

### 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 Township of Manlius	County Allegan
Fiscal Year End 3/31/07	Opinion Date July 26, 2007	Date Audit Report Submitted to State September 11, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

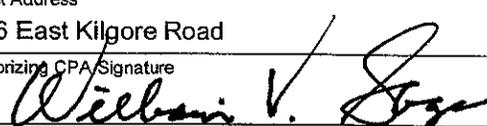
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**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 type="checkbox"/>	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Report
Certified Public Accountant (Firm Name) Siegfried Crandall P.C.	Telephone Number (269) 381-4970	
Street Address 246 East Kilgore Road	City Kalamazoo	State MI
Authorizing CPA Signature 	Printed Name William V. Sage	Zip 49002
		License Number 1101008186

*Township of Manlius*  
*Allegan County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2007*

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## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Manlius, Michigan**

**We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Manlius, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Manlius, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.**

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

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Manlius, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.**

**The budgetary comparison information, on pages 17 through 21 and the analysis of funding progress on page 22, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.**

**Board of Trustees  
Township of Manlius, Michigan  
Page 2**

**The Township of Manlius, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.**

*Sigfried Crandall P.C.*

**July 26, 2007**

## **BASIC FINANCIAL STATEMENTS**

**Township of Manlius**  
**STATEMENT OF NET ASSETS**  
 March 31, 2007

	<u>Governmental activities</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 967,133
Receivables	<u>78,933</u>
Total current assets	<u>1,046,066</u>
Noncurrent assets:	
Capital assets not being depreciated	105,383
Capital assets, net of accumulated depreciation	<u>1,064,629</u>
Total noncurrent assets	<u>1,170,012</u>
Total assets	<u>2,216,078</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	<u>18,382</u>
<b>NET ASSETS</b>	
Invested in capital assets	1,170,012
Restricted for public safety	197,421
Unrestricted	<u>830,263</u>
Total net assets	<u>\$ 2,197,696</u>

See notes to financial statements

**Township of Manlius**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2007

	<u>Program revenues</u>			<b>Net (expenses) revenues and changes in net assets</b>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	
<b>Functions/Programs</b>				
Governmental activities:				
Legislative	\$ 6,700	\$ -	\$ -	\$ (6,700)
General government	175,626	5,754	-	(158,325)
Public safety	151,701	28,520	-	(123,181)
Public works	102,135	5,034	-	(97,101)
Health and welfare	8,916	-	-	(8,916)
Community and economic development	19,975	2,300	-	(17,675)
Total governmental activities	<u>\$ 465,053</u>	<u>\$ 41,608</u>	<u>\$ -</u>	<u>(411,898)</u>
General revenues:				
Taxes				549,131
State grants				184,203
Franchise fees				2,217
Investment income				49,729
Other				<u>676</u>
Total general revenues				<u>785,956</u>
Change in net assets				374,058
Net assets - beginning				<u>1,823,638</u>
Net assets - ending				<u>\$ 2,197,696</u>

See notes to financial statements

**Township of Manlius**  
**BALANCE SHEET - governmental funds**  
 March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Road Improvement</u>	<u>Road Resurfacing</u>	<u>Total governmental funds</u>
<b>ASSETS</b>					
Cash	\$ 769,712	\$ 197,421	\$ -	\$ -	\$ 967,133
Receivables	<u>78,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,933</u>
Total assets	<u>\$ 848,645</u>	<u>\$ 197,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,046,066</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables	\$ 18,382	\$ -	\$ -	\$ -	\$ 18,382
Fund balances	<u>830,263</u>	<u>197,421</u>	<u>-</u>	<u>-</u>	<u>1,027,684</u>
Total liabilities and fund balances	<u>\$ 848,645</u>	<u>\$ 197,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,046,066</u>

Total fund balances - total governmental funds \$ 1,027,684

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

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

1,170,012

Net assets of *governmental activities* (page 5)

\$ 2,197,696

**Township of Manlius**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

Year ended March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Road Improvement</u>	<u>Road Resurfacing</u>	<u>Total governmental funds</u>
<b>REVENUES</b>					
Taxes	\$ 107,263	\$ 152,948	\$ 157,833	\$ 131,087	\$ 549,131
Licenses and permits	30,737	-	-	-	30,737
State grants	184,203	-	-	-	184,203
Charges for services	8,009	-	-	-	8,009
Interest and rentals	49,729	-	-	-	49,729
Other	5,755	-	-	-	5,755
	<u>385,696</u>	<u>152,948</u>	<u>157,833</u>	<u>131,087</u>	<u>827,564</u>
Total revenues					
<b>EXPENDITURES</b>					
Legislative	6,700	-	-	-	6,700
General government	166,504	-	-	-	166,504
Public safety	28,442	123,259	-	-	151,701
Public works	337,769	-	-	-	337,769
Health and welfare	8,916	-	-	-	8,916
Community and economic development	19,975	-	-	-	19,975
Capital outlay	9,253	-	-	-	9,253
	<u>577,559</u>	<u>123,259</u>	<u>-</u>	<u>-</u>	<u>700,818</u>
Total expenditures					
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	<u>(191,863)</u>	<u>29,689</u>	<u>157,833</u>	<u>131,087</u>	<u>126,746</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	288,920	-	-	-	288,920
Transfers out	-	-	(157,833)	(131,087)	(288,920)
	<u>288,920</u>	<u>-</u>	<u>(157,833)</u>	<u>(131,087)</u>	<u>-</u>
Total other sources (uses)					
<b>NET CHANGES IN FUND BALANCES</b>					
	97,057	29,689	-	-	126,746
<b>FUND BALANCES - BEGINNING</b>	<u>733,206</u>	<u>167,732</u>	<u>-</u>	<u>-</u>	<u>900,938</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 830,263</u>	<u>\$ 197,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,027,684</u>

See notes to financial statements

*Township of Manlius*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - *governmental funds* (Continued)**

*Year ended March 31, 2007*

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	<b><i>Total governmental funds</i></b>
Net change in fund balances - total governmental funds (page 8)	\$ 126,746
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities (page 6), the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays net of dispositions (\$300,296) exceeded depreciation (\$52,984) in the current period.	<u>247,312</u>
Change in net assets of <i>governmental activities</i> (page 6)	<u>\$ 374,058</u>

*See notes to financial statements*

**Township of Manlius**  
**NOTES TO FINANCIAL STATEMENTS**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Manlius, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) *Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) *Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

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 and other items not properly included among program revenues are reported instead as general revenues.

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

c) *Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are 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 for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest 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. All other revenue items are considered to be measurable only when cash is received by the government.

**Township of Manlius**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation (continued):*

The 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 Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township's fire protection functions. Revenues are primarily derived from property taxes.

The Road Improvement Fund accounts for the financial resources used for road maintenance projects in the Township. Revenues are primarily derived from property taxes.

The Road Resurfacing Fund accounts for the financial resources used for road resurfacing projects in the Township. Revenues are primarily derived from property taxes.

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 (GASB).

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets (other than infrastructure) are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2005.

**Township of Manlius**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

iii) *Capital assets* (continued) - Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	10 years
Roads	20 years

iv) *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.

v) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no significant budget variations except as follows:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Health and welfare	\$ 6,000	\$ 8,916	\$ 2,916

NOTE 3 - CASH:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$689,257 of the Township's bank balances of \$989,257 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Township of Manlius**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 3 - CASH (Continued):

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major funds, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Inter-governmental</u>	<u>Accrued interest</u>	<u>Total</u>
General	\$ 1,287	\$ 37,565	\$ 29,419	\$ 10,662	\$ 78,933

All receivables are considered fully collectible, and are due within one year.

NOTE 5 - PAYABLES:

Payables as of year end for the Township's individual major funds, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Other</u>	<u>Total</u>
General	\$ 7,448	\$ 3,948	\$ 6,986	\$ 18,382

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

A summary of interfund transfers for the year ended March 31, 2006, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfers out</u>
General	\$ 288,920	Road Improvement	\$ 157,833
		Road Resurfacing	131,087
			<u>\$ 288,920</u>

The Township annually transfers to its General Fund an amount from each of the above special revenue funds in an amount up to the special levy for road improvement and resurfacing purposes. During the current fiscal year, the Township incurred \$328,356 in the General Fund for highways and streets.

**Township of Manlius**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 7 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 105,383	\$ -	\$ -	\$ 105,383
Capital assets being depreciated:				
Buildings	90,418	3,613	-	94,031
Equipment	41,589	15,362	-	56,951
Infrastructure	771,190	281,321	-	1,052,511
Subtotal	<u>903,197</u>	<u>300,296</u>	<u>-</u>	<u>1,203,493</u>
Less accumulated depreciation for:				
Buildings	26,097	2,550	-	28,647
Equipment and vehicles	21,028	4,747	-	25,775
Infrastructure	38,755	45,687	-	84,442
Subtotal	<u>85,880</u>	<u>52,984</u>	<u>-</u>	<u>138,864</u>
Total capital assets being depreciated, net	<u>817,317</u>	<u>247,312</u>	<u>-</u>	<u>1,064,629</u>
Governmental activities capital assets, net	<u>\$ 922,700</u>	<u>\$ 247,312</u>	<u>\$ -</u>	<u>\$ 1,170,012</u>

Depreciation expense was charged to functions of the Township as follows:

General government	\$ 7,297
Public works	<u>45,687</u>
Total governmental activities	<u>\$ 52,984</u>

NOTE 8 - JOINT VENTURES:

The Township provides fire protection services through contractual arrangements as follows:

*Hamilton Area Fire Board:*

The Township is a member of the Hamilton Area Fire Board (the Authority), which is a joint venture of the Townships of Manlius, Heath, and Fillmore. The Administrative Board of the Authority consists of members appointed by each participating unit and three non-voting members from the Hamilton Fire Department. The Authority was formed to jointly provide fire protection services within the combined service area, which encompasses the participating municipalities. During the year ended March 31, 2007, the Township contributed \$74,277 as its proportionate share of the Authority's budgeted costs. Complete audited financial statements for the Authority can be obtained from the Clerk of the Township of Heath.

**Township of Manlius**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 8 - JOINT VENTURES (Continued):

*Fennville Area Fire Board:*

The Township is a member of the Fennville Area Fire Board (the Authority), which is a joint venture of the Townships of Manlius and Clyde, and the City of Fennville. The Administrative Board of the Authority consists of members appointed by each participating unit. The Authority was formed to jointly provide fire protection services within the combined service area, which encompasses the participating municipalities. During the year ended March 31, 2007, the Township contributed \$48,532 as its proportionate share of the Authority's budgeted costs. Complete audited financial statements for the Authority can be obtained from the Treasurer of the Fennville Fire Department.

NOTE 9 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2007 is as follows:

Revenues	\$ 28,520
Expenses	<u>(37,523)</u>
Deficiency of revenues over expenses	<u>\$ (9,003)</u>

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - DEFINED BENEFIT PENSION PLAN:

The Township's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Township's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the Township. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

*Funding policy:*

MERS members may contribute from 0% to 10% of annual compensation. The Township is required to contribute at an actuarially determined rate; the current rate is 7.8% to 16.8% of annual covered payroll depending on the member contributions. The contribution requirements of plan members and the commission are established, and may be amended, by MERS.

**Township of Manlius**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued):

*Annual pension cost:*

For the year ended March 31, 2007, the Township contributions were \$11,107, which were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined using the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used included (a) 8.0% long-term net investment rate of return and (b) projected salary increases of 4.5% per year. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

*Trend information:*

<i>Fiscal year ended March 31,</i>	<i>Annual pension cost (APC)</i>	<i>Percentage of APC contributed</i>	<i>Net pension obligation</i>
2005	10,084	100%	-
2006	12,026	100%	-
2007	11,107	100%	-

**REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Manlius****BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 91,000	\$ 91,000	\$ 107,263	\$ 16,263
Licenses and permits	23,456	23,456	30,737	7,281
State grants	180,000	180,000	184,203	4,203
Charges for services	9,200	9,200	8,009	(1,191)
Interest and rentals	12,000	12,000	49,729	37,729
Other	5,070	5,070	5,755	685
Total revenues	<u>320,726</u>	<u>320,726</u>	<u>385,696</u>	<u>64,970</u>
<b>EXPENDITURES</b>				
Legislative	<u>8,000</u>	<u>8,000</u>	<u>6,700</u>	<u>1,300</u>
General government:				
Supervisor	19,175	19,175	18,049	1,126
Election	5,400	5,400	5,920	(520)
Assessor	22,900	22,900	22,386	514
Clerk	19,700	19,700	19,731	(31)
Board of review	3,000	3,000	3,145	(145)
Treasurer	24,750	24,750	22,667	2,083
Hall and grounds	32,900	32,900	26,838	6,062
Cemetery	10,600	10,600	4,096	6,504
Other	<u>73,900</u>	<u>73,900</u>	<u>43,672</u>	<u>30,228</u>
Total general government	<u>212,325</u>	<u>212,325</u>	<u>166,504</u>	<u>45,821</u>
Public safety - building inspection	<u>40,000</u>	<u>40,000</u>	<u>28,442</u>	<u>11,558</u>
Public works:				
Highways and streets	300,000	340,000	328,356	11,644
Street lights	8,000	8,000	7,167	833
Sanitation	2,000	2,000	2,246	(246)
Drains	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total public works	<u>311,000</u>	<u>351,000</u>	<u>337,769</u>	<u>13,231</u>

**Township of Manlius**

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Health and welfare - ambulance	\$ 6,000	\$ 6,000	\$ 8,916	\$ (2,916)
Community and economic development - planning and zoning	45,800	45,800	19,975	25,825
Capital outlay	10,000	10,000	9,253	747
Total expenditures	<u>633,125</u>	<u>673,125</u>	<u>577,559</u>	<u>95,566</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(312,399)</u>	<u>(352,399)</u>	<u>(191,863)</u>	<u>160,536</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer in:				
Road Improvement Fund	141,000	163,000	157,833	(5,167)
Road Resurfacing Fund	<u>119,000</u>	<u>137,000</u>	<u>131,087</u>	<u>(5,913)</u>
Total other financing sources	<u>260,000</u>	<u>300,000</u>	<u>288,920</u>	<u>(11,080)</u>
<b>NET CHANGES IN FUND BALANCES</b>	(52,399)	(52,399)	97,057	149,456
<b>FUND BALANCES - BEGINNING</b>	<u>733,206</u>	<u>733,206</u>	<u>733,206</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 680,807</u>	<u>\$ 680,807</u>	<u>\$ 830,263</u>	<u>\$ 149,456</u>

**Township of Manlius**  
**BUDGETARY COMPARISON SCHEDULE - Fire Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 141,000	\$ 141,000	\$ 152,948	\$ 11,948
<b>EXPENDITURES</b>				
Public safety:				
Fire Board salary	1,000	1,000	450	550
Contracted services	135,000	135,000	122,809	12,191
Total expenditures	136,000	136,000	123,259	12,741
<b>NET CHANGES IN FUND BALANCES</b>	5,000	5,000	29,689	24,689
<b>FUND BALANCES - BEGINNING</b>	167,732	167,732	167,732	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 172,732</u>	<u>\$ 172,732</u>	<u>\$ 197,421</u>	<u>\$ 24,689</u>

**Township of Manlius**

**BUDGETARY COMPARISON SCHEDULE - Road Improvement Fund**

Year ended March 31, 2007

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 141,000	\$ 163,000	\$ 157,833	\$ (5,167)
<b>OTHER FINANCING USES</b>				
Transfer out - General Fund	<u>(141,000)</u>	<u>(163,000)</u>	<u>(157,833)</u>	<u>5,167</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCES - BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Township of Manlius**

**BUDGETARY COMPARISON SCHEDULE - Road Resurfacing Fund**

Year ended March 31, 2007

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 119,000	\$ 137,000	\$ 131,087	\$ (5,913)
<b>OTHER FINANCING USES</b>				
Transfer out - General Fund	<u>(119,000)</u>	<u>(137,000)</u>	<u>(131,087)</u>	<u>5,913</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCES - BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Township of Manlius**  
**ANALYSIS OF FUNDING PROGRESS - Employee Retirement System**  
**(Municipal Employees' Retirement System of Michigan)**

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The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the dates indicated.

<i>Actuarial valuation date December 31,</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (AAL) entry age (b)</i>	<i>Underfunded (overfunded) AAL (UAAL) (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
2000	\$ 7,024	\$ 109,599	\$ 102,575	6%	\$ 68,438	150%
2001	21,982	130,288	108,306	17%	72,997	148%
2002	40,335	147,415	107,080	27%	75,095	143%
2003	63,552	181,722	118,170	35%	82,464	143%
2004	85,689	197,785	112,096	43%	84,346	133%
2005	111,168	247,175	136,007	45%	97,630	139%
2006	139,556	275,265	135,709	51%	100,101	136%

**Members of the Township Board  
Township of Manlius, Michigan**

In planning and performing our audit of the financial statements of the Township of Manlius as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Manlius's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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 a deficiency in internal control that we consider to be a material weakness.

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

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

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Manlius and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

July 26, 2007