 will be similar to the 2006 - 2007 final amended budget. The Board also anticipates similar expenditures in the Road Fund and Fire Fund. The Township's budgets for 2007-2008 call for a small increase in property taxes due to the limited allowed property value increases (the lesser of inflation or 5%).

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 clerk's office.

LINCOLN TOWNSHIP

Government Wide Statement on Net Assets
March 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 376,108
Taxes Receivable	21,006
Prepaid Insurance	3,153
Property and Equipment	33,069
Land	3,000
Accumulated Depreciation	<u>(18,383)</u>
Total Assets	417,953
LIABILITIES	
Due to Other Units	6,135
NET ASSETS	
Invested in Capital Assets	
Net of Related Debt	17,686
Unrestricted	<u>394,132</u>
Total Net Assets	<u><u>\$ 411,818</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

LINCOLN TOWNSHIP

Government Wide Statement of Activities
For the Fiscal Year Ended March 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Primary Government			
General Government	\$ 92,077	\$ 4,386	\$ (87,691)
Public Safety	46,474	-	(46,474)
Public Works	61,909	-	(61,909)
Community/Economic Development	10,498	-	(10,498)
Other	14,914	-	(14,914)
Unallocated Depreciation	2,004	-	(2,004)
Total Primary Government	\$ 227,876	\$ 4,386	(223,490)

General Revenues

Property Taxes - Levied for General Purpose	36,443
Property Taxes - Levied for Public Safety	46,474
Property Taxes - Levied for Public Works	77,401
State Grants	96,401
Interest and Rents	11,639
Miscellaneous	17,321
Total General Revenues	285,679
Change in Net Assets	62,189
Net Assets - April 1, 2006	349,629
Net Assets - March 31, 2007	\$ 411,818

The Notes to the Financial Statements are an Integral Part of this Statement.

LINCOLN TOWNSHIP

Governmental Fund Balance Sheet
March 31, 2007

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Road Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 303,203	\$ -	\$ 72,905	\$ 376,108
Taxes Receivable	<u>4,705</u>	<u>6,135</u>	<u>10,166</u>	<u>21,006</u>
Total Assets	<u>\$ 307,908</u>	<u>\$ 6,135</u>	<u>\$ 83,071</u>	<u>\$ 397,114</u>
LIABILITIES				
Due to Other Units	\$ -	\$ 6,135	\$ -	\$ 6,135
FUND BALANCES				
Unreserved	<u>307,908</u>	<u>-</u>	<u>83,071</u>	<u>390,979</u>
Total Liabilities and Fund Balances	<u>\$ 307,908</u>	<u>\$ 6,135</u>	<u>\$ 83,071</u>	<u>\$ 397,114</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

LINCOLN TOWNSHIP

Reconciliation of the Balance Sheet
of Governmental Funds to the Statement of Net Assets
For the Fiscal Year Ended March 31, 2007

Total Governmental Fund Balances	\$ 390,979
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Prepaid Insurance reflects amounts that will be used in a future period.	3,153
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	36,069
Governmental Accumulated Depreciation	<u>(18,383)</u>
Total Net Assets - Governmental Activities:	<u>\$ 411,818</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

LINCOLN TOWNSHIP

Governmental Fund Statements of Revenue, Expenditures and Changes in Fund Balance For the Fiscal Year Ended March 31, 2007

	General Fund	Fire Fund	Road Fund	Total Governmental Funds
REVENUES				
Property Taxes	\$ 23,583	\$ 46,474	\$ 77,401	\$ 147,458
Payment in Lieu of Taxes	1,832	-	-	1,832
Property Tax Admin Fee	12,860	-	-	12,860
State Grants	96,401	-	-	96,401
Charges for Services	4,386	-	-	4,386
Interest and Rents	11,349	-	290	11,639
Refunds and Reimbursements	12,473	-	-	12,473
Licenses and Permits	2,625	-	-	2,625
Miscellaneous	391	-	-	391
	165,900	46,474	77,691	290,065
EXPENDITURES				
General Government	92,022	-	-	92,022
Public Safety	-	46,474	-	46,474
Public Works	23,559	-	38,350	61,909
Community and Economic Development	10,498	-	-	10,498
Other Functions	14,914	-	-	14,914
	140,993	46,474	38,350	225,817
Excess Revenue Over Expenditures	24,907	-	39,341	64,248
Fund Balance - April 1, 2006	283,001	-	43,730	326,731
Fund Balance - March 31, 2007	\$ 307,908	\$ -	\$ 83,071	\$ 390,979

The Notes to the Financial Statements are an Integral Part of this Statement.

LINCOLN TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 64,248

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

Prepaid Insurance reflects amounts that will be used in a future period.

Current Year Prepaid Insurance	3,153	
Prior Year Prepaid Insurance	<u>(3,208)</u>	(55)

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	658	
Capital outlay reported as expenses in statement of activities	(658)	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) assets	-	
Depreciation expense reported in the statement of activities	<u>(2,004)</u>	<u>(2,004)</u>

Changes in Net Assets - Governmental Activities \$ 62,189

The Notes to the Financial Statements are an Integral Part of this Statement.

LINCOLN TOWNSHIP

Statement of Net Assets - Fiduciary Funds
March 31, 2007

	<u>Tax Fund</u>
ASSETS	
Cash and Investments	<u><u>\$ -</u></u>
LIABILITIES	
Due to Other Units	<u><u>\$ -</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

LINCOLN TOWNSHIP

Notes to the Financial Statements
For the Year Ended March 31, 2007

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lincoln 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 policies used by Lincoln Township.

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

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. 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.

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.

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

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 are generally 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.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2006 delinquent taxes of \$20,785 were received in May 2007, thus recorded as a receivable.

The 2006 taxable valuation of the Township totaled \$32,282,315 on which ad valorem taxes levied consisted of .7296 mills for general operating, 1.4373 mills for fire operating, and 2.3955 mills for roads raising \$23,592 for operating, \$46,474 for fire operating, \$77,401 for roads, and \$12,860 for PTAF. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

Notes to the Financial Statements (Continued)

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

The Fire Fund accounts for the resources of property tax revenue and charges for services that are restricted for operational purposes.

The Road Fund accounts for property tax revenues that are restricted for the use of road improvements.

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

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 or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

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".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Restricted Assets - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Notes to the Financial Statements (Continued)

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental 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 \$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 donation.

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

	<u>Years</u>
Buildings	40 - 60
Building Improvements and Sheds	15 - 30
Office Equipment	5 - 20
General Equipment	5 - 20

NOTE B 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 approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

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

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit did not incur expenditures which were materially in excess of the amounts appropriated.

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the 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 Township 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.

Notes to the Financial Statements (Continued)

The Township Board has designated Independent Bank - West for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in certificates of deposits, savings accounts, or deposit accounts of a financial institution. A public corporation that invests its funds shall not deposit or invest funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States, but not the remainder of the State statutory authority as listed below:

Investment pools through an inter local agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

The investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.

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

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
	<u> </u>	<u> </u>	<u> </u>
Cash and Cash Equivalents	\$ 376,108	\$ -	\$ 376,108

The bank balance of the Township's deposits is \$420,648, of which \$143,266 is covered by federal depository insurance and \$277,382 is uninsured.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

NOTE D CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Capital Assets Being Depreciated				
Buildings	15,671	-	-	15,671
Equipment	7,000	-	-	7,000
Office Equipment	10,398	-	-	10,398
Subtotal	<u>33,069</u>	<u>-</u>	<u>-</u>	<u>33,069</u>

Notes to the Financial Statements (Continued)

Less Accumulated Depreciation for				
Buildings	7,544	284	-	7,828
Equipment	4,300	400	-	4,700
Office Equipment	4,535	1,320	-	5,855
	<u>16,379</u>	<u>2,004</u>	<u>-</u>	<u>18,383</u>
Net Capital Assets being depreciated	<u>16,690</u>	<u>(2,004)</u>	<u>-</u>	<u>14,686</u>
Total Governmental Activities Capital				
Capital Assets - Net of Depreciation	<u>\$ 19,690</u>	<u>\$ (2,004)</u>	<u>\$ -</u>	<u>\$ 17,686</u>

Depreciation expense was not charged to programs of the primary government.

NOTE E RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE F PENSION PLAN

The Township provides pension benefits to all elected officials through a defined contribution plan administered by John Hancock Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the plan is funded by participants to the extent they elect to contribute after tax into the plan from 1% to 80%, and by a contribution from the Township of a flat rate based upon each participant's annual compensation not to exceed the limits of Code Section 415. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately upon deposit of the contribution by the Township.

The Township's total payroll during the current year was \$61,138 and the total pension, including fees, was \$7,812.

LINCOLN TOWNSHIP

Required Supplementary Information
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended March 31, 2007

	Budgeted Amounts		<u>Actual</u>	Variance to Final Budget
	<u>Original</u>	<u>Final</u>		
Beginning Year Fund Balance	\$ 283,001	\$ 283,001	\$ 283,001	\$ -
Resources (Inflows)				
Property Taxes	24,060	24,060	23,583	(477)
Payment in Lieu of Taxes	5,500	5,500	1,832	(3,668)
Property Tax Admin Fee	13,000	13,000	12,860	(140)
State Grants	98,500	98,500	96,401	(2,099)
Charges for Services	2,400	2,400	4,386	1,986
Interest and Rents	5,900	5,900	11,349	5,449
Refunds and Reimbursements	4,520	4,520	12,473	7,953
Licenses and Permits	1,950	1,950	2,625	675
Miscellaneous	-	-	391	391
	<u>438,831</u>	<u>438,831</u>	<u>448,901</u>	<u>10,070</u>
Amounts Available for Appropriation	438,831	438,831	448,901	10,070
Charges to Appropriations (Outflows)				
General Government	89,635	99,185	92,022	7,163
Public Works	23,100	25,100	23,559	1,541
Community and Economic Development	10,220	11,120	10,498	622
Other Functions	32,875	20,425	14,914	5,511
	<u>155,830</u>	<u>155,830</u>	<u>140,993</u>	<u>14,837</u>
Total Charges to Appropriation	155,830	155,830	140,993	14,837
Budgetary Fund Balance-March 31, 2007	<u>\$ 283,001</u>	<u>\$ 283,001</u>	<u>\$ 307,908</u>	<u>\$ 24,907</u>

LINCOLN TOWNSHIP

Required Supplementary Information
 Budgetary Comparison Schedule for the Fire Fund
 For the Year Ended March 31, 2007

	Budgeted Amounts		<u>Actual</u>	Variance to <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Year Fund Balance	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Property Taxes	<u>45,000</u>	<u>45,000</u>	<u>46,474</u>	<u>1,474</u>
Amounts Available for Appropriation	45,000	45,000	46,474	1,474
Charges to Appropriations (Outflows)				
Public Safety				-
Contracted Services	<u>45,000</u>	<u>45,000</u>	<u>46,474</u>	<u>(1,474)</u>
Total Charges to Appropriation	<u>45,000</u>	<u>45,000</u>	<u>46,474</u>	<u>(1,474)</u>
 Budgetary Fund Balance-March 31, 2007	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

LINCOLN TOWNSHIP

Required Supplementary Information
 Budgetary Comparison Schedule for the Road Fund
 For the Year Ended March 31, 2007

	Budgeted Amounts		<u>Actual</u>	Variance to <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Year Fund Balance	\$ 43,730	\$ 43,730	\$ 43,730	\$ -
Resources (Inflows)				
Property Taxes	74,000	74,000	77,401	3,401
Interest	<u>100</u>	<u>100</u>	<u>290</u>	<u>190</u>
Amounts Available for Appropriation	117,830	117,830	121,421	3,591
Charges to Appropriations				
Public Works				
Contracted Services	74,100	74,100	38,325	35,775
Miscellaneous	<u>-</u>	<u>-</u>	<u>25</u>	<u>(25)</u>
Total Charges to Appropriation	<u>74,100</u>	<u>74,100</u>	<u>38,350</u>	<u>35,750</u>
Budgetary Fund Balance-March 31, 2007	<u>\$ 43,730</u>	<u>\$ 43,730</u>	<u>\$ 83,071</u>	<u>\$ 39,341</u>

LINCOLN TOWNSHIP

Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual - General Fund
For the Year Ended March 31, 2007

	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property Taxes	\$ 24,060	\$ 23,583	\$ (477)
Payment in Lieu of Taxes	5,500	1,832	(3,668)
Property Tax Admin Fee	13,000	12,860	(140)
State Grants	98,500	96,401	(2,099)
Charges for Services	2,400	4,386	1,986
Interest and Rents	5,900	11,349	5,449
Refunds and Reimbursements	4,520	12,473	7,953
Licenses and Permits	1,950	2,625	675
Miscellaneous	-	391	391
	155,830	165,900	10,070
EXPENDITURES			
General Government			
Township Board			
Salaries and Wages		5,070	
Professional Services		7,530	
Printing and Publishing		696	
Membership and Dues		677	
Miscellaneous		745	
	14,775	14,718	57
Supervisor			
Salaries and Wages		10,300	
Transportation		6	
	11,600	10,306	1,294
Elections			
Salaries and Wages		2,169	
Testing		450	
Supplies		474	
Professional Services		770	
Transportation		307	
Printing and Publishing		68	
Miscellaneous		16	
	5,750	4,254	1,496

Statement of Revenues, Expenditures and Change in
Fund Balance - Budget and Actual - General Fund (Continued)

Assessor and Board of Review			
Salaries and Wages		\$ 780	
Professional Services		14,366	
Supplies		669	
Printing and Publishing		225	
Miscellaneous		<u>100</u>	
	\$ 16,610	16,140	\$ 470
Clerk			
Salaries and Wages		13,450	
Supplies		1,051	
Professional Services		81	
Transportation		564	
Communications		402	
Utilities		200	
Miscellaneous		<u>92</u>	
	17,350	15,840	1,510
Treasurer			
Salaries and Wages		15,300	
Supplies		979	
Transportation		1,100	
Miscellaneous		<u>425</u>	
	18,200	17,804	396
Township Hall and Grounds			
Supplies		30	
Repairs and Maintenance		100	
Contracted Services		175	
Utilities		<u>1,350</u>	
	2,600	1,655	945
Cemetery			
Salaries and Wages		5,805	
Supplies		236	
Repairs and Maintenance		1,990	
Utilities		216	
Capital Outlay		<u>658</u>	
	9,900	8,905	995
Surveying			
Contracted Services	<u>2,400</u>	<u>2,400</u>	<u>-</u>
Total General Government	99,185	92,022	7,163

Statement of Revenues, Expenditures and Change in
Fund Balance - Budget and Actual - General Fund (Continued)

Public Works

Highways, Streets, and Bridges

Contracted Services	\$ 22,000	\$ 21,320	\$ 680
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Street Lighting

Utilities	200	114	86
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Refuse Collection and Disposal

Contracted Services		1,734	
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Supplies		391	
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	<u>2,900</u>	<u>2,125</u>	<u>775</u>
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Total Public Works	25,100	23,559	1,541
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Community/Economic Development

Planning Commission

Salaries and Wages		2,616	
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Consultant		1,748	
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Transportation		46	
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Supplies		143	
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	4,600	<u>4,553</u>	47
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Zoning Administration

Salaries and Wages		5,200	
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Supplies		23	
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Transportation		225	
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	5,650	<u>5,448</u>	202
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Board of Appeals

Wages		448	
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Supplies		7	
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Transportation		42	
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	<u>870</u>	<u>497</u>	<u>373</u>
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Total Community/Economic Development	11,120	10,498	622
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Other Functions

Payroll Taxes		1,696	
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Insurance		5,406	
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Pension		7,812	
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Total Other Functions	<u>20,425</u>	<u>14,914</u>	<u>5,511</u>
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Total Expenditures	<u>155,830</u>	<u>140,993</u>	<u>14,837</u>
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Excess Revenues Over Expenditures	-	24,907	24,907
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Fund Balance - April 1, 2006	<u>283,001</u>	<u>283,001</u>	<u>-</u>
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Fund Balance - March 31, 2007	<u>\$ 283,001</u>	<u>\$ 307,908</u>	<u>\$ 24,907</u>
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H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

July 24, 2007

Township Board
Lincoln Township
2776 N. Baldwin Avenue
White Cloud, MI 49349

Dear Board Members:

We would like to thank you for the opportunity to provide our auditing services. It was again a pleasure working with members of Lincoln Township during the audit engagement.

A recent change in auditing standards (SAS 112 - *Communicating Internal Control Related Matters Identified in an Audit*) now requires that we provide a new letter, which we have included, that focuses on the internal controls over financial reporting.

In addition to the letter referenced above, we also reviewed the Township's accounting procedures as of and for the year ended March 31, 2007, and offer the following comments and recommendations:

BOOKS AND RECORDS

We would like to commend the Clerk and Treasurer on the condition of the books and records. This information was well organized and complete.

MUNICIPAL FINANCE ACT

The State of Michigan requires each governmental entity to file Form 3883 – Municipal Finance Qualifying Statement on an annual basis. This form must be filed online. Please visit <http://michigan.gov/treasury>. Click on “Local Government”. Select Municipal Finance. Then select online qualifying statement to complete the Municipal Finance Qualifying Statement.

We appreciate the courtesy extended to us during the course of the audit. We will be happy to assist in the implementation of any of the recommendations mentioned in this letter or answer any questions regarding the audit.

Respectfully submitted,



Jodi DeKuiper, CPA
Hendon & Slate, P.C.

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