

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 Clam Lake Township	County Wexford
Fiscal Year End June 30, 2007	Opinion Date September 25, 2007	Date Audit Report Submitted to State November 21, 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"/>	Letter of Significant Deficiencies
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.	Telephone Number (231) 775-9789	
Street Address 134 West Harris Street	City Cadillac	State Zip MI 49601
Authorizing CPA Signature 	Printed Name Steven C. Arends, C.P.A.	License Number 1101013211

CLAM LAKE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

JUNE 30, 2007

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

JUNE 30, 2007

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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

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Baird, Cotter and Bishop, P.C.

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134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

September 25, 2007

INDEPENDENT AUDITORS' REPORT

To the Township Board
Clam Lake Township
Wexford County
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Clam Lake Township, Wexford County, Cadillac, Michigan 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 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.

The financial statements referred to above include only the primary government of Clam Lake Township, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Township's legal entity. The financial statements do not include financial data for the Township's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Township's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Clam Lake Township, as of June 30, 2007, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America Clam Lake Township has issued separate reporting entity financial statements for which we have issued our report dated September 25, 2007.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clam Lake Township, Wexford County, Cadillac, Michigan as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows 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 on pages iii through ix and budgetary comparison information on page 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 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 Clam Lake Township, Wexford County, Cadillac Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

Clam Lake Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Clam Lake Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2007, along with specific comparative information as required.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$1,368,897. Of this amount, \$594,485 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$667,882 an increase of \$156,633 in comparison with the prior year. About 71.96% is available for spending at the Township's discretion.
- ◆ At June 30, 2007, the Township is not obligated for any long-term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. 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. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

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 fiscal year. All changes in net assets are reported when 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 distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township can be divided into two categories - governmental funds and proprietary 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, fund financial statements focus on current sources and uses 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 government’s near-term financing requirements.

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

Proprietary Funds – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Clam Lake Township’s own programs.

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.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

time. The Net Assets of the Township are \$1,368,897 at June 30, 2007, meaning the Township's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

Clam Lake Township
Net Assets as of June 30,

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets						
Current Assets	\$ 679,120	\$ 532,755	\$ 37,714	\$ 36,999	\$ 716,834	\$ 569,754
Non Current Assets						
Capital Assets	707,638	707,638	114,467	114,467	822,105	822,105
Less: Accumulated Depreciation	(102,155)	(75,029)	(62,953)	(60,664)	(165,108)	(135,693)
Total Non Current Assets	605,483	632,609	51,514	53,803	656,997	686,412
Total Assets	<u>\$1,284,603</u>	<u>\$1,165,364</u>	<u>\$ 89,228</u>	<u>\$ 90,802</u>	<u>\$1,373,831</u>	<u>\$1,256,166</u>
Liabilities						
Current Liabilities	\$ 4,934	\$ 12,354	\$ 0	\$ 0	\$ 4,934	\$ 12,354
Net Assets						
Invested in Capital Assets	605,483	632,609	51,514	53,803	656,997	686,412
Restricted	117,415	92,624	0	0	117,415	92,624
Unrestricted	556,771	427,777	37,714	36,999	594,485	464,776
Total Net Assets	<u>1,279,669</u>	<u>1,153,010</u>	<u>89,228</u>	<u>90,802</u>	<u>1,368,897</u>	<u>1,243,812</u>
Total Liabilities and Net Assets	<u>\$1,284,603</u>	<u>\$1,165,364</u>	<u>\$ 89,228</u>	<u>\$ 90,802</u>	<u>\$1,373,831</u>	<u>\$1,256,166</u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township has \$594,485 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

The total net assets of the Township increased by \$125,085 or 10.06% in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Clam Lake Township						
Change in Net Assets						
for the Fiscal Year Ended June 30,						
	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2007	2006	2007	2006	2007	2006
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 17,071	\$ 17,570	\$ 8,624	\$ 8,593	\$ 25,695	\$ 26,163
Operating Grants and Contributions	4,596	4,755	0	0	4,596	4,755
General Revenues						
Property Taxes and Assessments	266,842	233,017	0	0	266,842	233,017
State Grants	150,529	211,939	0	0	150,529	211,939
Interest Earnings	9,417	7,571	794	838	10,211	8,409
Other	19,363	18,340	0	0	19,363	18,340
Total Revenues	\$ 467,818	\$ 493,192	\$ 9,418	\$ 9,431	\$ 477,236	\$ 502,623
<u>Expenses</u>						
Legislative	\$ 25,313	\$ 23,345	\$ 0	\$ 0	\$ 25,313	\$ 23,345
General Government	114,314	108,012	0	0	114,314	108,012
Public Safety	162,426	153,256	0	0	162,426	153,256
Public Works	17,856	22,055	0	0	17,856	22,055
Other Functions	21,250	19,393	0	0	21,250	19,393
Sewer	0	0	10,992	10,751	10,992	10,751
Total Expenses	\$ 341,159	\$ 326,061	\$ 10,992	\$ 10,751	\$ 352,151	\$ 336,812
Changes in Net Assets	\$ 126,659	\$ 167,131	\$ (1,574)	\$ (1,320)	\$ 125,085	\$ 165,811
NET ASSETS - Beginning of Year	1,153,010	985,879	90,802	92,122	1,243,812	1,078,001
NET ASSETS - End of Year	\$1,279,669	\$1,153,010	\$ 89,228	\$ 90,802	\$1,368,897	\$1,243,812

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

Governmental Activities

During the fiscal year ended June 30, 2007, the Township's net assets increased by \$126,659 or 10.98% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Clam Lake Township comes from property taxes. The Township levied operating and fire protection millages, this fiscal year. The Township levied 0.8258 mills for operating purposes and 1.9890 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by public safety expenses that total 47.61% of total expenses. The Township spent \$162,426 in fiscal year 2007 on public safety expenses. General government expenses represented the next largest expense at \$114,314 followed by legislative at \$25,313. These represent 33.51% and 7.42% respectively. Expenses for salaries, including Township assessor, represent a large portion of the general government expenses at \$72,878. Depreciation expense added another \$20,779 in general government and \$6,347 in public works.

Business-Type Activities

The Township utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the Township. These charges for services totaled \$8,624 for 2007. The Township pays the Wexford County Department of Public Works for Township sewer services which accounted for \$8,703 of the Sewer Funds expenses or 79.17%. Depreciation expense of \$2,289 accounted for the remaining 20.83%.

Sewer operations experienced a 1.73% decrease in net assets.

The Sewer Fund is the Township's only business-type activity.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Clam Lake Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Clam Lake Township's governmental funds reported combined ending fund balances of \$667,882. Approximately 71.96% of this total amount (\$480,589) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that will enhance fire protection.

General Fund – The General Fund increased its fund balance by \$131,842, which brings the fund balance to \$550,467. Of the General Fund's fund balance, \$480,589 is unreserved. Property tax revenues increased by 19.51% or \$11,281. State shared revenues decreased by (\$52,551) from the prior year. This represents a 25.88% decrease.

Fire Fund – The Fire Fund increased its fund balance by \$21,128, which brings the fund balance to \$106,721. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2006 tax roll. This resulted in \$166,472 in tax related revenues during the current fiscal year.

Road Improvement Fund #11 – The Road Improvement Fund #11's fund balance increased by \$3,326, which brings the fund balance to \$4,047. This balance is reserved and must be used for road improvements.

The total costs for road improvements have been paid in full.

Road Improvement Fund #12 – The Road Improvement Fund #12 increased its fund balance by \$1,171, which brings the fund balance to \$3,194. This balance is reserved and must be used for road improvements.

This is a temporary fund which will ultimately be zeroed out when the special assessments are collected in full.

Proprietary Fund - The Township's proprietary fund provides the same information as the government-wide statements.

Sewer Fund – The Sewer Fund ended the fiscal year with a decrease in net assets of (\$1,574). Net assets invested in capital assets decreased by the amount of the depreciation deduction or \$2,289. A positive change in cash flows illustrates that actual cash inflows are higher than cash outflows.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of June 30, 2007, amounted to \$656,997 net of accumulated depreciation. The total net decrease in the Township's investment in capital assets for the current fiscal year was 4.48%.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. In addition, the Township occasionally capitalizes items under the \$5,000 threshold. A summary of capital asset categories is illustrated below:

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

Clam Lake Township
Capital Assets as of June 30,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2006	2006	2006	2006	2006
Land and Land Improvements	\$ 177,846	\$ 177,846	\$ 0	\$ 0	\$ 177,846	\$ 177,846
Buildings	373,731	373,731	0	0	373,731	373,731
Improvements Other than Buildings	0	0	114,467	114,467	114,467	114,467
Infrastructure	126,935	126,935	0	0	126,935	126,935
Machinery and Equipment	29,126	29,126	0	0	29,126	29,126
	\$ 707,638	\$ 707,638	\$ 114,467	\$ 114,467	\$ 822,105	\$ 822,105
Less Accumulated depreciation	102,155	75,029	62,953	60,664	165,108	135,693
Net Capital Assets	\$ 605,483	\$ 632,609	\$ 51,514	\$ 53,803	\$ 656,997	\$ 686,412

Long-Term Debt. Clam Lake Township has no obligation for any long-term debt as of June 30, 2007.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Clam Lake Township at 8809 E. M-115, Cadillac, Michigan 49601.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2007

<u>ASSETS</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS TYPE</u> <u>ACTIVITIES</u>	<u>TOTALS</u>
<u>CURRENT ASSETS</u>			
Cash	\$ 529,806	\$ 50,645	\$ 580,451
Receivables			
Accounts	0	3,173	3,173
Special Assessments	6,540	0	6,540
External Party (Fiduciary Fund)	65,168	0	65,168
Taxes	8,336	0	8,336
Due from Other Governments	48,394	0	48,394
Due from Other Funds	16,254	(16,254)	0
Due from Component Unit	4,622	150	4,772
	<hr/>		
Total Current Assets	679,120	37,714	716,834
<hr/>			
<u>CAPITAL ASSETS</u>			
Land and Land Improvements	177,846	0	177,846
Buildings	373,731	0	373,731
Improvements Other Than Buildings	0	114,467	114,467
Infrastructure	126,935	0	126,935
Machinery and Equipment	29,126	0	29,126
	<hr/>		
	707,638	114,467	822,105
Less Accumulated Depreciation	102,155	62,953	165,108
Net Capital Assets	605,483	51,514	656,997
	<hr/>		
TOTAL ASSETS	\$ 1,284,603	\$ 89,228	\$ 1,373,831
	<hr/> <hr/>		

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS TYPE</u> <u>ACTIVITIES</u>	<u>TOTALS</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 3,133	\$ 0	\$ 3,133
Payroll Withholdings	1,383	0	1,383
Accrued Payroll Taxes	418	0	418
TOTAL LIABILITIES	4,934	0	4,934
<u>NET ASSETS</u>			
Invested in Capital Assets	605,483	51,514	656,997
Restricted			
Road Improvements	7,241	0	7,241
Fire Protection	106,721	0	106,721
Street Lighting	1,120	0	1,120
Debt Retirement	2,333	0	2,333
Unrestricted	556,771	37,714	594,485
TOTAL NET ASSETS	1,279,669	89,228	1,368,897
TOTAL LIABILITIES AND NET ASSETS	\$ 1,284,603	\$ 89,228	\$ 1,373,831

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 25,313	\$ 0	\$ 0	\$ 0	\$ (25,313)	\$ 0	\$ (25,313)
General Government	114,314	17,071	0	0	(97,243)	0	(97,243)
Public Safety	162,426	0	0	0	(162,426)	0	(162,426)
Public Works	17,856	0	4,596	0	(13,260)	0	(13,260)
Other Functions	21,250	0	0	0	(21,250)	0	(21,250)
Total Governmental Activities	341,159	17,071	4,596	0	(319,492)	0	(319,492)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Sewer System	10,992	8,624	0	0	0	(2,368)	(2,368)
TOTAL	\$ 352,151	\$ 25,695	\$ 4,596	\$ 0	(319,492)	(2,368)	(321,860)
<u>GENERAL REVENUES</u>							
Property Taxes and Special Assessments					266,842	0	266,842
State Grants					150,529	0	150,529
Interest Earnings					9,417	794	10,211
Other					19,363	0	19,363
Total General Revenues					446,151	794	446,945
Change in Net Assets					126,659	(1,574)	125,085
<u>NET ASSETS</u> - Beginning of Year					1,153,010	90,802	1,243,812
<u>NET ASSETS</u> - End of Year					\$ 1,279,669	\$ 89,228	\$ 1,368,897

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	GENERAL FUND	ROAD IMPROVEMENT FUND #11	ROAD IMPROVEMENT FUND #12	FIRE FUND	NONMAJOR FUNDS	TOTALS
<u>ASSETS</u>						
Cash	\$ 472,667	\$ 3,326	\$ 3,760	\$ 48,754	\$ 1,299	\$529,806
Taxes Receivable	2,400	0	0	5,936	0	8,336
Special Assessment Receivable	0	6,304	0	0	236	6,540
Due from Other Governments	48,394	0	0	0	0	48,394
Due from Other Funds	23,331	0	0	24,106	0	47,437
Due from Fiduciary Fund	30,398	721	2,025	31,499	525	65,168
Due from Component Unit	3,229	0	0	0	1,393	4,622
TOTAL ASSETS	<u>\$ 580,419</u>	<u>\$ 10,351</u>	<u>\$ 5,785</u>	<u>\$ 110,295</u>	<u>\$ 3,453</u>	<u>\$710,303</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 3,133	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,133
Payroll Withholdings	1,383	0	0	0	0	1,383
Accrued Payroll Taxes	418	0	0	0	0	418
Due to Other Funds	25,018	0	2,591	3,574	0	31,183
Deferred Revenue	0	6,304	0	0	0	6,304
Total Liabilities	<u>29,952</u>	<u>6,304</u>	<u>2,591</u>	<u>3,574</u>	<u>0</u>	<u>42,421</u>
<u>FUND BALANCE</u>						
Reserved for:						
Road Improvements	0	4,047	3,194	0	0	7,241
Fire Protection	0	0	0	106,721	0	106,721
Street Lighting	0	0	0	0	1,120	1,120
Debt Retirement	0	0	0	0	2,333	2,333
Unreserved						
Designated for Fire Equipment	69,878	0	0	0	0	69,878
Undesignated	480,589	0	0	0	0	480,589
Total Fund Balance	<u>550,467</u>	<u>4,047</u>	<u>3,194</u>	<u>106,721</u>	<u>3,453</u>	<u>667,882</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 580,419</u>	<u>\$ 10,351</u>	<u>\$ 5,785</u>	<u>\$ 110,295</u>	<u>\$ 3,453</u>	<u>\$710,303</u>

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total Fund Balances for Governmental Funds \$ 667,882

Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$ 177,846	
Buildings	373,731	
Machinery and Equipment	29,126	
Infrastructure	126,935	
Accumulated Depreciation	<u>(102,155)</u>	605,483

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds.

Special Assessment Receivables	<u>6,304</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,279,669</u></u>
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The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007

	GENERAL FUND	ROAD IMPROVEMENT FUND #11	ROAD IMPROVEMENT FUND #12	FIRE FUND	NONMAJOR FUNDS	TOTALS
<u>REVENUES</u>						
Taxes	\$ 98,615	\$ 0	\$ 0	\$ 166,472	\$ 713	\$ 265,800
State Grants	156,167	0	0	0	0	156,167
Charges for Services	14,096	0	0	0	0	14,096
Interest and Rents	12,387	0	0	0	5	12,392
Other Revenues	687	3,326	1,171	17,027	0	22,211
Total Revenues	281,952	3,326	1,171	183,499	718	470,666
<u>EXPENDITURES</u>						
Legislative	25,313	0	0	0	0	25,313
General Government	93,535	0	0	0	0	93,535
Public Safety	55	0	0	162,371	0	162,426
Public Works	9,957	0	0	0	1,552	11,509
Other Functions	21,250	0	0	0	0	21,250
Total Expenditures	150,110	0	0	162,371	1,552	314,033
Excess (Deficiency) of Revenues Over Expenditures	131,842	3,326	1,171	21,128	(834)	156,633
<u>FUND BALANCE</u> - Beginning of Year	418,625	721	2,023	85,593	4,287	511,249
<u>FUND BALANCE</u> - End of Year	\$ 550,467	\$ 4,047	\$ 3,194	\$ 106,721	\$ 3,453	\$ 667,882

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Net change in Fund Balance - Total Governmental Funds	\$ 156,633
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(27,126)
Under modified accrual basis of accounting, revenue is recognized when measurable and certain. The entity wide statements recognize revenue when earned.	
Special assessment revenue previously recognized when earned for the entity wide statements.	<u>(2,848)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 126,659</u></u>

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 50,645
Accounts Receivable	3,173
Due from Other Funds	912
Due from Component Unit	150
	<hr/>
Total Current Assets	54,880
	<hr/>
<u>CAPITAL ASSETS</u>	
Improvements Other Than Buildings	114,467
Less Accumulated Depreciation	62,953
	<hr/>
Net Capital Assets	51,514
	<hr/>
TOTAL ASSETS	\$ 106,394
	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Other Funds	\$ 17,166
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets	51,514
Unrestricted	37,714
	<hr/>
Total Net Assets	89,228
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 106,394
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges and Connection Fees	\$ 8,624
<u>OPERATING EXPENSES</u>	
Public Works	
Contracted Services	
Operation and Maintenance	
Wexford County Department of Public Works	8,703
Depreciation	2,289
Total Operating Expenses	10,992
Operating Income (Loss)	(2,368)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	794
Change in Net Assets	(1,574)
<u>NET ASSETS - Beginning of Year</u>	90,802
<u>NET ASSETS - End of Year</u>	\$ 89,228

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 8,130
Cash Flows from Investing Activities:	
Interest on Investments	794
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	8,924
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	41,721
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 50,645
	<hr/> <hr/>
<u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ (2,368)
	<hr/>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	2,289
(Increase) Decrease in Current Assets	
Accounts Receivable	(345)
Due from Component Unit	(150)
Increase (Decrease) in Current Liabilities	
Due to Other Funds	8,704
	<hr/>
Total Adjustments	10,498
	<hr/>
NET CASH PROVIDED BY	
OPERATING ACTIVITIES	\$ 8,130
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND

JUNE 30, 2007

<u>ASSETS</u>		
Cash		<u>\$ 65,168</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Due to Other Funds		\$ 65,168
<u>Net Assets</u>		<u>0</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 65,168</u>

The notes to the financial statements are an integral part of this statement.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Clam Lake Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that the Clam Lake Township Downtown Development Authority is a component unit of the Township. This component unit has been omitted from the Township's basic financial statements. The component unit is individually audited separate from the Township's audit.

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 non-fiduciary activities of the primary government. 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.

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 revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues 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.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Clam Lake Township 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 *Road Improvement Fund #11* accounts for revenue sources that are legally restricted to expenditure for road improvements.

The *Road Improvement Fund #12* accounts for revenue sources that are legally restricted to expenditure for road improvements.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

Clam Lake Township reports the following major proprietary funds:

The *Sewer Fund* records financial activity of the Township's portion of the Cadillac-Mitchell Sewer Loop Project. The Township participates in the Cadillac-Mitchell Sewer Loop Project with Selma Township and Cherry Grove Township.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Additionally Clam Lake Township reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *debt service funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from 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 revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution including repurchase agreements and treasury portfolio B funds. Authorized depositories shall be designated by the Clam Lake Township Board at the Board's organizational meeting after each election of Township Officers.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes, two-thirds of county taxes, and 50% of Cadillac Area Public School's taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2006 taxable valuation of Clam Lake Township totaled \$83,698,504, on which ad valorem taxes levied consisted of 0.8258 mills for the Clam Lake Township operating purposes, and 1.9890 mills for Clam Lake Township fire protection. These levies raised approximately \$69,114 for operating purposes and \$166,472 for fire protection.

3. Inventories and Prepaid Items

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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 date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	15-30
Public domain infrastructure	50
Machinery and Equipment	5-10

Clam Lake Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning July 1, 2003, in accordance with the Township's capitalization policy.

5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. 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 on debt issuances are reported as other financing uses. Issuance costs,

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. 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.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on June 14, 2006, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Fire Fund	\$ 149,971	\$ 162,371

This overage was funded with available fund balance and greater than expected revenues.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits and investments are all on deposit with Citizens Bank in Cadillac, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2007, \$231,026 of the government's bank balance of \$649,468 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, all of the Township's investments were uncategorized as to risk.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

B. Receivables

Receivables as of year end for the government's individual major fund and nonmajor funds in aggregate, are as follows:

	General	Road Improvement #11	Road Improvement #12	Fire	Sewer	Nonmajor and Other Funds	Total
Receivables							
Accounts	\$ 0	\$ 0	\$ 0	\$ 0	\$3,173	\$ 0	\$ 3,173
Taxes	2,400	0	0	5,936	0	0	8,336
Fiduciary	30,398	721	2,025	31,499	0	525	65,168
Special							
Assessments	0	6,304	0	0	0	236	6,540
Due from							
Component Unit	3,229	0	0	0	150	1,393	4,772
Due from Other							
Governments	48,394	0	0	0	0	0	48,394
	<u>\$84,421</u>	<u>\$ 7,025</u>	<u>\$ 2,025</u>	<u>\$37,435</u>	<u>\$3,323</u>	<u>\$ 2,154</u>	<u>\$136,383</u>

The allowance for doubtful accounts is not considered to be material for disclosure. In addition, any delinquent sewer service receivables can be placed on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues 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 various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special Assessment Receivable (Road Improvement Fund #11)	<u>\$ 6,304</u>	<u>\$ 0</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 48,000	\$ 0	\$ 0	\$ 48,000
Capital assets, being depreciated				
Buildings	373,731	0	0	373,731
Land Improvements	129,846	0	0	129,846
Infrastructure	126,935	0	0	126,935
Machinery and equipment	29,126	0	0	29,126
Total capital assets, being depreciated	659,638	0	0	659,638
Less accumulated depreciation for:				
Buildings	38,784	11,081	0	49,865
Land Improvements	22,723	6,492	0	29,215
Infrastructure	3,173	6,347	0	9,520
Machinery and equipment	10,349	3,206	0	13,555
Total accumulated depreciation	75,029	27,126	0	102,155
Total capital assets, being depreciated, net	584,609	(27,126)	0	557,483
Governmental activities capital assets, net	\$ 632,609	\$ (27,126)	\$ 0	\$ 605,483

Business-Type Activities

Capital assets, being depreciated				
Improvements other than buildings	\$ 114,467	\$ 0	\$ 0	\$ 114,467
Less accumulated depreciation for:				
Improvements other than buildings	60,664	2,289	0	62,953
Business-type activities capital assets, net	\$ 53,803	\$ (2,289)	\$ 0	\$ 51,514

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

Governmental activities:	
General Government	\$ 20,779
Public Works	6,347
	\$ 27,126
Business-type activities:	
Sewer	\$ 2,289

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

The Township has no outstanding construction commitments as of June 30, 2007.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2007, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 23,331	\$ 25,018
Special Revenue Funds		
Road Improvement Fund #12	0	2,591
Fire Fund	24,106	3,574
Proprietary Fund		
Sewer Fund	<u>912</u>	<u>17,166</u>
	<u>\$ 48,349</u>	<u>\$ 48,349</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

There were no interfund transfers as of June 30, 2007.

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

At June 30, 2007, the Township was not obligated for any long-term debt.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved		
Special Revenue Funds		
Road Improvement Fund #11		
Road Improvements	\$ 4,047	
Road Improvement Fund #12		
Road Improvements	3,194	
Fire Fund		
Fire Protection	106,721	
Street Lighting Fund #1		
Street Lighting	628	
Street Lighting Fund #2		
Street Lighting	<u>492</u>	\$115,082
Debt Service Fund		
Reserved for Debt Service		
Sewer Project		<u>2,333</u>
TOTAL FUND BALANCE RESERVES		<u><u>\$117,415</u></u>

IV. OTHER INFORMATION

A. 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; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

B. Sewer Fund

The Township is participating with Selma and Cherry Grove Townships in the Lakes Cadillac-Mitchell Sewer Loop Project. This project was being financed through state and federal grants and the sale of special assessment bonds. The total estimated cost of the project was \$2,605,674. Clam Lake Township's share of this project is 4.39% (\$114,467). This amount has been capitalized as an asset in the Sewer Fund. The Township has contracted with the Wexford County Department of Public Works to operate and maintain the system.

C. Retirement Plan

The Township has defined contribution pension plan with John Hancock Life Insurance Company which covers Township officers which elect to be covered. Township contributions to the plan for 2006-2007, amounted to \$10,307. In addition, the Township paid \$613 in charges and participant fees. For the 2006-2007 year, total covered payroll amounted to approximately \$66,156 and total wages including non-covered payroll was \$72,108.

D. Fire Protection Contract

The Township entered into an agreement with the City of Cadillac on July 1, 2001, whereas, the City will provide the township with fire protection services. The agreement calls for the township to pay to the City on an annual basis an amount equal to two (2) mills on the taxable value of the real and personal property of the township as determined during each year of the contract. Also, the Township must pay the equivalent of one (1) mill on all property covered by an industrial facilities tax exemption or a commercial facilities tax exemption.

In addition to the above basic payment, Clam Lake agrees that should it be determined that special equipment (equipment not owned by the Cadillac Fire Department) or technical assistance is required to avert or prevent a hazard or hazardous condition, then all costs incurred by the City shall be paid by the Township.

E. Component Unit

The Clam Lake Township Downtown Development Authority is considered a component unit of Clam Lake Township. The DDA is authorized to impose an ad valorem tax on all taxable property within the established DDA Township. The following financial information was taken from the DDA's June 30, 2007 audited financial statements.

Total Assets	\$ 333,976
Net Assets - Unrestricted	208,530
Total Revenues	92,030
Total Expenditures	27,168
Net Increase	64,862

A copy of these audited financial statements may be obtained on request from the DDA treasurer at 102 Doral Drive, Cadillac, Michigan 49601.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	<u>GENERAL FUND</u>			<u>ROAD IMPROVEMENT FUND #11</u>			<u>ROAD IMPROVEMENT FUND #12</u>			<u>FIRE FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>												
Taxes	\$ 101,800	\$ 101,800	\$ 98,615	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 149,971	\$ 149,971	\$ 166,472
State Grants	162,100	162,100	156,167	0	0	0	0	0	0	0	0	0
Charges for Services	18,200	18,200	14,096	0	0	0	0	0	0	0	0	0
Interest and Rents	7,000	7,000	12,387	0	0	0	0	0	0	0	0	0
Other Revenues	1,000	1,000	687	4,105	4,105	3,326	843	843	1,171	0	0	17,027
Total Revenues	290,100	290,100	281,952	4,105	4,105	3,326	843	843	1,171	149,971	149,971	183,499
<u>EXPENDITURES</u>												
Legislative	37,500	37,500	25,313	0	0	0	0	0	0	0	0	0
General Government												
Supervisor	12,600	12,600	12,000	0	0	0	0	0	0	0	0	0
Election	3,500	3,500	2,245	0	0	0	0	0	0	0	0	0
Assessor	29,000	29,000	25,760	0	0	0	0	0	0	0	0	0
Clerk	14,860	14,860	14,329	0	0	0	0	0	0	0	0	0
Board of Review	1,500	1,500	1,113	0	0	0	0	0	0	0	0	0
Treasurer	20,750	20,750	22,035	0	0	0	0	0	0	0	0	0
Building and Grounds	16,000	16,000	11,000	0	0	0	0	0	0	0	0	0
Cemetery	7,100	7,100	5,053	0	0	0	0	0	0	0	0	0
Public Safety	12,000	12,000	55	0	0	0	0	0	0	149,971	149,971	162,371
Public Works	84,000	84,000	9,957	4,105	4,105	0	843	843	0	0	0	0
Other Functions	90,000	90,000	21,250	0	0	0	0	0	0	0	0	0
Contingency	34,000	34,000	0	0	0	0	0	0	0	0	0	0
Total Expenditures	362,810	362,810	150,110	4,105	4,105	0	843	843	0	149,971	149,971	162,371
Excess (Deficiency) of Revenues Over Expenditures	(72,710)	(72,710)	131,842	0	0	3,326	0	0	1,171	0	0	21,128
<u>FUND BALANCE - Beginning of Year</u>	122,692	122,692	418,625	0	0	721	0	0	2,023	59,971	59,971	85,593
<u>FUND BALANCE - End of Year</u>	\$ 49,982	\$ 49,982	\$ 550,467	\$ 0	\$ 0	\$ 4,047	\$ 0	\$ 0	\$ 3,194	\$ 59,971	\$ 59,971	\$ 106,721

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

BALANCE SHEET
JUNE 30, 2007

ASSETS

Cash	\$ 472,667
Taxes Receivable	2,400
Due from Other Governments	48,394
Due from Fire Fund	3,574
Due from Road Fund #12	2,591
Due from Sewer Operations and Maintenance Fund	17,166
Due from Tax Fund	30,398
Due from Component Unit	<u>3,229</u>
 TOTAL ASSETS	 <u>\$ 580,419</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 3,133
Due to Other Funds	25,018
Payroll Withholdings	1,383
Accrued Payroll Taxes	<u>418</u>

Total Liabilities 29,952

FUND BALANCE

Unreserved	
Designated for Fire Equipment	69,878
Undesignated	<u>480,589</u>

Total Fund Balance 550,467

TOTAL LIABILITIES AND FUND BALANCE \$ 580,419

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2007

REVENUES

Taxes	\$ 98,615
State Grants	156,167
Charges for Services	14,096
Interest and Rents	12,387
Other Revenues	687
	<hr/>
Total Revenues	281,952

EXPENDITURES

Legislative	
Township Board	25,313
General Government	
Supervisor	12,000
Election	2,245
Assessor	25,760
Clerk	14,329
Board of Review	1,113
Treasurer	22,035
Building and Grounds	11,000
Cemetery	5,053
Public Safety	55
Public Works	9,957
Other Functions	21,250
	<hr/>
Total Expenditures	150,110

Excess (Deficiency) of Revenues Over Expenditures	131,842
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<u>FUND BALANCE</u> - Beginning of the Year	<hr/> 418,625
<u>FUND BALANCE</u> - End of the Year	<hr/> <hr/> \$ 550,467

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND #11

BALANCE SHEET
JUNE 30, 2007

ASSETS

Cash	\$ 3,326
Special Assessments Receivable	6,304
Due from Tax Fund	<u>721</u>
 TOTAL ASSETS	 <u>\$ 10,351</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred Revenue	\$ 6,304
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FUND BALANCE

Reserved for Road Improvement	<u>4,047</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,351</u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND #11
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2007

REVENUES

Other Revenues	
Special Assessments	\$ 2,848
Interest on Special Assessments	456
Penalties on Late Payments	<u>22</u>
Total Revenues	3,326

EXPENDITURES

Public Works	
Highways, Streets, and Bridges	
Repairs and Maintenance	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	3,326

<u>FUND BALANCE</u> - Beginning of Year	<u>721</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 4,047</u></u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND #12

BALANCE SHEET
JUNE 30, 2007

ASSETS

Cash	\$ 3,760
Due from Tax Fund	<u>2,025</u>
 TOTAL ASSETS	 <u>\$ 5,785</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to General Fund	\$ 2,591
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FUND BALANCE

Reserved for Road Improvement	<u>3,194</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,785</u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND #12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2007

REVENUES

Other Revenues

Interest on Special Assessments \$ 1,171

EXPENDITURES

Public Works

Highways, Streets, and Bridges

Repairs and Maintenance 0

Excess (Deficiency) of Revenues

Over Expenditures 1,171

FUND BALANCE - Beginning of Year 2,023

FUND BALANCE - End of Year \$ 3,194

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

BALANCE SHEET
JUNE 30, 2007

ASSETS

Cash	\$ 48,754
Taxes Receivable	5,936
Due from General Fund	24,106
Due from Tax Fund	<u>31,499</u>
 TOTAL ASSETS	 <u>\$ 110,295</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to General Fund	\$ 3,574
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FUND BALANCE

Reserved for Fire Protection	<u>106,721</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 110,295</u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2007

REVENUES

Taxes	
Current Property Taxes	\$ 166,472
Other Revenues	
Downtown Development Authority Reimbursement	<u>17,027</u>
Total Revenues	<u>183,499</u>

EXPENDITURES

Public Safety	
Fire Department	
Aid to Other Government	
Fire Contract - City of Cadillac	162,316
Contracted Services	<u>55</u>
Total Expenditures	<u>162,371</u>
Excess (Deficiency) of Revenues Over Expenditures	21,128

FUND BALANCE - Beginning of Year 85,593

FUND BALANCE - End of Year \$ 106,721

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

STATEMENT OF NET ASSETS

JUNE 30, 2007

ASSETS

CURRENT ASSETS

Cash	\$ 50,645
Accounts Receivable	3,173
Due from Other Funds	912
Due from Component Unit	150
	<hr/>
Total Current Assets	54,880

CAPITAL ASSETS

Improvements Other than Buildings	114,467
Less Accumulated Depreciation	62,953
	<hr/>
Net Capital Assets	51,514
	<hr/>
TOTAL ASSETS	\$ 106,394

LIABILITIES AND NET ASSETS

LIABILITIES

Due to Other Funds	\$ 17,166
	<hr/>

NET ASSETS

Invested in Capital Assets	51,514
Unrestricted	37,714
	<hr/>
Total Net Assets	89,228
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 106,394

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

OPERATING REVENUES

Charges for Services	
Sewer Use Charges and Connection Fees	<u>\$ 8,624</u>

OPERATING EXPENSES

Public Works	
Contracted Services	
Operation and Maintenance	
Wexford County Department of Public Works	8,703
Depreciation	<u>2,289</u>
Total Operating Expenses	<u>10,992</u>
Operating Income (Loss)	(2,368)

NONOPERATING REVENUES (EXPENSES)

Interest Income	<u>794</u>
Change in Net Assets	(1,574)

<u>NET ASSETS</u> - Beginning of Year	<u>90,802</u>
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<u>NET ASSETS</u> - End of Year	<u><u>\$ 89,228</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash Received from Customers \$ 8,130

Cash Flows from Investing Activities:

Interest on Investments 794

Net Increase (Decrease) in Cash and Cash Equivalents 8,924

CASH AND CASH EQUIVALENTS - Beginning of Year 41,721

CASH AND CASH EQUIVALENTS - End of Year \$ 50,645

RECONCILIATION OF OPERATING INCOME

TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss) \$ (2,368)

Adjustments to Reconcile Operating Income

To Net Cash Provided by Operating Activities

Depreciation 2,289

(Increase) Decrease in Current Assets

Accounts Receivable (345)

Due from Component Unit (150)

Increase (Decrease) in Current Liabilities

Due to Other Funds 8,704

Total Adjustments 10,498

NET CASH PROVIDED BY
OPERATING ACTIVITIES

\$ 8,130

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING BALANCE SHEET
JUNE 30, 2007

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ (798)	\$ 2,097	\$ 1,299
Special Assessments Receivable	0	236	236
Due from Tax Fund	525	0	525
Due from Component Unit	1,393	0	1,393
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,120	\$ 2,333	\$ 3,453
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>			
Reserved	1,120	2,333	3,453
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,120	\$ 2,333	\$ 3,453
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2007

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>TOTALS</u>
<u>REVENUES</u>			
Taxes	\$ 713	\$ 0	\$ 713
Interest and Rents	0	5	5
Total Revenues	713	5	718
 <u>EXPENDITURES</u>			
Public Works	1,552	0	1,552
Excess (Deficiency) of Revenues Over Expenditures	(839)	5	(834)
 <u>FUND BALANCES</u> - Beginning of Year	1,959	2,328	4,287
 <u>FUND BALANCES</u> - End of Year	<u>\$ 1,120</u>	<u>\$ 2,333</u>	<u>\$ 3,453</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2007

	<u>STREET LIGHTING FUND #1</u>	<u>STREET LIGHTING FUND #2</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash	\$ (316)	\$ (482)	\$ (798)
Due from Tax Fund	525	0	525
Due from Component Unit	419	974	1,393
TOTAL ASSETS	<u>\$ 628</u>	<u>\$ 492</u>	<u>\$ 1,120</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
 <u>LIABILITIES</u>	 \$ 0	 \$ 0	 \$ 0
 <u>FUND BALANCE</u>			
Reserved for:			
Street Lighting	<u>628</u>	<u>492</u>	<u>1,120</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 628</u>	<u>\$ 492</u>	<u>\$ 1,120</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>STREET LIGHTING FUND #1</u>	<u>STREET LIGHTING FUND #2</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Taxes	\$ 264	\$ 449	\$ 713
<u>EXPENDITURES</u>			
Public Works	955	597	1,552
Excess (Deficiency) of Revenues Over Expenditures	(691)	(148)	(839)
<u>FUND BALANCE</u> - Beginning of Year	1,319	640	1,959
<u>FUND BALANCE</u> - End of Year	\$ 628	\$ 492	\$ 1,120

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STREET LIGHTING FUND #1

BALANCE SHEET
JUNE 30, 2007

ASSETS

Cash	\$ (316)
Due from Tax Fund	525
Due from Component Unit	<u>419</u>
 TOTAL ASSETS	 <u>\$ 628</u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Street Lighting	<u>628</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 628</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STREET LIGHTING FUND #1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes		
Current Property Taxes	\$ 1,200	\$ 264
<u>EXPENDITURES</u>		
Public Works		
Street Lighting		
Other Services and Charges		
Public Utilities	1,200	955
Excess (Deficiency) of Revenues Over Expenditures	0	(691)
<u>FUND BALANCE</u> - Beginning of Year	1,100	1,319
<u>FUND BALANCE</u> - End of Year	\$ 1,100	\$ 628

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STREET LIGHTING FUND #2

BALANCE SHEET
JUNE 30, 2007

<u>ASSETS</u>		
Cash		\$ (482)
Due from Component Unit		974
		<hr/>
TOTAL ASSETS		\$ 492
		<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		\$ 0
<u>FUND BALANCE</u>		
Reserved for Street Lighting		492
		<hr/>
TOTAL LIABILITIES AND FUND BALANCE		\$ 492
		<hr/> <hr/>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STREET LIGHTING FUND #2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes		
Current Property Taxes	\$ 900	\$ 449
<u>EXPENDITURES</u>		
Public Works		
Street Lighting		
Other Services and Charges		
Public Utilities	490	597
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	410	(148)
<u>FUND BALANCE</u> - Beginning of Year	410	640
	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 820	\$ 492
	<hr/>	<hr/>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR DEBT SERVICE FUND - SEWER PROJECT

BALANCE SHEET
JUNE 30, 2007

ASSETS

Cash	\$ 2,097
Special Assessments Receivable	<u>236</u>
 TOTAL ASSETS	 <u><u>\$ 2,333</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Debt Retirement	<u>2,333</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 2,333</u></u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR DEBT SERVICE FUND - SEWER PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Interest on Investments	\$ 0	\$ 5
<u>EXPENDITURES</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	5
<u>FUND BALANCE</u> - Beginning of Year	<u>2,237</u>	<u>2,328</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 2,237</u>	<u>\$ 2,333</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2007

	BALANCE		BALANCE	
	7/1/2006	ADDITIONS	DEDUCTIONS	6/30/2007
<u>ASSETS</u>				
Cash	\$ 73,365	\$ 2,717,727	\$ 2,725,924	\$ 65,168
<u>LIABILITIES</u>				
Due to Other Funds	\$ 72,903	\$ 192,353	\$ 200,088	\$ 65,168
Due to Other Governmental Units	462	2,515,551	2,516,013	0
Due to Other Organizations and Individuals	0	9,823	9,823	0
TOTAL LIABILITIES	\$ 73,365	\$ 2,717,727	\$ 2,725,924	\$ 65,168

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF 2006 WINTER PROPERTY TAX ROLL
JUNE 30, 2007

TAXES ASSESSED

County		\$	492,214	
Township				
Operating	\$ 69,114			
Fire	166,472			
Street Lighting	1,550			
Special Assessment - Sewer Service	974			
Downtown Development Authority	82,134		320,244	
Schools				
Cadillac Area Public Schools	373,870			
Pine River Area Schools	25,549			
McBain Rural Agricultural School	1,558		400,977	
Intermediate School				
Wexford-Missaukee			497,319	\$ 1,710,754

TAXES COLLECTED

County			400,776	
Township				
Operating	56,275			
Fire	135,547			
Street Lighting	981			
Special Assessment - Sewer Service	0			
Downtown Development Authority	82,134		274,937	
Schools				
Cadillac Area Public Schools	266,859			
Pine River Area Schools	20,742			
McBain Rural Agricultural School	1,382		288,983	
Intermediate School				
Wexford-Missaukee			404,934	1,369,630

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF 2006 WINTER PROPERTY TAX ROLL
JUNE 30, 2007

TAXES RETURNED DELINQUENT

County		91,438	
Township			
Operating	12,839		
Fire	30,925		
Street Lighting	569		
Special Assessment - Sewer Service	974		
Downtown Development Authority	<u>0</u>	45,307	
Schools			
Cadillac Area Public Schools	107,011		
Pine River Area Schools	4,807		
McBain Rural Agricultural School	<u>176</u>	111,994	
Intermediate School			
Wexford-Missaukee		<u>92,385</u>	<u>\$ 341,124</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF 2006 SUMMER PROPERTY TAX ROLL
JUNE 30, 2007

TAXES ASSESSED

County	\$ 374,509	
County - State Education Tax	502,185	
Schools		
Cadillac Area Public Schools	<u>373,573</u>	\$ 1,250,267

TAXES COLLECTED

County	355,359	
County - State Education Tax	477,063	
Schools		
Cadillac Area Public Schools	<u>352,123</u>	<u>1,184,545</u>

TAXES RETURNED DELINQUENT

County	19,150	
County - State Education Tax	25,122	
Schools		
Cadillac Area Public Schools	<u>21,450</u>	<u>\$ 65,722</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

September 25, 2007

To the Township Board
Clam Lake Township
Wexford County
Cadillac, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Clam Lake Township, Wexford County, Cadillac, Michigan as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Pickford Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the 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:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of

strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

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 deficiencies described above constitute material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.