TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

Michigan Dept. of Treasury, Local Audit & Finance Division
496 (3-98). Formerly L-3147

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type	Local Government Name	County
☐ City ☒ Township ☐ Village ☐ Other	Township of Manistique	Schoolcraft

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
March 31, 2006	June 21, 2006	July 14, 2006

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.

☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).

☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)			
Campbell, Kusterer & Co., P.C.			
Street Address	**City**	**State**	**Zip**
512 N. Lincoln, Suite 100, P.O. Box 686	Bay City	MI	48707
Accountant Signature			
Campbell, Kusterer & Co. PC.			

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 21, 2006

To the Township Board
Township of Manistique
Schoolcraft County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Manistique, Schoolcraft County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Manistique'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Manistique, Schoolcraft County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 April 1, 2005.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Manistique covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled $332,051.79 for governmental activities. Overall total capital assets remained the same.

Overall revenues were $173,411.31. Governmental activities had a $63,942.20 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund.

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

> Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services. The most significant is Fire Protection which incurred expenses of $20,154.77.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested $1,283.32 in capital assets this year.

The Township paid $30,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk, Joanne Fagan at (906)341-5223 or at 5683 W. River Road, Manistique, MI 49854.

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash in bank	313 008 35
Taxes receivable	4 918 88
Total Current Assets	317 927 23
NON-CURRENT ASSETS:	
Capital Assets	193 468 32
Less: Accumulated Depreciation	(82 410 00)
Total Non-current Assets	111 058 32
TOTAL ASSETS	428 985 55
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	
Accounts payable	77 76
Total Current Liabilities	77 76
NONCURRENT LIABILITIES:	
Contracts payable	96 856 00
Total Noncurrent Liabilities	96 856 00
Total Liabilities	96 933 76
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	14 202 32
Unrestricted	317 849 47
Total Net Assets	332 051 79
TOTAL LIABILITIES AND NET ASSETS	428 985 55

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

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

		Program Revenue	Governmental Activities
	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	9 967 98	-	(9 967 98)
General government	49 391 44	11 098 75	(38 292 69)
Public safety	26 692 77	-	(26 692 77)
Public works	17 448 46	-	(17 448 46)
Culture and recreation	1 777 46	-	(1 777 46)
Other	4 191 00	-	(4 191 00)
Total Governmental Activities	109 469 11	11 098 75	(98 370 36)
General Revenues:			
Property taxes			31 778 69
Swamp tax			38 834 29
State revenue sharing			74 052 71
Interest			7 405 64
Miscellaneous			10 241 23
Total General Revenues			215 273 63
Change in net assets			63 942 20
Net assets, beginning of year			268 109 59
Net Assets, End of Year			332 051 79

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

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

	Total (General)
Assets	
Cash in bank	312 496 48
Taxes receivable	4 918 88
Due from other funds	511 87
Total Assets	317 927 23
Liabilities and Fund Equity	
Liabilities	
Accounts payable	77 76
Total liabilities	77 76
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	317 849 47
Total fund equity	317 849 47
Total Liabilities and Fund Equity	317 927 23

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

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	317 849 47
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 governmental funds balance sheet:	
Capital assets at cost	193 468 32
Accumulated depreciation	(82 410 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Contracts payable	(96 856 00)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	332 051 79

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

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year ended March 31, 2006

	Total
Revenues:	
Property taxes	31 778 69
Swamp tax	38 834 29
State revenue sharing	74 052 71
Charges for services- PTAF	11 098 75
Interest	7 405 64
Miscellaneous	10 241 23
Total revenues	173 411 31
Expenditures:	
Legislative:	
Township Board	9 967 98
General government:	
Supervisor	7 504 75
Elections	1 095 00
Assessor	10 225 33
Clerk	7 723 06
Board of Review	1 404 32
Treasurer	13 413 18
Township Hall	3 889 80
Public safety:	
Fire protection	20 154 77
Liquor law enforcement	1 038 00
Public works:	
Highways and streets	2 597 36
Sanitation	14 851 10
Culture and recreation:	
Parks	1 777 46
Other functions:	
Insurance	4 191 00
Capital outlay	1 283 32
Debt service	30 000 00
Total expenditures	131 116 43
Excess of revenues over expenditures	42 294 88
Fund balances, April 1	275 554 59
Fund Balances, March 31	317 849 47

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

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	42 294 88
Amounts reported for governmental activities in the Statement of 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	(9 636 00)
Capital Outlay	1 283 32
Repayment of debt principal is an expenditure in the governmental funds, the Repayment does not have an effect in the statement of activities but does Reduce the debt balance in the statement of net assets.	
Principal payments on long-term debt	30 000 00
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	63 942 20

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

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Manistique, Schoolcraft County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Manistique. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (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, 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. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

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

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was .9744 mills, and the taxable value was $29,699,894.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than $850.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	20 years
Equipment	3-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

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.

Accounting Change

Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling $111,058.32.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

2. The proposed budgets include expenditures as well as the methods of financing them.

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.

4. The budgets are adopted at the activity level by a majority vote of the Township Board.

5. The budgets are adopted on the modified accrual basis of accounting.

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

7. The adopted budgets are used as a management control device during the year for all budgetary funds.

8. Budget appropriations lapse at the end of each fiscal year.

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the 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; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

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

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	Carrying Amounts
Total Deposits	313 008 35

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

Note 3 – Deposits and Investments (continued)

	Bank Balances
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	119 346 68
Total Deposits	319 346 68

The Township did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
Governmental Activities:				
Land	69 900 00	-	-	69 900 00
Building	1 885 00	-	-	1 885 00
Equipment	120 400 00	1 283 32	-	121 683 32
Total	192 185 00	1 283 32	-	193 468 32
Accumulated Depreciation	(72 774 00)	(9 636 00)	-	(82 410 00)
Net Capital Assets	119 411 00	(8 352 68)	-	111 058 32

Note 5 – Pension Plan

The Township has a defined contribution pension plan that covers all elected officials. The Township contributes a percentage of each covered employee's wages to the plan. The Township's total contribution to the plan for the fiscal year ended March 31, 2006 was $4,272.61.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Manistique does not issue building permits. Building permits are issued by the County of Schoolcraft.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	511 87	Current Tax Collection	511 87
Total	511 87	Total	511 87

Note 10– Long-Term Debt

A summary of the changes in long-term debt follows:

	Balance 4/1/05	Additions	Deductions	Balance 3/31/06
Contract Payable- Road Commission	126 856 00	-	30 000 00	96 856 00

Note 11– Contract Payable- Road Commission

The Township entered into a contract with the Schoolcraft County Road Commission for the purpose of road work. The Township is making annual principal payments and as of March 31, 2006, the outstanding principal balance of the contract was $96,856.00.

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	32 000 00	32 000 00	31 778 69	(221 31)
Swamp tax	38 385 00	38 385 00	38 834 29	449 29
State revenue sharing	67 495 00	67 495 00	74 052 71	6 557 71
Charges for services- PTAF	-	-	11 098 75	11 098 75
Interest	1 400 00	1 400 00	7 405 64	6 005 64
Miscellaneous	12 730 00	12 730 00	10 241 23	(2 488 77)
Total revenues	152 010 00	152 010 00	173 411 31	21 401 31
Expenditures:				
Legislative:				
Township Board	19 067 00	19 067 00	9 967 98	(9 099 02)
General government:				
Supervisor	7 276 00	8 176 00	7 504 75	(671 25)
Elections	2 250 00	2 250 00	1 095 00	(1 155 00)
Assessor	12 491 00	12 491 00	10 225 33	(2 265 67)
Clerk	8 371 00	8 371 00	7 723 06	(647 94)
Board of Review	800 00	2 000 00	1 404 32	(595 68)
Treasurer	13 871 00	13 571 00	13 413 18	(157 82)
Township Hall	7 225 00	7 225 00	3 889 80	(3 335 20)
Public safety:				
Fire protection	25 000 00	25 000 00	20 154 77	(4 845 23)
Liquor law enforcement	540 00	1 140 00	1 038 00	(102 00)
Public works:				
Highways and streets	69 147 66	65 447 66	2 597 36	(62 850 30)
Sanitation	15 000 00	15 000 00	14 851 10	(148 90)
Culture and recreation:				
Parks	18 000 00	18 000 00	1 777 46	(16 222 54)
Other functions:				
Insurance	6 500 00	6 500 00	4 191 00	(2 309 00)
Capital outlay	-	1 300 00	1 283 32	(16 68)
Debt service	30 000 00	30 000 00	30 000 00	-
Total expenditures	235 538 66	235 538 66	131 116 43	(104 422 23)
Excess (deficiency) of revenues over expenditures	(83 528 66)	(83 528 66)	42 294 88	125 823 54
Fund balance, April 1	83 528 66	83 528 66	275 554 59	192 025 93
Fund Balance, March 31	-	-	317 849 47	317 849 47

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Township Board:	
Salaries	3 199 44
Payroll taxes	155 52
Miscellaneous	316 74
Retirement	4 272 61
Dues	2 023 67
	9 967 98
Supervisor:	
Salary	7 025 16
Expenses	479 59
	7 504 75
Elections:	
Wages	1 044 00
Supplies	51 00
	1 095 00
Assessor:	
Salary	9 390 12
Expenses	835 21
	10 225 33
Clerk:	
Salary	7 370 28
Expenses	352 78
	7 723 06
Board of Review:	
Salaries	1 198 00
Supplies	206 32
	1 404 32
Treasurer:	
Salary	7 370 28
Expenses	6 042 90
	13 413 18
Township hall:	
Telephone	570 12
Utilities	1 167 82
Maintenance and repairs	1 833 51
Supplies	318 35
	3 889 80
Fire protection:	
Contracted services	16 500 00
Repairs and maintenance	3 504 77
Miscellaneous	150 00
	20 154 77
Liquor law enforcement:	
Wages	1 038 00
Highways and streets:	
Construction	578 45
Street lighting	2 018 91
	2 597 36
Sanitation:	
Contracted services	14 851 10

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Parks:	
Repairs and maintenance	1 777 46
Insurance	4 191 00
Capital outlay	1 283 32
Debt service	30 000 00
Total Expenditures	131 116 43

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2006

	Balance 4/1/05	Additions	Deductions	Balance 3/31/06
Assets				
Cash in Bank	6 999 32	765 086 53	771 573 98	511 87
Liabilities				
Due to other funds	35 16	47 721 87	47 245 16	511 87
Due to others	6 964 16	717 364 66	724 328 82	-
Total Liabilities	6 999 32	765 086 53	771 573 98	511 87

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 21, 2006

To the Township Board
Township of Manistique
Schoolcraft County, Michigan

We have audited the financial statements of the Township of Manistique for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Manistique in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Manistique
Schoolcraft County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2006. The implementation of this pronouncement for the Township of Manistique began with the year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

To the Township Board
Township of Manistique
Schoolcraft County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants