

### 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 Merrill Township	County Newaygo
Fiscal Year End 3/31/07	Opinion Date December 4, 2007	Date Audit Report Submitted to State December 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

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

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

**MERRILL TOWNSHIP  
NEWAYGO COUNTY MICHIGAN**

**FINANCIAL STATEMENTS**

**MARCH 31, 2007**

**MERRILL TOWNSHIP**

Board Members

	<u>Position</u>
Rolanda Richardson	Supervisor
Diane Kohlbeck	Clerk
Dorothy M. Harrison	Treasurer
James E. Green	Trustee
Frank A. Jackson	Trustee

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Township Board  
Merrill 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 Merrill 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 Merrill 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 24, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Merrill Township, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hendon & Slate, P.C.  
Certified Public Accountants  
December 4, 2007

## MERRILL TOWNSHIP

### Management's Discussion and Analysis

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 total net assets climbed from \$478,935 to \$542,749. In a condensed format, the table below shows key financial information comparing March 31, 2005 financials to March 31, 2007 financials.

#### Governmental Activities

The Township's total governmental revenues increased by \$15,573 from March 31, 2005. Charges for services decreased \$6,125 and State Shared Revenue decreased by \$12,267 compared to March 31, 2005. Miscellaneous Income increased significantly while Property taxes and other revenues were similar to the previous year.

Expenses decreased by \$28,381 from the prior audit year. General Government expenses decreased by \$16,178 from the prior year audit. Public Works expenses decreased by \$25,682.

	Governmental Activities	
	<u>3/31/2007</u>	<u>3/31/2005</u>
Current Assets	\$ 315,737	\$ 260,997
Noncurrent Assets	<u>252,439</u>	<u>257,933</u>
Total Assets	<u>\$ 568,176</u>	<u>\$ 518,930</u>
Long Term Debt Outstanding	17,000	32,000
Other Liabilities	<u>8,926</u>	<u>7,995</u>
Total Liabilities	<u>\$ 25,926</u>	<u>\$ 39,995</u>
Net Assets		
Invested in Capital Assets-Net of Debt	\$ 235,439	\$ 225,933
Restricted	-	5,000
Unrestricted	<u>306,811</u>	<u>248,002</u>
Total Net Assets	<u>\$ 542,250</u>	<u>\$ 478,935</u>

Management's Discussion and Analysis (Continued)

	Governmental Activities	
	<u>3/31/2007</u>	<u>3/31/2005</u>
Program Revenues		
Charges for Services	\$ 622	\$ 6,747
Grants	9,083	-
General Revenues		
Property Taxes	188,084	184,287
State Shared Revenues	42,838	55,105
Interest Income	1,596	1,110
Gain on Sale of Asset	-	1,084
Miscellaneous	23,191	1,508
Total Revenues	<u>\$ 265,414</u>	<u>\$ 249,841</u>
Program Expenses		
General Government	\$ 99,332	\$ 102,339
Public Safety	24,223	21,471
Public Works	86,858	112,540
Health & Welfare	1,578	1,557
Recreation & Culture	542	423
Community & Economic Development	2,673	2,915
Interest on Long Term Debt	-	2,644
Other Functions	2,601	2,299
Total Expenses	<u>217,807</u>	<u>246,188</u>
Change in Net Assets	<u>\$ 47,607</u>	<u>\$ 3,653</u>

**The Township's Funds**

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detailed 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 as of March 31, 2007 include the General Fund, Road Fund, Fire Fund and the Transfer Station Fund. The non-major funds are the Debt Service Fund and the Board Authority 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.

## Management's Discussion and Analysis (Continued)

### **Capital Asset and Debt Administration**

At March 31, 2007, the Township had nearly \$342,658 invested in 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 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, Fire, and Transfer Station Funds during 2007-2008 as it expended during 2006-2007.

### **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 management at Merrill Township, 1585 W. 11 Mile Road, Bitely, MI 49309.

**MERRILL TOWNSHIP**

Government Wide Statement of Net Assets  
March 31, 2007

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 266,331
Taxes Receivable	47,242
Due From Fiduciary Funds	514
Prepaid Insurance	1,650
Capital Assets	<u>252,439</u>
Total Assets	<u><u>\$ 568,176</u></u>
<b>LIABILITIES</b>	
Accounts Payable	8,191
Due to Other Governmental Units	735
Bonds Payable, Due in One Year	<u>17,000</u>
Total Liabilities	25,926
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	235,439
Unrestricted	<u>306,811</u>
Total Net Assets	<u>542,250</u>
Total Liabilities and Net Assets	<u><u>\$ 568,176</u></u>

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

## MERRILL TOWNSHIP

### Government Wide Statement of Activities March 31, 2007

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Grants</u>	<u>Governmental Activities</u>
Primary Government				
General Government	\$ 86,161	\$ 272	\$ 7,298	\$ (78,591)
Public Safety	24,223	-	-	(24,223)
Public Works	86,858	350	1,785	(84,723)
Health & Welfare	1,578	-	-	(1,578)
Recreation & Culture	542	-	-	(542)
Community & Economic Development	2,673	-	-	(2,673)
Other Functions	2,601	-	-	(2,601)
Interest Expense	499	-	-	(499)
Depreciation Expense	13,171	-	-	(13,171)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Primary Government	<u>\$ 218,306</u>	<u>\$ 622</u>	<u>\$ 9,083</u>	<u>(208,601)</u>
General Revenues:				
Property Taxes				180,172
PTAF				7,912
State Shared Revenue				42,838
Contributions from Local Units				12,109
Licenses and Permits				620
Penalties and Interest				65
Interest				1,531
Rents & Royalties				895
Miscellaneous				9,567
				<hr/>
Total General Revenues				<u>255,709</u>
Change in Net Assets				47,108
Net Assets - April 1, 2006				<hr/>
				495,142
Net Assets - March 31, 2007				<u><u>\$ 542,250</u></u>

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

**MERRILL TOWNSHIP**

Governmental Fund Balance Sheet  
March 31, 2007

	General Fund	Fire Fund	Road Fund	Transfer Station Fund	Non-Major Governmental Fund	Total Governmental Fund
<b>ASSETS</b>						
Cash	\$ 57,394	\$ 38,669	\$ 64,790	\$ 86,732	\$ 18,746	\$ 266,331
Taxes Receivable	12,784	7,326	7,326	19,806	-	47,242
Due From Fiduciary Funds	514	-	-	-	-	514
Due from Other Funds	3,099	-	-	-	-	3,099
<b>Total Assets</b>	<b>\$ 73,791</b>	<b>\$ 45,995</b>	<b>\$ 72,116</b>	<b>\$ 106,538</b>	<b>\$ 18,746</b>	<b>\$ 317,186</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 3,175	\$ -	\$ -	\$ 4,517	\$ 499	\$ 8,191
Due to Other Funds	-	749	971	1,379	-	3,099
Due to Federal Government	735	-	-	-	-	735
<b>Total Liabilities</b>	<b>3,910</b>	<b>749</b>	<b>971</b>	<b>5,896</b>	<b>499</b>	<b>12,025</b>
<b>FUND BALANCES</b>						
Designated						
Undesignated	69,881	45,246	71,145	100,642	18,247	305,161
<b>Total Fund Balances</b>	<b>69,881</b>	<b>45,246</b>	<b>71,145</b>	<b>100,642</b>	<b>18,247</b>	<b>305,161</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 73,791</b>	<b>\$ 45,995</b>	<b>\$ 72,116</b>	<b>\$ 106,538</b>	<b>\$ 18,746</b>	<b>\$ 317,186</b>

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

## MERRILL TOWNSHIP

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

Total Governmental Fund Balances	\$	305,161
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.		1,650
Bonds Payable not due and payable in the current period are not reported in the funds		(17,000)
Amounts Due To Other Funds		3,099
Due From Other Funds		(3,099)
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		403,774
Governmental Accumulated Depreciation		<u>(151,335)</u>
Total Net Assets - Governmental Activities:	\$	<u><u>542,250</u></u>

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

**MERRILL TOWNSHIP**

Governmental Fund Statement of Revenue, Expenditures  
and Changes in Fund Balance  
March 31, 2007

	General Fund	Fire Fund	Road Fund	Transfer Station Fund	Non-Major Governmental Fund	Total Governmental Fund
<b>Revenues</b>						
Property Taxes	\$ 52,246	33,513	\$ 33,513	\$ 60,900	\$ -	\$ 180,172
Property Tax Administration Fee	7,912	-	-	-	-	7,912
State Shared Revenue	42,838	-	-	-	-	42,838
State Grants	7,298	-	1,785	-	-	9,083
Contributions from Local Units	1,306	-	10,803	-	-	12,109
Penalties and Interest	-	65	-	-	-	65
Charges for Services	272	-	-	350	-	622
Interest	220	-	115	1,196	-	1,531
Rents and Royalties	895	-	-	-	-	895
Refunds and Reimbursements	-	-	-	-	-	-
Licenses and Permits	620	-	-	-	-	620
Miscellaneous	6,118	2,096	685	479	189	9,567
<b>Total Revenues</b>	<b>119,725</b>	<b>35,674</b>	<b>46,901</b>	<b>62,925</b>	<b>189</b>	<b>265,414</b>
<b>Expenditures</b>						
General Government	86,161	-	-	-	-	86,161
Public Safety	-	24,223	-	-	-	24,223
Public Works	-	-	28,279	58,579	-	86,858
Health & Welfare	1,578	-	-	-	-	1,578
Recreation & Culture	542	-	-	-	-	542
Community & Economic Development	2,673	-	-	-	-	2,673
Debt Service	-	-	-	-	499	499
Capital Outlay	2,761	-	-	13,761	-	16,522
Other Functions	3,174	-	-	-	-	3,174
<b>Total Expenditures</b>	<b>96,889</b>	<b>24,223</b>	<b>28,279</b>	<b>72,340</b>	<b>499</b>	<b>222,230</b>
<b>Excess Revenue Over (Under) Expenditures</b>	<b>22,836</b>	<b>11,451</b>	<b>18,622</b>	<b>(9,415)</b>	<b>(310)</b>	<b>43,184</b>

Governmental Fund Statement of Revenue, Expenditures,  
and changes in the Fund Balance - Continued

Other Financial Sources						
Operating Transfers-In	-	-	-	-	11,149	11,149
Operating Transfers-Out	(5,787)	(5,362)	-	-	-	(11,149)
Total Other Financial Sources	<u>(5,787)</u>	<u>(5,362)</u>	<u>-</u>	<u>-</u>	<u>11,149</u>	<u>-</u>
Excess Revenue & Other Financing Sources						
Over (Under) Expenditures & Other Uses	17,049	6,089	18,622	(9,415)	10,839	43,184
Fund Balance - Beginning	<u>52,832</u>	<u>39,157</u>	<u>52,523</u>	<u>110,057</u>	<u>7,408</u>	<u>261,977</u>
Fund Balance - Ending	<u>\$ 69,881</u>	<u>\$ 45,246</u>	<u>\$ 71,145</u>	<u>\$ 100,642</u>	<u>\$ 18,247</u>	<u>\$ 305,161</u>

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

**MERRILL TOWNSHIP**

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

Net Change in Fund Balances - Total Governmental Funds \$ 43,184

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	1,650	
Prior year prepaid insurance	<u>(1,077)</u>	573

Interfund activity is eliminated in the Statement of Activities

Interfund Transfers-In	(11,149)	
Interfund Transfers-Out	<u>11,149</u>	-

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	16,522	
Depreciation expense reported in the statement of activities	<u>(13,171)</u>	
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) assets		<u>3,351</u>

Changes in Net Assets - Governmental Activities \$ 47,108

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

**MERRILL TOWNSHIP**

Proprietary Fund Statement of Net Assets  
March 31, 2007

	Tax Fund
<b>ASSETS</b>	
Cash	<u>\$ 2,736</u>
<b>LIABILITIES</b>	
Due to Other Funds	\$ 513
Due to Other Units	<u>2,223</u>
	<u>\$ 2,736</u>

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

## MERRILL TOWNSHIP

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

### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Merrill 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 us by Merrill 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 \$47,162 were not received as of March 31, 2007 and were therefore recorded as a receivable.

The 2006 taxable valuation of the Township totaled \$19,052,689 on which ad valorem taxes levied consisted of .8343 mills for general operating, 1.7669 mills for fire operating, 1.7669 for roads operating. Raising \$52,246 for operating and \$7,912 for PTAF, \$33,513 for Fire, and \$33,513 for Roads. These amounts are recognized in the financial statements as current tax revenue.

Also, the Township collects a special assessment for the Transfer Station, \$60,900, which was added to the property tax bills for collection at that time. \$19,806 was collected with the delinquent taxes and included in the total delinquent taxes.

## 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 fire operational purposes.

The Road Fund accounts for the resources of property tax revenue and expenditures that improve and construct Township roads.

The Transfer Station Fund accounts for the resources of property tax revenue and activities of the Transfer Station operations.

The government reports the following non-major funds:

The Building Authority fund accounts for transactions paid for and approved by the Building Authority.

The Debt Service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Additionally, the government reports the following fund type:

The Trust and Agency fund accounts for the assets held as an agent for others (Tax Account)

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.

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 Net Assets or Equity

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

Notes to the Financial Statements (continued)

Inventories and Prepaid Items - Payments for inventoriable 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.

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 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Land Improvements	15 to 20 years
Buildings	30 years
Building Improvements	15 to 25 years
General Equipment	10 years

Salvage value is estimated at 2% of cost for the Transfer Station assets, and 10% of cost for the remainder of the Townships assets.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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 had no material expenditures in budgeted funds.

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.

The Township Board has designated six banks 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 bonds and securities of the United States government, bank accounts and CD's, bankers' acceptances of United States banks, and mutual funds under the Investment Company Act of 1940, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority. The Township's deposits were reported in the basic financial statements in the following categories:

	Governmental <u>Activities</u>	Fiduciary <u>Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 266,331	\$ 2,736	\$ 269,067

The bank balance of the Township's deposits was \$281,652, of which \$203,200 was covered by federal depository insurance, and \$78,452 was uninsured.

Notes to the Financial Statements (continued)

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC and NCUA 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.

NOTE D CAPITAL ASSETS

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

<u>Class</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets not being depreciated				
Land	\$ 61,116	\$ -	\$ -	\$ 61,116
Capital Assets being depreciated				
Buildings	239,180	13,761	-	252,941
Equipment	31,886	-	-	31,886
Land Improvements	55,070	2,761	-	57,831
Total at Historical Cost	326,136	16,522	-	342,658
Less Accumulated Depreciation for				
Buildings	97,469	6,873	-	104,342
Equipment	26,981	2,980	-	29,961
Land Improvements	13,714	3,318	-	17,032
Total Accumulated Depreciation	138,164	13,171	-	151,335
Total Governmental Activities				
Capital Assets-Net of Depreciation	<u>\$ 249,088</u>	<u>\$ 3,351</u>	<u>\$ -</u>	<u>\$ 252,439</u>

NOTE E INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Due From</u>	<u>Amount</u>	<u>Due To</u>	<u>Amount</u>
General	\$ 3,613	Trust and Agency	\$ 514
		Fire Fund	749
		Road Fund	971
		Transfer Station	1,379
Total Interfund Balances	<u>\$ 3,613</u>		<u>\$ 3,613</u>

All amounts are expected to be paid within one year.

Notes to the Financial Statements (continued)

Interfund Transfers			
	<u>Transfers In</u>		<u>Transfers Out</u>
Board Authority	\$ 11,149	General Fund	\$ 5,787
		Fire Fund	5,362
Total Interfund Transfers	<u>\$ 11,149</u>		<u>\$ 11,149</u>

NOTE E LONG-TERM DEBT

The Building Authority sold bonds in the amount of \$135,000 on September 1, 1992 for the construction of a new facility to be used as a Township Hall, Community Building and Fire Station. The bonds have a stated interest rate of 5.875%. The principal payments are due annually from April 1, 1995 to April 1, 2007. Per the terms of the contract agreement the General Fund and the Fire Fund are charged, as rent, an amount equal to the principal and interest payments. The amount for principal and interest for the year ended March 31, 2007 was \$499

Bond activity can be summarized as follows:

Governmental Activities	Interest <u>Rate</u>	Principal <u>Matures</u>	Beginning <u>Balance</u>	Additions <u>(Reductions)</u>	Ending <u>Balance</u>
Building Authority					
1992 New Facility Bond	5.875	4/1/2007	\$ 17,000	\$ -	17,000
Due Within One Year		\$ -			
	<u>Year End March 31,</u>	<u>Principal</u>	<u>Interest</u>		
	2007	17,000	500		
	Total	<u>\$ 17,000</u>	<u>\$ 500</u>		

NOTE F NON-MONETARY TRANSACTIONS

Merrill Township has a contract with Lilley Township. This contract is for Lilley Township to provide fire protection services to Merrill Township in exchange for an amount equal to 1.5 mills of property taxes. The contract was in effect during 2006-2007.

NOTE G EMPLOYEE BENEFITS

At the December 31, 2001 regular board meeting, the Merrill Township Insurance Payment Plan Ordinance was adopted. The Ordinance approves township payment of insurance premiums up to \$50 per month on behalf of the following active or retired township officers: Supervisor, Clerk, Treasurer; provided that such person has held office for a period of not less than twenty-five (25) years. The expense as of March 31, 2007 was \$355.

NOTE H RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters 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.

**MERRILL TOWNSHIP**

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Beginning Year Fund Balance	\$ 52,832	\$ 52,832	\$ 52,832	\$ -
Resources (Inflows)				
Property Taxes	48,750	48,750	52,246	3,496
Property Tax Administration Fee	6,000	6,000	7,912	1,912
State Shared Revenue	43,000	43,000	42,838	(162)
State Grants	7,300	7,300	7,298	(2)
Contributions from Local Units	6,000	6,000	1,306	(4,694)
Charges for Services	100	100	272	172
Interest	-	-	220	220
Rents and Royalties	1,500	1,500	895	(605)
Licenses and Permits	1,100	1,100	620	(480)
Miscellaneous	3,300	3,300	6,118	2,818
	<u>169,882</u>	<u>169,882</u>	<u>172,557</u>	<u>2,675</u>
Amounts Available for Appropriation	169,882	169,882	172,557	2,675
Charges to Appropriations (Outflows)				
General Government	96,965	100,365	88,922	11,443
Health & Welfare	2,500	2,500	1,578	922
Recreation & Culture	2,175	1,475	542	933
Community & Economic Development	5,380	5,380	2,673	2,707
Other Functions	7,700	5,000	3,174	1,826
Transfers (Out)	7,000	7,000	5,787	1,213
	<u>121,720</u>	<u>121,720</u>	<u>102,676</u>	<u>19,044</u>
Total Charges to Appropriation	121,720	121,720	102,676	19,044
Fund Balance - March 31, 2007	<u>\$ 48,162</u>	<u>\$ 48,162</u>	<u>\$ 69,881</u>	<u>\$ 21,719</u>

**MERRILL TOWNSHIP**

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Beginning Year Fund Balance	\$ 39,157	\$ 39,157	\$ 39,157	\$ -
Resources (Inflows)				
Property Taxes	31,500	31,500	33,513	2,013
Rentals & Interest	40	40	65	25
Miscellaneous	-	-	2,096	2,096
Amounts Available for Appropriation	70,697	70,697	74,831	4,134
Charges to Appropriations (Outflows)				
Fire Protection	24,000	24,000	23,022	978
Utilities	200	200	279	(79)
Miscellaneous	1,490	1,490	922	568
Debt-Principal	-	-	-	-
Interest	300	300	-	300
Capital Outlay	5,000	5,000	-	5,000
Transfers (Out)	5,670	5,670	5,362	308
Total Charges to Appropriation	36,660	36,660	29,585	7,075
Fund Balance - March 31, 2007	<u>\$ 34,037</u>	<u>\$ 34,037</u>	<u>\$ 45,246</u>	<u>\$ 11,209</u>

**MERRILL TOWNSHIP**

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Beginning Year Fund Balance	\$ 52,523	\$ 52,523	\$ 52,523	\$ -
Resources (Inflows)				
Property Taxes	31,500	31,500	33,513	2,013
State Grants	2,900	2,900	1,785	(1,115)
Contributions from Local Units	10,700	10,700	10,803	103
Rentals & Interest	75	75	115	40
Miscellaneous	-	-	685	685
	<u>97,698</u>	<u>97,698</u>	<u>99,424</u>	<u>1,726</u>
Amounts Available for Appropriation				
Charges to Appropriations (Outflows)				
Brining	22,300	22,300	22,950	(650)
Utilities	4,200	5,050	4,604	446
Miscellaneous	1,000	1,000	725	275
Transfers (Out)	600	600	-	600
	<u>28,100</u>	<u>28,950</u>	<u>28,279</u>	<u>671</u>
Total Charges to Appropriation				
Fund Balance - March 31, 2007	<u>\$ 69,598</u>	<u>\$ 68,748</u>	<u>\$ 71,145</u>	<u>\$ 2,397</u>

## MERRILL TOWNSHIP

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Beginning Year Fund Balance	\$ 110,057	\$ 110,057	\$ 110,057	\$ -
Resources (Inflows)				
Property Taxes	61,000	61,000	60,900	(100)
Charges for Services	-	-	350	350
Rentals & Interest	750	750	1,196	446
Miscellaneous	415	415	479	64
Amounts Available for Appropriation	172,222	172,222	172,982	760
Charges to Appropriations (Outflows)				
Public Safety-Building Inspections	2,900	2,900	-	2,900
Public Works-Refuge Collection				
Salaries & Wages	11,400	13,400	11,616	1,784
Payroll Taxes	725	875	802	73
Supplies	200	600	587	13
Grounds Maintenance	4,000	4,000	2,348	1,652
Trash Removal	44,000	44,000	38,072	5,928
Sewage Disposal	200	200	200	-
Communications	150	150	233	(83)
Printing & Publishing	175	350	169	181
Utilities	1,150	1,150	1,664	(514)
Equipment & Tools	100	100	69	31
Repairs	3,500	3,500	1,543	1,957
Miscellaneous	3,250	3,450	1,276	2,174
Capital Outlay	12,000	12,000	13,761	(1,761)
Transfers (Out)	1,450	1,450	-	1,450
Total Public Works	82,300	85,225	72,340	12,885
Total Charges to Appropriation	85,200	88,125	72,340	15,785
Fund Balance - March 31, 2007	\$ 87,022	\$ 84,097	\$ 100,642	\$ 16,545

**MERRILL TOWNSHIP**

Combining Balance Sheet  
Non-Major Governmental Funds  
For the Year Ended March 31, 2007

	<u>Special Revenue Funds Building Authority</u>	<u>Debt Service 1992 New Facility Bonds</u>	<u>Total Non-Major Governmental Funds</u>
Assets			
Cash & Cash Equivalents	<u>\$ 13,109</u>	<u>\$ 5,637</u>	<u>\$ 18,746</u>
Total Assets	<u><u>\$ 13,109</u></u>	<u><u>\$ 5,637</u></u>	<u><u>\$ 18,746</u></u>
Liabilities & Fund Equity			
Accounts Payable	\$ -	\$ 499	\$ 499
Fund Balance	<u>13,109</u>	<u>5,637</u>	<u>18,746</u>
Total Liabilities & Fund Equity	<u><u>\$ 13,109</u></u>	<u><u>\$ 6,136</u></u>	<u><u>\$ 19,245</u></u>

**MERRILL TOWNSHIP**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Non-Major Governmental Funds  
 For the Year Ended March 31, 2007

	Special Revenue Funds Building Authority	Debt Service 1992 New Facility Bonds	Total Non-Major Governmental Funds
Revenue			
Miscellaneous	\$ -	\$ 189	\$ 189
Total Revenue	-	189	189
Expenditures			
Debt Service-Interest	-	499	499
Total Expenditures	-	499.00	499
Excess Revenues Under Expenditures	-	(310)	(310)
Other Financing Sources			
Operating Transfers In	11,149	-	11,149
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	11,149	-	11,149
Excess Revenues & Other Sources Over (Under) Expenditures & Other Uses	11,149	(310)	10,839
Fund Balance - April 1, 2006	1,960	5,448	7,408
Fund Balance - March 31, 2007	\$ 13,109	\$ 5,138	\$ 18,247

## MERRILL 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)
<b>Revenues</b>			
Property Taxes	\$ 48,750	\$ 52,246	\$ 3,496
Property Tax Administration Fee	6,000	7,912	1,912
State Shared Revenue	43,000	42,838	(162)
State Grants	7,300	7,298	(2)
Contributions from Local Units	6,000	1,306	(4,694)
Charges for Services	100	272	172
Interest	-	220	220
Rents and Royalties	1,500	895	(605)
Licenses and Permits	1,100	620	(480)
Miscellaneous	3,300	6,118	2,818
Total Revenues	117,050	119,725	2,675
<b>Expenditures</b>			
General Government			
Township Board			
Salaries and Wages		1,950	
Supplies		197	
Association Dues		336	
Transportation		26	
Education and Training		228	
Printing and Publishing		538	
Interest		26	
Miscellaneous		134	
	5,300	3,435	1,865
Supervisor			
Salaries and Wages		4,959	
Office Supplies		78	
Transportation		79	
	6,680	5,116	1,564
Clerk			
Salaries and Wages		6,323	
Supplies		294	
Dues		10	
Transportation		75	
Miscellaneous		721	
Education and Training		40	
	\$ 7,860	\$ 7,463	\$ 397

Statement of Revenues, Expenditures and  
Changes in Fund Balance - General Fund (continued)

Board of Review			
Per Diem		\$ 750	
Supplies		449	
Transportation		135	
Education and Training		35	
Printing and Publishing		225	
Miscellaneous		<u>221</u>	
	\$ 2,200	1,815	\$ 385
Treasurer			
Salaries and Wages - Clerk		6,168	
Supplies		357	
Tax Bills		11,170	
Transportation		393	
Miscellaneous		<u>660</u>	
	19,975	18,748	1,227
Assessor			
Supplies		18	
Assessor Fees		17,400	
Printing and Publishing		189	
Miscellaneous		<u>1,336</u>	
	21,600	18,943	2,657
Elections			
Salaries & Wages		323	
Per Diem		2,070	
Office Supplies		31	
Miscellaneous Supplies		1,258	
Transportation		263	
Printing & Publishing		449	
Miscellaneous		<u>1,710</u>	
	\$ 6,200	6,104	\$ 96
Building & Grounds			
Salaries		856	
Supplies		354	
Building Supplies		134	
Miscellaneous Supplies		21	
Yard Care		1,019	
Janitorial Fees		240	
Communication		1,315	
Printing and Publishing		91	
Insurance		4,313	
Utilities		\$ 5,545	

Statement of Revenues, Expenditures and  
Changes in Fund Balance - General Fund (continued)

Equipment and Tools		\$ 669	
Repairs and Maintenance		2,164	
Capital Outlay		2,761	
Miscellaneous		<u>543</u>	
	\$ 22,950	20,025	\$ 2,925
Attorney/Corporation Counsel			
Attorney Fees	6,500	<u>6,232</u>	268
Cemetery			
Grounds Maintenance		541	
Repairs		500	
Miscellaneous		<u>-</u>	
	<u>1,100</u>	<u>1,041</u>	<u>59</u>
Total General Government	100,365	88,922	11,443
Health and Welfare			
Ambulance			
Lilley-Merrill Rescue	2,500	<u>1,578</u>	922
Community & Economic Development			
Planning			
Per Diem		600	
Supplies		39	
Transportation		<u>46</u>	
	1,890	685	1,205
Zoning			
Salaries & Wages		1360	
Per Diem		60	
Supplies		95	
Printing and Publishing		<u>473</u>	
	<u>3,490</u>	<u>1,988</u>	<u>1,502</u>
Total Community & Economic Development	5,380	2,673	2,707
Recreation & Culture			
Parks			
Professional Services			
Grounds Maint.		294	
Professional Services			
Sewage Disposal		100	
Utilities		<u>148</u>	
	\$ 1,475	\$ 542	\$ 933

Statement of Revenues, Expenditures and  
Changes in Fund Balance - General Fund (continued)

Other Functions			
Retirement Benefits		\$ 355	
Payroll Taxes		1,973	
Insurance & Bonds		846	
Contingency		-	
Total Other Functions	\$ 5,000	<u>3,174</u>	<u>\$ 1,826</u>
Total Expenditures	<u>114,720</u>	<u>96,889</u>	<u>17,831</u>
Excess Revenues Over (Under) Expenditures	2,330	22,836	20,506
Other Financing Sources (Uses)			
Operating Transfers Out	<u>7,000</u>	<u>5,787</u>	<u>1,213</u>
Net Changes in Fund Balance	<u>\$ (4,670)</u>	17,049	<u>\$ 21,719</u>
Fund Balance - April 1, 2006		<u>52,832</u>	
Fund Balance - March 31, 2007		<u>\$ 69,881</u>	

MERRILL TOWNSHIP

Schedule of Cash and Investments  
March 31, 2007

General Fund	\$ 57,394
Fire Fund	38,669
Road Fund	64,790
Transfer Station Fund	86,732
Building Authority Fund	13,109
Debt Service Fund	5,637
Trust and Agency	<u>2,736</u>
Total Cash and Investments all Funds	<u><u>\$ 269,067</u></u>
Independent Bank:	
General Checking	\$ 150,353
Building Authority Checking	13,108
Tax Account Checking	2,736
Certificate of Deposit	5,637
Huntington Bank:	
Transfer Station Checking	46,402
Transfer Station Savings	40,330
General Fund Savings	10,481
Other:	
Petty Cash	<u>20</u>
Total Cash & Investments	<u><u>\$ 269,067</u></u>
Major Funds	\$ 247,585
Non-Major Funds	18,746
Trust and Agency Fund	<u>2,736</u>
	<u><u>\$ 269,067</u></u>

# H&S Companies

Hendon & Slate, PC  
Certified Public Accountants  
Business Consultants

December 4, 2007

Township Board  
Merrill Township  
1585 W. 11 Mile.  
Bitely, MI 49309

Dear Board Members:

We would like to thank you for the opportunity to provide our auditing services. It was again a pleasure working with the members of Merrill 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 recommendation s:

## Books and Records

The Clerk and Treasurer did a good job of maintaining complete and organized books and records. However, we had difficulty with amounts carried from prior years. These amounts required additional reconciliations to verify balances and recommend corrections for items recorded in the fund accounting records which were not in accordance with modified accrual accounting (generally accepted accounting principles). We appreciate the courtesy extended to us during the course of the audit.

Grand Rapids  
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Grand Rapids, MI 49546  
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Fax (616) 453-9352

Muskegon  
4985 South Harvey Street  
Muskegon, MI 49444  
Phone (231) 798-1040  
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Fremont  
711 West Main Street  
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Phone (231) 924-6890  
Fax (231) 924-4088  
Toll Free (800) 924-6891

Montague  
4538 Dowling Street  
Montague, MI 49437  
Phone (231) 893-6772

Hart  
1550 N. Industrial Park Drive  
Hart, MI 49420  
Phone (231) 873-5611  
Fax (231) 873-7033

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Chart of Accounts

The Michigan Department of Treasury issued an updated Uniform Chart of Accounts for Counties and Local Units of Government in 2002. Although the Township is properly recording the transactions and budgets, some of the accounts are using the previous account numbers. We recommend that the Township review the enclosed updated Uniform Chart of Accounts and make the necessary changes.

Cash

The General Fund, Road Fund and the Fire Fund share a pooled checking account. Money from each fund can be combined into a single checking account; The Township did a great job of separating and identifying the cash to each fund. Although we did recommend a correction to the balance as of the end of the fiscal year, this was a result of timing between the reconciliation and the end of the fiscal year. We recommend that the March 31 balance of the bank accounts be adjusted to that date rather than a date close to the end of the year end.

We would like to thank the board for the opportunity to provide your March 31, 2007 audit. We will be happy to assist in the implementation of any of the recommendations mentioned in this letter or answer any questions on concerns you may have. We look forward to working with you in the future.

Respectfully Submitted,

*Jodi DeKuiper, CPA*

Jodi DeKuiper, CPA  
Hendon & Slate, PC

# H&S Companies

Hendon & Slate, PC  
Certified Public Accountants  
Business Consultants

Board Members,  
Merrill Township  
Newaygo County, MI

In planning and performing our audit of the financial statements of Merrill 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 Merrill Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Merrill Township's internal control.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Grand Rapids  
3986 Lake Michigan Dr. NW  
Grand Rapids, MI 49546  
Phone (616) 453-8551  
Fax (616) 453-9352

Muskegon  
4985 South Harvey Street  
Muskegon, MI 49444  
Phone (231) 798-1040  
Fax (231)-798-8409

Fremont  
711 West Main Street  
Fremont, MI 49412  
Phone (231) 924-6890  
Fax (231) 924-4088  
Toll Free (800) 924-6891

Montague  
4538 Dowling Street  
Montague, MI 49437  
Phone (231) 893-6772

Hart  
1550 N. Industrial Park Drive  
Hart, MI 49420  
Phone (231) 873-5611  
Fax (231) 873-7033

[www.hscompanies.com](http://www.hscompanies.com)

Anti-Fraud Program

The Township has not adopted an Anti-Fraud Program as required by SAS 99 (copy provided).

Controls over Non-Routine and Non-Systematic Transactions

The Township does not have controls in place whereby journal entries are reviewed by individuals independent of the person initiating the transactions.

Controls over the Selection and Application of Accounting Principles that are in Conformity with Generally Accepted Accounting Principles

The Township currently does not have personnel available with sufficient expertise to select and apply the accounting principles necessary to prepare the financial statements and note disclosures contained in the audit report.

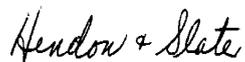
A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies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

Controls over Financial Statement Preparation

The Township's internal controls would not prevent or detect a material misstatement in the financial statements.

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

Respectfully submitted,



Hendon & Slate, P.C.  
Certified Public Accountants  
December 4, 2007