# CENTER TOWNSHIP
# EMMET COUNTY, MICHIGAN

Financial Statements
For the Year Ended
March 31, 2006

**Prepared By:**
Richard E. Mahlmeister, C.P.A., P.C.
580 South Nicolet, P.O.Box 996
Mackinaw City, MI 49701

Michigan Department of Treasury
496 (02/06)

# 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 | Local Unit Name | County |
|---|---|---|
| ☐County ☐City ☒Twp ☐Village ☐Other | Center Township | Emmet |

| Fiscal Year End | Opinion Date | Date Audit Report Submitted to State |
|---|---|---|
| March 31, 2006 | August 8, 2006 | August 18, 2006 |

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 | ☒ | |
| The letter of Comments and Recommendations | ☒ | |
| Other (Describe) | ☐ | |

| Certified Public Accountant (Firm Name) | Telephone Number |
|---|---|
| Richard E. Mahlmeister, CPA, PC | 231-436-5223 |

| Street Address | City | State | Zip |
|---|---|---|---|
| 580 South Nicolet Street, P.O. Box 1996 | Mackinaw City | MI | 49701 |

| Authorizing CPA Signature | Printed Name | License Number |
|---|---|---|
| Richard E. Mahlmeister, CPA | Richard E. Mahlmeister, CPA | 17351 |

*CENTER TOWNSHIP*

*TABLE OF CONTENTS*

**INDEPENDENT AUDITOR'S REPORT**


| | PAGE |
|---|---|
| BASIC FINANCIAL STATEMENTS | |
| Government-wide Financial Statements | |
| Statement of Net Assets | 1 |
| Statement of Activities | 2 |
| Fund Financial Statements | |
| Balance Sheet-Governmental Funds | 3 - 4 |
| Statement of Revenues, Expenditures and Changes In Fund Balances-Governmental Funds | 5 – 6 |
| Statement of Fiduciary Net Assets | 7 |
| Notes to Financial Statements | 8 – 16 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedule – General Fund | 17- 18 |
| Budgetary Comparison Schedule – Special Revenue – Road Fund | 19 |

RICHARD E. MAHLMEISTER
CERTIFIED PUBLIC ACCOUNTANT, P.C.

*Member:*
*American Institute of Certified Public Accountants*
*Michigan Association of Certified Public Accountants*

# INDEPENDENT AUDITOR'S REPORT

August 8, 2006

Township Board
Center Township
Emmet County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ***Center Township, Emmet County, Michigan,*** as of and for the year ended March 31, 2006, which collectively comprise ***Center Township's*** basic financial statements as listed in the table of contents. These financial statements are the responsibility of ***Center Township's*** management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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 ***Center Township, Emmet County, Michigan,*** as of March 31, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of March 31, 2006.

P.O. Box 996 • Mackinaw City, MI 49701 • **phone: (231) 436-5223 • fax: (231) 436-5938**

The Township has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required, to be a part of the basic financial statements.

The budgetary comparison information on pages 17 through 19, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Richard E. Mahlmeister, C.P.A.

# BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

*CENTER TOWNSHIP*
*STATEMENT OF NET ASSETS*
*MARCH 31, 2006*

| ASSETS | GOVERNMENTAL ACTIVITIES |
|---|---|
| Cash and cash equivalents | $32,778 |
| Accounts receivable | 10,989 |
| Prepaid expense | 3,308 |
| Capital assets | 148,304 |
| Accumulated depreciation | (46,994) |
| TOTAL ASSETS | $148,385 |
| **LIABILITIES AND NET ASSETS** | |
| LIABILITIES: | |
| Accounts payable | $939 |
| Accrued payroll taxes | 104 |
| Accrued interest | 504 |
| Long-term liabilities: | |
| Due within one year | 6,000 |
| Due in more than one year | 17,000 |
| TOTAL LIABILITIES | 24,547 |
| NET ASSETS: | |
| Invested in capital assets, net of related debt | 78,310 |
| Unrestricted | 45,528 |
| TOTAL NET ASSETS | 123,838 |
| TOTAL LIABILITIES AND NET ASSETS | $148,385 |

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

*CENTER TOWNSHIP*
*STATEMENT OF ACTIVITIES*
*FOR THE YEAR ENDED MARCH 31, 2006*

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions |
|---|---|---|---|
| **Primary government** | | | |
| **Governmental activities** | | | |
| Legislative | $2,274 | $ - | $ - |
| General government | 56,164 | 4,610 | - |
| Public safety | 5,100 | - | - |
| Public works | 46,283 | - | - |
| Recreation and culture | 450 | - | - |
| Other | 2,818 | - | - |
| Interest on long-term debt | 1,700 | - | - |
| Total governmental activities | 114,789 | 4,610 | - |
| General Revenues | | | |
| Property taxes | | | |
| State-shared revenues | | | |
| Unrestricted interest income | | | |
| Other | | | |
| Total general revenues | | | |
| Change in net assets | | | |
| Net assets, beginning of year | | | |
| Net assets, end of year | | | |

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

| | Net (Expense) Revenue and Changes in Net Assets | |
|---|---|---|
| | Governmental Activities | |
| Capital Grants and Contributions | TOTAL | |
| $ - | ($2,274) | |
| - | (51,554) | |
| - | (5,100) | |
| - | (46,283) | |
| - | (450) | |
| - | (2,818) | |
| - | (1,700) | |
| - | (110,179) | |
| | 40,504 | |
| | 41,628 | |
| | 887 | |
| | 290 | |
| | 83,309 | |
| | (26,870) | |
| | 150,708 | |
| | $123,838 | |

# FUND FINANCIAL STATEMENTS

*CENTER TOWNSHIP*
*BALANCE SHEET - GOVERNMENTAL FUNDS*
*MARCH 31, 2006*

| ASSETS | GENERAL FUND | ROAD FUND | NON-MAJOR FUND PARK FUND | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|
| Cash and cash equivalents | $13,178 | $17,740 | $952 | $31,870 |
| Taxes receivable | 2,967 | 2,348 | - | 5,315 |
| Due from other governmental units | 5,674 | - | - | 5,674 |
| Due from tax collection fund | 908 | - | - | 908 |
| TOTAL ASSETS | $22,727 | $20,088 | $952 | $43,767 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | $939 | $ - | $ - | $939 |
| Accrued payroll taxes payable | 104 | - | - | 104 |
| TOTAL LIABILITIES | 1,043 | - | - | 1,043 |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| METRO Act | 1,619 | - | - | 1,619 |
| Unreserved: | | | | |
| Designated for: | | | | |
| Subsequent years' expenditures | 13,150 | - | - | 13,150 |
| Unreserved, undesignated | 6,915 | 20,088 | 952 | 27,955 |
| TOTAL FUND BALANCES | 21,684 | 20,088 | 952 | 42,724 |
| TOTAL LIABILITIES AND FUND BALANCES | $22,727 | $20,088 | $952 | $43,767 |

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

*CENTER TOWNSHIP*
*BALANCE SHEET - GOVERNMENTAL FUNDS*
*MARCH 31, 2006*

| | |
|---|---|
| **Reconciliation of fund balances on the balance sheets for governmental activities to the statement of net assets** | |
| FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | $42,724 |
| **Amounts reported for governmental activities in the statement of net assets are different because:** | |
| **Prepaid expenses are not financial resources and therefore are not reported in the funds** | 3,308 |
| **Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.** | |
| **Add: capital assets** | 148,304 |
| **Subtract: accumulated depreciation** | (46,994) |
| **Certain liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds, and consist of:** | |
| **Subtract: bonds and note payable** | (23,000) |
| **Subtract: accrued interest on long-term liabilities** | (504) |
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | $123,838 |

**The accompanying notes are an integral part of these financial statements.**

*CENTER TOWNSHIP*
*STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES*
*GOVERNMENTAL FUNDS*
*FOR THE YEAR ENDED MARCH 31, 2006*

| | GENERAL FUND | ROAD FUND | NON-MAJOR FUND PARK FUND | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Taxes | $22,953 | $17,551 | $ - | $40,504 |
| State shared revenues | 41,628 | - | - | 41,628 |
| Charges for services | 4,610 | - | - | 4,610 |
| Interest | 404 | 483 | - | 887 |
| Other revenue | 290 | - | - | 290 |
| TOTAL REVENUES | 69,885 | 18,034 | - | 87,919 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Legislative | 2,274 | - | - | 2,274 |
| General government | 51,204 | - | - | 51,204 |
| Public safety | 5,100 | - | - | 5,100 |
| Public works | 141 | 46,142 | - | 46,283 |
| Recreation and culture | 450 | - | - | 450 |
| Other functions | 2,818 | - | - | 2,818 |
| Capital outlay | 4,446 | - | - | 4,446 |
| Debt service | 7,832 | - | - | 7,832 |
| TOTAL EXPENDITURES | 74,265 | 46,142 | - | 120,407 |
| NET CHANGE IN FUND BALANCES | (4,380) | (28,108) | - | (32,488) |
| FUND BALANCES, BEGINNING OF YEAR | 26,064 | 48,196 | 952 | 75,212 |
| FUND BALANCES, END OF YEAR | $21,684 | $20,088 | $952 | $42,724 |

**The accompanying notes are an integral part of these financial statements.**

*CENTER TOWNSHIP*
*STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES*
*GOVERNMENTAL FUNDS*
*FOR THE YEAR ENDED MARCH 31, 2006*

| | |
|---|---|
| **Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities** | |
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | ($32,488) |
| **Amounts reported for governmental activities in the statement of activities are different because:** | |
| **Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.** | |
| **Add: capital outlay capitalized during the current year** | 4,446 |
| **Subtract: depreciation expense** | (4,898) |
| **Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.** | |
| **Add: principal payments on long-term liabilities** | 6,000 |
| **Some expenses in the statement of activities do not require the use of current finanical resources and therefore are not reported as expenditures in governmental funds.** | |
| **Add: prior year accrued interest on loan** | 636 |
| **Subtract: current year accrued interest on loan** | (504) |
| **Add: current year prepaid expense** | 3,308 |
| **Subtract: prior year prepaid expense** | (3,370) |
| CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | ($26,870) |

**The accompanying notes are an integral part of these financial statements.**

*CENTER TOWNSHIP*
*STATEMENT OF FIDUCIARY NET ASSETS*
*FIDUCIARY FUND*
*MARCH 31, 2006*

| ASSETS | AGENCY FUND |
|---|---|
| Cash | $908 |
| **LIABILITIES** | |
| Due to other funds | 908 |
| **NET ASSETS** | |
| Fiduciary Net Assets | $ - |

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

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Center Township, Emmet County, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

Center Township adopted the governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – Management's Discussion and Analysis - for State and Local Governments,* and Statement No. 38, *Certain Financial Statement Note Disclosures* and applied those standards as of April 1, 2004. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus. Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

### THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

#### *Government-Wide 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 and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Government-Wide Financial Statements (Continued)***

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment 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 are not properly included among program revenues are reported instead as general revenue.

***Fund Financial Statements***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

### MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures 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 in the current fiscal year. All other revenue items are considered to be available when cash is received by the government.

### FUND TYPES AND MAJOR FUNDS

***Governmental Funds***

The Township reports the following major funds:

**General Fund** - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

**Road Fund** - This fund accounts for revenues and expenditures attributable to improvement of various roads located within the Township. Revenue is primarily obtained from property taxes for this purpose.

The Township reports the following special revenue - nonmajor funds:

**Park Fund** – This fund accounts for park operations and maintenance.

***Fiduciary Funds***

**Trust and Agency Fund** - The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### INVESTMENTS

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

### INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values. Interfund transfers reflect the use of unrestricted revenues collected in the General Fund used to finance programs accounted for in other funds in accordance with budgetary provisions.

### ESTIMATES

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

### COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

### CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are generally defined by the government as assets with an initial individual cost of $400 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Because the Township is considered a phase 3 government for GASB 34 implementation requirements, the Township is not required to report infrastructure retrospectively. Any future infrastructure additions will be capitalized, if any.

Estimated useful lives, in years, for depreciable assets are as follows:

| | |
|---|---|
| Buildings and improvements | 15 – 40 years |
| Furniture and equipment | 5 – 10 years |

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures.

### FUND EQUITY

Reserved fund balances for governmental funds indicates that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

### BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted by the Township officials for the General and Special Revenue Funds. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to March 31, the budget is legally enacted through passage of a resolution.

4. Budgeted amounts are as originally adopted, or as amended by the Township Board.

5. Appropriations expire at the end of the fiscal year.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

## NOTE 2: PROPERTY TAX

Property tax revenues for the year ended March 31, 2006, reflected in the accompanying financial statements include property taxes levied December 31, 2005. These taxes are due by February 15, 2006, and are added to the County tax rolls after February 28, 2006. The Township will receive 100% payment for the delinquent tax by June, 2006.

The taxable value of the Township totaled $18,309,529, on which ad valorem taxes consisted of .9663 mills for the Township's operating purposes and .9663 mills for roads, raising $17,564 for operating purposes and $17,551 for fire protection.

## NOTE 3: CASH AND CASH EQUIVALENTS

The caption on the statement of net assets relating to cash and cash equivalents of $32,778 represents deposits in one financial institution located in Michigan in varying amounts.

The Township uses a common bank account. The equity of each fund in the common account is as follows:

| | |
|---|---|
| General Fund | $13,178 |
| Special Revenue – Road Fund | 17,740 |
| Special Revenue – Park Fund | 952 |
| | $31,870 |

The total deposits in each individual financial institution do not exceed $100,000 and therefore, are covered by the Federal Deposit Insurance Corporation (F.D.I.C.).

All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

## NOTE 4: RECEIVABLES

The composition of receivables is as follows as of March 31, 2006:

| | |
|---|---|
| Taxes receivable | $5,315 |
| Receivable from other governments | 5,674 |
| | $10,989 |

## NOTE 5: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivables and payables for the year ended March 31, 2006 are as follows:

| Fund | Interfund Receivable | Interfund Payable |
|---|---|---|
| General | $908 | $ - |
| Tax Collection | - | 908 |
| Total | $937 | $937 |

There were no interfund transfers during the fiscal year.

## NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

| | Balance April 1, 2005 | Additions | Deletions | Balance March 31, 2006 |
|---|---|---|---|---|
| Not being depreciated: | | | | |
| Land and land Improvements | $9,850 | $ - | $ - | $9,850 |
| Being Depreciated: | | | | |
| Building and Improvements | 120,000 | 2,500 | - | 122,500 |
| Furniture and Equipment | 24,167 | 1,946 | 10,159 | 15,954 |
| Subtotal | 154,017 | 4,446 | - | 148,304 |
| Less accumulated depreciation | (52,255) | (4,898) | 10,159 | (46,994) |
| Total | $101,762 | ($452) | $ - | $101,310 |

Depreciation was charged to the Township's functions as follows:

| | |
|---|---|
| General government | $4,898 |

## NOTE 7: LONG-TERM DEBT

A summary of long term obligations at March 31, 2006, and transactions related thereto for the year then ended is as follows:

| | April 1, 2005 | Additions | (Reductions) | Balance March31,2006 | Due Within One Year |
|---|---|---|---|---|---|
| Installment contract payable-town hall. Annual payments of $6,000, plus interest at the variable rate of .25% under prime, through 2010. | $ 29,000 | $ - | ($6,000) | $23,000 | $6,000 |

The annual requirements for five years ending March 31, 2006 and thereafter, including $3,220 in interest, are as follows:

| Year Ended March 31, | Amount |
|---|---|
| 2007 | $7,323 |
| 2008 | 6,978 |
| 2009 | 6.632 |
| 2010 | 5,287 |
| | $26,220 |

## NOTE 8: PENSION PLAN

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 10.0% of employees' gross earnings and employees contribute 10.0% percent of earnings. In accordance with these requirements, the Township contributed $2,015 during the current year, and the employees contributed $2,015. Contract fees were $547.

## NOTE 9: RISK MANAGEMENT

Center Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of $265,200, general liability of $1,000,000, wrongful acts of $3,000,000, crime of $10,000, automobile of $1,000,000, inland marine liability of $6,800 and bonding for public officials errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

***

# REQUIRED SUPPLEMENTARY INFORMATION

*CENTER TOWNSHIP*
*BUDGETARY COMPARISON SCHEDULE -*
*GENERAL FUND*
*FOR THE YEAR ENDED MARCH 31, 2006*

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE) |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| **Taxes:** | | | | |
| **Property tax** | $17,600 | $17,600 | $17,564 | ($36) |
| **Property taxes - administrative fee** | 6,750 | 6,750 | 5,389 | (1,361) |
| **Total taxes** | 24,350 | 24,350 | 22,953 | (1,397) |
| **State shared revenues:** | | | | |
| **State shared revenues** | 33,800 | 33,800 | 34,107 | 307 |
| **State shared revenues-METRO Act** | - | - | 1,619 | 1,619 |
| **Swampland and payment in lieu of tax** | 5,708 | 5,708 | 5,902 | 194 |
| **Total state shared revenues** | 39,508 | 39,508 | 41,628 | 2,120 |
| **Charges for services:** | | | | |
| **Land division fees** | 600 | 600 | 100 | (500) |
| **Rentals** | 6,000 | 6,000 | 4,510 | (1,490) |
| **Total charges for services** | 6,600 | 6,600 | 4,610 | (1,990) |
| **Interest** | 400 | 400 | 404 | 4 |
| **Other revenue:** | | | | |
| **Other** | - | - | 290 | 290 |
| **Total other revenue** | - | - | 290 | 290 |
| **TOTAL REVENUES** | 70,858 | 70,858 | 69,885 | (473) |

*CENTER TOWNSHIP*
*BUDGETARY COMPARISON SCHEDULE -*
*GENERAL FUND*
*FOR THE YEAR ENDED MARCH 31, 2006*

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE) |
|---|---|---|---|---|
| LEGISLATIVE | | | | |
| Township board | $2,858 | $2,858 | $2,274 | $584 |
| GENERAL GOVERNMENT | | | | |
| Supervisor | 5,040 | 5,040 | 5,012 | 28 |
| Assessor | 13,171 | 13,171 | 12,195 | 976 |
| Elections | 710 | 710 | 432 | 278 |
| Board of Review | 1,677 | 1,677 | 821 | 856 |
| Clerk | 7,676 | 7,676 | 7,042 | 634 |
| Treasurer | 10,647 | 10,647 | 8,994 | 1,653 |
| Township property | 19,961 | 19,961 | 16,223 | 3,738 |
| Cemetery | 400 | 600 | 485 | 115 |
| TOTAL GENERAL GOVERNMENT | 59,282 | 59,482 | 51,204 | 8,278 |
| PUBLIC SAFETY | | | | |
| Fire protection | 5,100 | 5,100 | 5,100 | - |
| PUBLIC WORKS | | | | |
| Highways and streets | 4,000 | 3,800 | 141 | 3,659 |
| RECREATION AND CULTURE | | | | |
| Park | 500 | 500 | 450 | 50 |
| OTHER FUNCTIONS | | | | |
| Pension and other benefits | 3,600 | 3,600 | 2,818 | 782 |
| Contingency | 1,000 | 1,000 | - | 1,000 |
| TOTAL OTHER FUNCTIONS | 4,600 | 4,600 | 2,818 | 1,782 |
| CAPITAL OUTLAY | 4,446 | 4,446 | 4,446 | - |
| DEBT SERVICE | | | | |
| Principal | 6,000 | 6,000 | 6,000 | - |
| Interest | 2,500 | 2,500 | 1,832 | 668 |
| TOTAL DEBT SERVICE | 8,500 | 8,500 | 7,832 | 668 |
| TOTAL EXPENDITURES | 89,286 | 89,286 | 74,265 | 15,021 |
| NET CHANGE IN FUND BALANCE | (18,428) | (18,428) | (4,380) | 14,548 |
| FUND BALANCE - BEGINNING OF YEAR | 26,064 | 26,064 | 26,064 | - |
| FUND BALANCE - END OF YEAR | $7,636 | $7,636 | $21,684 | $14,548 |

*CENTER TOWNSHIP*
*BUDGETARY COMPARISON SCHEDULE -*
*SPECIAL REVENUE - ROAD FUND*
*FOR THE YEAR ENDED MARCH 31, 2006*

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE) |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Property tax | $16,200 | $16,200 | $17,551 | $1,351 |
| Interest income | - | - | 483 | 483 |
| TOTAL REVENUES | $16,200 | $16,200 | $18,034 | $1,834 |
| **EXPENDITURES:** | | | | |
| Public works | 62,291 | 62,291 | 46,142 | 16,149 |
| TOTAL EXPENDITURES | 62,291 | 62,291 | 46,142 | 16,149 |
| NET CHANGE IN FUND BALANCE | (46,091) | (46,091) | (28,108) | 17,983 |
| FUND BALANCE, BEGINNING OF YEAR | 48,196 | 48,196 | 48,196 | - |
| FUND BALANCE, END OF YEAR | $2,105 | $2,105 | $20,088 | $17,983 |

**RICHARD E. MAHLMEISTER**
**CERTIFIED PUBLIC ACCOUNTANT, P.C.**

*Member:*
*American Institute of Certified Public Accountants*
*Michigan Association of Certified Public Accountants*

August 8, 2006

Township Board
Center Township
Emmet County, Michigan

In planning and performing my audit of the financial statements of ***Center Township, Emmet County, Michigan,*** for the year ended March 31, 2006, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and recommendations regarding those matters. This letter does not affect my report dated August 8, 2006 on the financial statements of ***Center Township.***

Thank you for the opportunity to serve ***Center Township.*** I appreciate the assistance I received from both the Clerk and Treasurer during my audit. Best wishes in the next year.

Sincerely,

Richard E. Mahlmeister, C.P.A.

P.O. Box 996 • Mackinaw City, MI 49701 • **phone: (231) 436-5223 • fax: (231) 436-5938**

## CAPITAL ASSETS

I recommend that the Board review the policy as to which assets should be recorded as a capital asset. The *Government Officer's Finance Association* (GFOA) recommends that assets that have a useful life of at least one-year and a cost of $5,000 be included as a capital asset. I further would recommend that the Board make this threshold, at least, in the range $1,000 to $2,000. Adopting a capitalization policy with these minimums would exclude assets of minimal value and would make the record keeping less cumbersome and would create more useful capital asset information.

## ACCOUNTING SOFTWARE

Considering the size and accounting needs of the Township, the current accounting system adequately provides accounting information for financial statement preparation. However, though the basic structure is there, it does not fully utilize the Uniform Chart of Accounts, as prescribed by the State of Michigan. Various allocations of budget expenditures could more easily be performed using accounting software than by the current system.

I suggest that the Board consider pursuing purchasing fund accounting software to a level that will provide accounting and budgeting information, separately for each fund, that may be more useful to management and fully utilize the Uniform Chart of Accounts, as prescribed by the State of Michigan.

## CREDIT CARD POLICY

Though the Township uses and timely pays off the balance of the Township credit card, no policy exists that authorizes the Township to use a credit card, as required by state statute.

I recommend that the Township adopt a written policy and meet the requirements established by state statute.