

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 Mentor Township	County Oscoda
Fiscal Year End 6/30/07	Opinion Date 11/11/07	Date Audit Report Submitted to State 11/21/07	

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"/>	None Required		
Certified Public Accountant (Firm Name) Robertson & Carpenter CPAs, P.C.		Telephone Number 989-826-5442		
Street Address P.O. Box 308		City Mio	State MI	Zip 48647
Authorizing CPA Signature		Printed Name Robert J. Carpenter		License Number 1101008247

**Mentor Township
Oscoda County, Michigan
Financial Report
With Supplemental Information
June 30, 2007**

Mentor Township

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	2-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Statement of Revenues, Expenditures, and Changes in Fund Balances	11
Fiduciary Funds:	
Statement of Net Assets	12
Statement of Changes in Net Assets	13
Notes to Financial Statements	14-21
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	22
Budgetary Comparison Schedule - Fire Fund	23
Budgetary Comparison Schedule - Road Fund	23
Other Supplemental Information	
General Fund - Detail of Revenues - Budget and Actual	24
General Fund - Detail of Expenditures - Budget and Actual	25
Statement of Changes in Assets and Liabilities - All Agency Funds	26



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Robert J. Carpenter, CPA
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INDEPENDENT AUDITOR'S REPORT

Township Board
Mentor Township
Oscoda County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mentor Township as of and for the year ended June 30, 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 Mentor Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mentor Township as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 2 through page 7 and pages 22-23 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.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
November 11, 2007

Management's Discussion and Analysis

As management of Mentor Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2007.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$593,516 (*net assets*). Of this amount, \$136,355 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations. The amounts of restricted net assets are as follow: Fire Protection \$168,654, and Road Maintenance and Improvement \$82,572.
- The Township's total net assets increased by \$28,070.
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$136,355, a decrease of \$8,704 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$136,355 or 76% percent of total general fund expenditures.

Overview of the Financial Statements

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

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and other. The Township does not have any business-type activities as of and for the year ended June 30, 2007.

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

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains three governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire, and Road Funds.

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

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

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

The basic fiduciary fund financial statements can be found on pages 12-13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Township, assets exceeded its liabilities by \$593,516 at the close of the most recent fiscal year.

A portion of the Township’s net assets (35%) reflects its investment in capital assets (e.g., land, land improvements, buildings, and equipment). The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township’s Net Assets

Governmental Activities

	<u>June 30, 2006</u>	<u>June 30, 2007</u>
Current and Other Assets	\$ 411,181	\$ 387,581
Capital Assets, Net	<u>154,265</u>	<u>205,935</u>
Total Assets	\$ <u>565,446</u>	\$ <u>593,516</u>
Current Liabilities		
Total Liabilities	\$ -0-	\$ -0-
Net Assets:		
Invested in Capital Assets, Net of Related Debt	154,265	205,935
Unrestricted	145,059	136,355
Restricted for Fire Protection	138,866	168,654
Restricted for Road Maintenance/Improvement	<u>127,256</u>	<u>82,572</u>
Total Net Assets	\$ <u>565,446</u>	\$ <u>593,516</u>

The Township's net assets increased by \$28,070 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, decreased by \$51,670 or 25%, during fiscal year ended June 30, 2007.

Township's Changes in Net Assets

Governmental Activities	<u>June 30, 2006</u>	<u>June 30, 2007</u>
Revenue:		
Program Revenue:		
Charges for services	\$ 19,454	\$ 19,239
Operating Grants and Contributions	20,316	20,279
General Revenue:		
Property Taxes	83,109	85,626
State-Shared Revenues	86,274	86,447
Interest and Rent Earnings	10,338	13,808
Other	<u>1,163</u>	<u>6,828</u>
Total Revenue	220,654	232,227
Expenses:		
General Government	102,747	115,718
Public Safety	41,381	37,619
Public Works	31,574	40,368
Other	4,858	5,203
Infrastructure depreciation	<u>2,020</u>	<u>5,249</u>
Total Expenses	<u>182,580</u>	<u>204,157</u>
Increase in Net Assets	38,074	28,070
Net Assets, Beginning of Year	<u>527,372</u>	<u>565,446</u>
Net Assets, End of Year	\$ <u><u>565,446</u></u>	\$ <u><u>593,516</u></u>

Governmental activities. The Township's total governmental revenues increased by \$11,573 from last fiscal year. This was primarily attributed to an increase in charges for other revenue and interest earnings. Expenses increased by \$21,577. The increase was primarily due to increased general government expenses, public works, and infrastructure depreciation.

Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$387,581, a decrease of \$23,600 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount or \$387,581.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 76% and total fund balance represents 76% of total general fund expenditures.

The fund balance of the General Fund decreased by \$8,704 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Fire and Road Funds. Each of the budgeted funds were amended during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of June 30, 2007, amounted to \$205,935 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, equipment, and infrastructure. Additions totaled \$64,021 for the fiscal year ended June 30, 2007 with the largest items being infrastructure.

Township's Capital Assets (net of depreciation)

		<u>June 30, 2006</u>		<u>June 30, 2007</u>
Land	\$	12,913	\$	12,913
Land Improvements		12,798		12,124
Buildings		22,460		21,181
Buildings – Fire Department		15,877		15,160
Equipment – Fire Department		15,167		13,085
Furniture and Equipment		7,800		8,758
Infrastructure		<u>67,250</u>		<u>122,714</u>
Total	\$	<u>154,265</u>	\$	<u>205,935</u>

Additional information on the Township's capital assets can be found in note 5 on page 19 of this report.

Factors Bearing on the Township's Future

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

- Mentor Township, for the General Fund, has projected revenues to be up slightly. Expenditures are anticipated to be down from the 2006-07 year due to a reduction in Township Operations and Public Works. Our budgets were prepared with these factors in mind and will need to be revised as needed.
- Mentor Township, for the Fire Fund, has projected revenues to be approximately the same as the 2006-07 year, while expenses are projected to increase for costs in the McKinley and Tri-Twp Departments.
- Mentor Township, for the Road Fund, as projected revenues to be approximately the same as the 2006-07 year, expenses will be significantly less due to a decrease in road improvements.

Requests for Information

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

Mentor Township
P.O. Box 730
Mio, Michigan 48647-0730

Basic Financial Statements

Mentor Township
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 323,583
Due from fiduciary fund	3,504
Receivables: (Note 4)	
Other	-
Intergovernmental	60,494
Capital assets-net (Note 5)	<u>205,935</u>
 Total assets	 <u>593,516</u>
 Liabilities	
Accounts payable	-
Intergovernmental payables	<u>-</u>
 Total liabilities	 <u>-</u>
 Net Assets	
Invested in capital assets	205,935
Unrestricted	136,355
Restricted for Fire Protection	168,654
Restricted for Road Maintenance and Improvement	<u>82,572</u>
 Total net assets	 \$ <u><u>593,516</u></u>

See accompanying notes to financial statements.

Mentor Township
Statement of Activities
Year ended June 30, 2007

		Program Revenues		Governmental Activities
Functions/Programs	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
General government	\$ 115,718	\$ 19,239	\$ -	\$ (96,479)
Public safety	37,619	-	-	(37,619)
Public works	40,368	-	20,279	(20,089)
Other	5,203	-	-	(5,203)
Infrastructure depreciation	5,249	-	-	(5,249)
Total governmental activities	\$ 204,157	\$ 19,239	\$ 20,279	(164,639)
General Revenues:				
Property taxes - operating				34,922
Property taxes - fire				50,704
State-shared revenues				86,447
Interest and investment earnings				13,808
Other				6,828
Total general revenues				192,709
Change in Net Assets				28,070
Net assets - beginning of year				565,446
Net assets - end of year				\$ 593,516

Amounts reported for governmental activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ (23,600)
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	\$ (11,976)
Capital outlay	64,021
	52,045
Government funds report the entire proceeds of equipment sold: in the statement of activities on the gain on the sale of equipment is reported	
	(375)
Change in Net Assets of Governmental Activities	\$ 28,070

See accompanying notes to financial statements.

Mentor Township
Governmental Funds
Balance Sheet
June 30, 2007

	General Fund	Fire Fund	Road Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 80,487	\$ 165,674	\$ 77,422	\$ 323,583
Accounts receivable	-	-	-	-
Due from other funds	3,364	2,980	5,150	11,494
Due from other governmental units	60,494	-	-	60,494
Prepaid expense	-	-	-	-
Total assets	\$ 144,345	\$ 168,654	\$ 82,572	\$ 395,571
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	7,990	-	-	7,990
Due to other governments	-	-	-	-
Total liabilities	7,990	-	-	7,990
Fund balances				
Unreserved:				
Undesignated:				
General Fund	136,355	-	-	136,355
Special Revenue Funds	-	168,654	82,572	251,226
Total fund balances	136,355	168,654	82,572	387,581
Total liabilities and fund balances	\$ 144,345	\$ 168,654	\$ 82,572	\$ 395,571

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

Fund Balances - Total Governmental Funds	\$ 387,581
Elimination of due to and due from governmental funds	
Due to	7,990
Due from	(7,990)
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.	
The cost of capital assets is	288,184
Accumulated depreciation is	(82,249)
Net Assets of Governmental Activities	\$ 593,516

See accompanying notes to financial statements.

Mentor Township
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2007

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Road Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes and penalties	\$ 34,922	\$ 50,704	\$ -	\$ 85,626
Licenses and permits	2,728	-	-	2,728
Federal grants	-	-	20,279	20,279
State grants	86,447	-	-	86,447
Charges for services	16,511	-	-	16,511
Interest and rentals	3,808	5,959	4,041	13,808
Other revenue	2,453	702	4,048	7,203
Total revenues	<u>146,869</u>	<u>57,365</u>	<u>28,368</u>	<u>232,602</u>
Expenditures				
Current:				
General government	112,037	-	-	112,037
Public safety	7,618	27,577	-	35,195
Public works	27,407	-	12,339	39,746
Other	5,203	-	-	5,203
Capital outlay	3,308	-	60,713	64,021
Total expenditures	<u>155,573</u>	<u>27,577</u>	<u>73,052</u>	<u>256,202</u>
Excess of Revenues Over (Under)				
Expenditures	(8,704)	29,788	(44,684)	(23,600)
Fund balance - July 1, 2006	<u>145,059</u>	<u>138,866</u>	<u>127,256</u>	<u>411,181</u>
Fund balance - June 30, 2007	<u>\$ 136,355</u>	<u>\$ 168,654</u>	<u>\$ 82,572</u>	<u>\$ 387,581</u>

See accompanying notes to financial statements.

Mentor Township
Fiduciary Funds
Statement of Net Assets
June 30, 2007

	<u>Trust Fund- Pension Fund</u>	<u>Agency Fund Type (Property Tax Collection Fund)</u>
Assets		
Cash	\$ -	\$ 4,877
Investments - at fair value	63,372	-
Due from other funds	<u>-</u>	<u>-</u>
Total assets	<u>\$ 63,372</u>	<u>\$ 4,877</u>
 Liabilities		
Accounts payable	\$ -	\$ -
Due to other funds	-	3,504
Due to other governments	<u>-</u>	<u>1,373</u>
Total liabilities	<u>-</u>	<u>\$ 4,877</u>
Net Assets - Held in Trust for Pension Benefits	<u>\$ 63,372</u>	

See accompanying notes to financial statements.

Mentor Township
 Fiduciary Fund
 Statement of Changes in Net Assets
 Year ended June 30, 2007

	<u>Trust Fund- Pension Fund</u>
Additions	
Contributions	
Employer	\$ 3,778
Investment earnings	<u>2,221</u>
Total Additions	5,999
Deductions	
Administrative expenses	185
Benefits	<u>-</u>
Total deductions	<u>185</u>
 Net increase	 5,814
 Net Assets Held in Trust for Pension Benefits	
Beginning of the year	<u>57,558</u>
End of the year	<u>\$ <u>63,372</u></u>

See accompanying notes to financial statements.

Mentor Township
Notes to Financial Statements
June 30, 2007

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

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

The Township reports the following major governmental funds:

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

The Fire fund is used to record property tax revenue, interest earnings and other revenue restricted for providing fire protection services.

The Road Fund is used to record Federal Grants and interest earnings that are restricted for use on Township Roads.

Additionally, the Township reports the following funds:

The Pension Trust Fund accounts for the activity of the Township defined contribution retirement plan, which accumulated resources for pension benefit payments to qualified employees.

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

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

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

Assets, Liabilities, and Net Assets or Equity

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

Mentor Township
Notes to Financial Statements
June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

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

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2006 taxable value of the Township was \$42,694,593. The 2006 tax levy was .8142 mills for general operating purposes raising \$34,762 for general operating purposes and 1.1887 mills for fire protection raising 50,751 for fire protection purposes.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

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

Infrastructure	20 years
Land Improvements	20 years
Buildings and additions	20-50 years
Office furnishings	5-20 years
Other equipment	5-20 years

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

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Township does not have any designated fund balance in the operating fund at June 30, 2007.

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

Mentor Township
Notes to Financial Statements
June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year. There were no budget amendments during the year.

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

Note 2 - Stewardship, Compliance and Accountability

Excess of expenditures over appropriations in budgeted funds:

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

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
General government:			
Supervisor	\$ 6,564	\$ 7,564	\$ 1,000
Elections	2,105	2,601	496

Mentor Township
Notes to Financial Statements
June 30, 2007

Note 3 - Deposits and Investments

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

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

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

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

	Governmental Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 323,583	\$ 4,877	\$ 328,460
Investments	-	63,372	63,372
Total	\$ 323,583	\$ 68,249	\$ 391,832

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

Deposits (checking, savings and CDs)	\$ 328,460
Investments	63,372
	\$ 391,832

The deposits of the Township were reflected in the accounts of one financial institution, of which \$103,468 is covered by federal depository insurance.

The only investments are in the Pension Fund. These investments do not allow risk categorization.

The Township has not updated its investment policy to conform with Governmental Accounting Standards Board Statement (GASB) #40.

Mentor Township
Notes to Financial Statements
June 30, 2007

Note 4 - Receivables

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

Receivables:	General Fund	Fire Fund	Road Fund	Fiduciary Fund	Total
Other	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	60,494	-	-	-	60,494
	<u>\$ 60,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,494</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Township did not have any deferred revenue at June 30, 2007.

Note 5 - Capital Assets

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

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 12,913	\$ -	\$ -	\$ 12,913
Capital assets being depreciated:				
Land improvements	1,700	-	-	1,700
Land improvements - Transfer site	11,766	-	-	11,766
Buildings	40,151	-	-	40,151
Buildings - Fire Department	30,623	-	-	30,623
Buildings - Transfer site	675	-	-	675
Equipment - Fire Department	29,166	-	3,000	26,166
Furniture & equipment	30,899	3,308	-	34,207
Infrastructure	69,270	60,713	-	129,983
Subtotal	<u>214,250</u>	<u>64,021</u>	<u>3,000</u>	<u>275,271</u>
Accumulated Depreciation				
Land improvements	227	85	-	312
Land improvements - Transfer site	441	589	-	1,030
Buildings	18,343	1,246	-	19,589
Buildings - Fire Department	14,746	717	-	15,463
Buildings - Transfer site	23	33	-	56
Equipment - Fire Department	13,999	1,707	2,625	13,081
Furniture & equipment	23,099	2,350	-	25,449
Infrastructure	2,020	5,249	-	7,269
Subtotal	<u>72,898</u>	<u>11,976</u>	<u>2,625</u>	<u>82,249</u>
Net capital assets being depreciated	<u>141,352</u>	<u>52,045</u>	<u>375</u>	<u>193,022</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 154,265</u>	<u>\$ 52,045</u>	<u>\$ 375</u>	<u>\$ 205,935</u>

Mentor Township
Notes to Financial Statements
June 30, 2007

Note 5 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 3,681
Public safety	2,424
Public works	622
Infrastructure	5,249
Total governmental activities	\$ 11,976

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 3,364	General Fund	\$ 7,990
Fire Fund	2,980	Fiduciary Funds	3,504
Road Fund	5,150		
Total	\$ 11,494	Total	\$ 11,494
<u>Transfers In</u>		<u>Transfers Out</u>	
None	\$ -	None	\$ -

Note 7 - Risk Management

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

Note 8 - Pension Plan

Mentor Township provides pension benefits for the Township Board through a defined contribution plan. The plan is administered by Municipal Retirement Systems, Inc. which invests the Township's contributions with Gleaner Life Insurance Society. The investments consist of individual retirement annuities and totaled \$63,372 as of June 30, 2007.

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

The plan requires the Township to contribute 7.5% of the participant earnings and does not allow participants to make contributions. The Township's contributions for each participant are fully vested when paid to the plan. A participant that leaves the employment of the Township is entitled to the balance in his individual annuity account.

The Township's total payroll for the year ended June 30, 2007 was approximately \$72,051. The payroll of the eligible participants was \$47,907; the Township made the required contribution of \$3,593. The administrative fee of \$185 was paid in addition to the required contribution.

Mentor Township
Notes to Financial Statements
June 30, 2007

Note 8 - Pension Plan (Continued)

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

Note 9 - Joint Venture - Utility Authority

The Township is a participant in a joint venture with Big Creek Township. The Big Creek - Mentor Utility Authority operates and maintains a water and sewer system. Each of the townships appoint two members to the Utility Authority Board, these four members then appoint the fifth member from the residents of the two townships. Mentor Township has a 50 percent interest in the venture and has advanced \$60,494 to the Utility Authority.

At March 31, 2007, the date of the most recent available financial statements, the Utility Authority had assets of \$8,868,387 which consisted of cash and receivables totaling \$328,694 and net fixed assets of \$8,539,693. Liabilities were \$2,139,214 and equity was \$6,729,173. Complete separate financial statements for the Utility Authority are available at the Mentor Township offices, 216 10th Street, Mio, Michigan.

Note 10 - Joint Venture - Fire Protection

The Township is a participant in a joint venture, Tri-Town Fire Department, with the Townships of Big Creek and Elmer for the purpose of providing fire protection services to the residents of the townships. The Tri-Town Fire Board is composed of the Supervisor of each of the three townships, two township board members from Big Creek Township and one township board member from each of Mentor Township and Elmer Township.

Mentor Township's financial support of the Tri-Town Fire Department is determined on a ratio of Mentor Township's state equalized valuation compared to the total state equalized valuation of all three townships. This percentage for the year ended March 31, 2007 was approximately 23%, and the amount contributed was \$16,436.

The most recent available financial statement of Tri-Town Fire Department shows a cash balance of \$39,262 as of March 31, 2007 and a total of \$207,575 in fixed assets, net of depreciation. The Department has liabilities of \$818 and net assets of \$246,019. A complete set of financial statements are available at the office of Tri-Town Fire Department, 1508 11th Street, Mio, Michigan.

Required Supplemental Information

Mentor Township
 Budgetary Comparison Schedule - General Fund
 Year ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Over (Under)
	2007 Original	2007 Final	Amounts Budgetary Basis	
Fund Balance - Beginning of year	\$ 163,044	\$ 163,044	\$ 145,059	\$ (17,985)
Resources (Inflows)				
Taxes and fees	36,000	37,320	34,922	(2,398)
Licenses and permits	-	2,800	2,728	(72)
Federal grants	-	-	-	-
State grants	84,000	84,000	86,447	2,447
Charges for services	18,000	18,000	16,511	(1,489)
Interest and rentals	2,500	4,000	3,808	(192)
Other	-	6,047	2,453	(3,594)
Amounts available for appropriation	<u>303,544</u>	<u>315,211</u>	<u>291,928</u>	<u>(23,283)</u>
Charges to Appropriations (Outflows)				
General government	97,973	116,638	112,037	(4,601)
Public works	22,580	29,240	27,407	(1,833)
Community/Economic Development	7,200	7,620	7,618	(2)
Other	5,300	5,405	5,203	(202)
Capital outlay	3,400	3,400	3,308	(92)
Total charges to appropriations	<u>136,453</u>	<u>162,303</u>	<u>155,573</u>	<u>(6,730)</u>
Fund Balance - end of year	<u>\$ 167,091</u>	<u>\$ 152,908</u>	<u>\$ 136,355</u>	<u>\$ (16,553)</u>

Mentor Township
 Budgetary Comparison Schedule - Fire Fund
 Year ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	2007	2007		
	Original	Final		
Fund Balance - Beginning of year	\$ 121,608	\$ 121,608	\$ 138,866	\$ 17,258
Resources (Inflows)				
Taxes and fees	50,000	50,000	50,704	704
Federal grants	-	-	-	-
State grants	-	-	-	-
Charges for services	-	-	-	-
Interest and rentals	-	-	5,959	5,959
Other	800	800	702	(98)
Amounts available for appropriation	<u>172,408</u>	<u>172,408</u>	<u>196,231</u>	<u>23,823</u>
Charges to Appropriations (Outflows)				
Public safety	32,249	32,249	27,577	(4,672)
Capital outlay	2,000	2,000	-	(2,000)
Total charges to appropriations	<u>34,249</u>	<u>34,249</u>	<u>27,577</u>	<u>(6,672)</u>
Fund Balance - end of year	<u>\$ 138,159</u>	<u>\$ 138,159</u>	<u>\$ 168,654</u>	<u>\$ 30,495</u>

Mentor Township
 Budgetary Comparison - Road Fund
 Year ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	2007	2007		
	Original	Final		
Fund Balance - Beginning of year	\$ 175,297	\$ 175,297	\$ 127,256	\$ (48,041)
Resources (Inflows)				
Federal grants	17,000	17,000	20,279	3,279
State grants	-	-	-	-
Interest and rentals	-	-	4,041	4,041
Other	3,000	3,000	4,048	1,048
Transfers from other funds	-	-	-	-
Amounts available for appropriation	<u>195,297</u>	<u>195,297</u>	<u>155,624</u>	<u>(39,673)</u>
Charges to Appropriations (Outflows)				
Public works	9,000	13,070	12,339	(731)
Infrastructure	60,219	60,919	60,713	(206)
Total charges to appropriations	<u>69,219</u>	<u>73,989</u>	<u>73,052</u>	<u>(937)</u>
Fund Balance - end of year	<u>\$ 126,078</u>	<u>\$ 121,308</u>	<u>\$ 82,572</u>	<u>\$ (38,736)</u>

Supplemental Information

Mentor Township
 General Fund
 Detail of Revenues - Budget and Actual
 Year ended June 30, 2007

Revenues	Budget as Amended	Actual	Variance Favorable (Unfavorable)
Taxes	\$ 37,320	\$ 34,922	\$ (2,398)
Licenses and permits	2,800	2,728	(72)
Federal grants	-	-	-
State grants	84,000	86,447	2,447
Charges for services	18,000	16,511	(1,489)
Interest and rentals	4,000	3,808	(192)
Other	6,047	2,453	(3,594)
Total Revenues	\$ <u>152,167</u>	\$ <u>146,869</u>	\$ <u>(5,298)</u>

Mentor Township
 General Fund
 Detail of Expenditures - Budget & Actual
 Year ended June 30, 2007

Expenditures	Budget as Amended	Actual	Variance Favorable (Unfavorable)
Current			
General Government			
Legislative	\$ 4,790	\$ 4,790	\$ -
Supervisor	6,564	7,564	(1,000)
Elections	2,105	2,601	(496)
Assessor	13,771	13,767	4
Legal	3,675	3,674	1
Clerk	12,600	12,600	-
Audit	2,500	2,500	-
Board of Review	850	800	50
Treasurer	24,653	24,626	27
Township Operations	30,330	24,374	5,956
Cemetery	14,800	14,741	59
Total General Government	<u>116,638</u>	<u>112,037</u>	<u>4,601</u>
Public Works			
Street lighting	13,110	12,983	127
Sewer and Water	9,430	8,513	917
Recycle/Compost	700	688	12
Transfer site	6,000	5,223	777
Total Public Works	<u>29,240</u>	<u>27,407</u>	<u>1,833</u>
Community/Economic Development			
Zoning and Planning	7,620	7,618	2
Other			
Social security	1,625	1,425	200
Pension	3,780	3,778	2
Miscellaneous	-	-	-
Total Other	<u>5,405</u>	<u>5,203</u>	<u>202</u>
Capital Outlay			
Township Operations	3,400	3,308	92
Total Capital Outlay	<u>3,400</u>	<u>3,308</u>	<u>92</u>
Total Expenditures	\$ <u>162,303</u>	\$ <u>155,573</u>	\$ <u>6,730</u>

Mentor Township
 Statement of Changes in Assets and Liabilities
 All Agency Funds
 Year ended June 30, 2007

	Current Tax Collection Fund			Balance June 30, 2007
	Balance July 1, 2006	Additions	Deductions	
Assets				
Cash	\$ <u>3,465</u>	\$ <u>1,234,031</u>	\$ <u>1,232,619</u>	\$ <u>4,877</u>
Liabilities				
Due to other funds	\$ 2,347	\$ 76,258	\$ 75,101	\$ 3,504
Due to county	491	563,203	562,793	901
Due to schools	627	593,187	593,342	472
Due to utility authority	-	109	109	-
Refunds	-	1,274	1,274	-
Total liabilities	\$ <u>3,465</u>	\$ <u>1,234,031</u>	\$ <u>1,232,619</u>	\$ <u>4,877</u>