

**TOWNSHIP OF MONTEREY**  
**ALLEGAN COUNTY, MICHIGAN**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2007**

### 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 Monterey Township	County Allegan County
Fiscal Year End March 31, 2007	Opinion Date July 2, 2007	Date Audit Report Submitted to State July 19, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

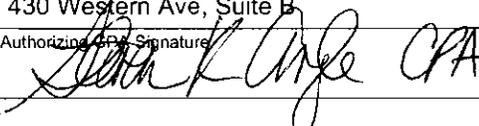
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Angle & Steffes, P.C.		Telephone Number 269-686-9050		
Street Address 430 Western Ave, Suite B		City Allegan	State MI	Zip 49010
Authorizing CPA Signature 		Printed Name Steven K. Angle, CPA		License Number 14653

# TOWNSHIP OF MONTEREY

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
BASIC FINANCIAL STATEMENTS	
Government Wide Statement of Net Assets	3
Government Wide Statement of Activities	4
Governmental Fund Balance Sheet	5
Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balance	6
Fiduciary Funds - Statement of Net Assets	7
Notes to the Financial Statements	8 - 16
SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule - General Fund	17
Budgetary Comparison Schedule - Major Road Fund	18
ADDITIONAL INFORMATION	
Combining Balance Sheet - Non-Major Governmental Funds	19
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds	20

## INDEPENDENT AUDITOR'S REPORT

July 2, 2007

To the Township Board  
Township of Monterey  
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Monterey, Allegan County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Monterey Township, Allegan County, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

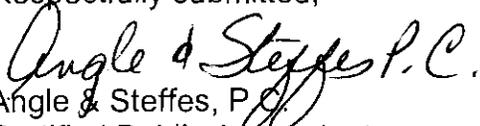
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining,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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Monterey as of March 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 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, 2003.

The Management's Discussion and Analysis and budgetary comparison information on pages 2 and 17 through 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

  
Angle & Steffes, P.C.  
Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### The Township As A Whole

Monterey Township's financial position has remained steady over the 2006-2007 year. Property tax revenue has continued to increase slightly which offsets the long term decline in state shared revenue.

The Cemetery Trust Fund balance remains stable as only the interest can be used for grave care.

The Building Permit Fund has no balance as all income goes immediately to pay expenditures for this function. There has been a thirty percent decline in building permit activity over the past two years.

The Road Fund balance is roughly one years extra voted millage for roads. This fund saw activity as a major project was undertaken with the total rebuilding of one and one-tenth miles of 132nd Avenue as well as the paving of three-fourths of a mile of 32nd Street. This was accomplished with the use of the 2006-2007 budget money as well as a contribution from the General Fund. Some routine maintenance such as extra gravel on selected sites and a second mowing of the roadsides was accomplished.

The General Fund balance is made up of one years operating millage taxes plus state revenue sharing dollars. The General Fund paid the normal township operating expenses as well as contributing to the Road Fund. There were no unusual expenses during 2006-2007.

The 2007-2008 budget is comparable with that of 2006-2007. The primary activity will be in the Road Fund with the paving of the rebuilt section of 132nd Avenue, along with the complete rebuilding of one mile of 34th Street and assisting the County in rebuilding and paving one and one-half miles of 36th Street.

### Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions or need additional information, we welcome you to contact the supervisor's office.

**TOWNSHIP OF MONTEREY  
GOVERNMENT WIDE STATEMENT OF NET ASSETS  
MARCH 31, 2007**

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Cash and cash equivalents	\$ 362,543	\$ 362,543
Investments	0	0
Receivables - net	361,912	361,912
Prepays	3,073	3,073
Capital assets - net	19,225	19,225
	746,753	746,753
<b>LIABILITIES</b>		
Accounts payable	0	0
Accrued and other liabilities	303,449	303,449
Noncurrent Liabilities		
Due within one year	0	0
Due in more than one year	0	0
	303,449	303,449
<b>NET ASSETS</b>		
Invested in Capital Assets		
Net of related debt	19,225	19,225
Restricted For		
Streets and highways	325,956	325,956
Cemetery care	2,236	2,236
Unrestricted	95,887	95,887
	\$ 443,304	\$ 443,304
Total Net Assets	\$ 443,304	\$ 443,304

**TOWNSHIP OF MONTEREY  
GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2007**

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
<b>Primary Government</b>						
General government	\$ 92,315	\$ 6,946	\$ 0	\$ 0	\$ (85,369)	\$ (85,369)
Public safety	60,725	18,725	0	0	(42,000)	(42,000)
Public works	425,307	0	0	0	(425,307)	(425,307)
Health and welfare	6,000	0	0	0	(6,000)	(6,000)
Community/Economic development	5,499	0	0	0	(5,499)	(5,499)
Recreation and culture	3,000	0	0	0	(3,000)	(3,000)
<b>Total Governmental Activities</b>	<b>592,846</b>	<b>25,671</b>	<b>0</b>	<b>0</b>	<b>(567,175)</b>	<b>(567,175)</b>
<b>Total Primary Government</b>	<b>\$ 592,846</b>	<b>\$ 25,671</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>(567,175)</b>	<b>(567,175)</b>
<b>General Revenues</b>						
Property taxes					407,333	407,333
State-shared revenues					150,746	150,746
Unrestricted investment earnings					3,740	3,740
Rental income					840	840
Miscellaneous					4,309	4,309
Transfers					0	0
<b>Total General Revenues-Special Items and Transfers</b>					<b>566,968</b>	<b>566,968</b>
<b>Change in Net Assets</b>					<b>(207)</b>	<b>(207)</b>
<b>Net Assets-Beginning</b>					<b>443,511</b>	<b>443,511</b>
<b>Net Assets-Ending</b>					<b>\$ 443,304</b>	<b>\$ 443,304</b>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MONTEREY  
GOVERNMENTAL FUND BALANCE SHEET  
March 31, 2007**

	General Fund	Road Fund	Non-Major Governmental Fund	Total Governmental Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 360,307	\$ 0	\$ 2,236	\$ 362,543
Investments	0	0	0	0
Receivables - net	34,665	22,609	0	57,274
Due from other funds	1,291	303,347	0	304,638
Prepays	3,073	0	0	3,073
Total Assets	<u>399,336</u>	<u>325,956</u>	<u>2,236</u>	<u>727,528</u>
<b>LIABILITIES</b>				
Accounts payable	0	0	0	0
Due to other funds	303,347	0	0	303,347
Due to other governmental units	102	0	0	102
Total Liabilities	<u>303,449</u>	<u>0</u>	<u>0</u>	<u>303,449</u>
<b>FUND BALANCES</b>				
Reserved for				
Road projects	0	325,956	0	325,956
Cemetery care	0	0	2,236	2,236
Unreserved	95,887	0	0	95,887
Total Fund Balances	<u>\$ 95,887</u>	<u>\$ 325,956</u>	<u>\$ 2,236</u>	<u>\$ 424,079</u>

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 are not reported in the funds.	19,225
---	--------

Net Assets of Governmental Activities	<u>\$ 443,304</u>
---------------------------------------	-------------------

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MONTEREY**  
**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**March 31, 2007**

	General Fund	Road Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes and penalties	\$ 85,052	\$ 322,281	\$ 0	\$ 407,333
Licenses and permits	0	0	18,725	18,725
State aid	147,092	3,654	0	150,746
Charges for services	6,946	0	0	6,946
Interest and rentals	4,507	0	73	4,580
Other revenue	4,309	0	0	4,309
<b>Total Revenues</b>	<b>247,906</b>	<b>325,935</b>	<b>18,798</b>	<b>592,639</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	88,098	0	73	88,171
Public safety	42,000	0	18,725	60,725
Public works	3,803	421,504	0	425,307
Health and welfare	6,000	0	0	6,000
Recreation and cultural	3,000	0	0	3,000
Community/Economic development	5,499	0	0	5,499
Capital outlay	1,000	0	0	1,000
<b>Total Expenditures</b>	<b>149,400</b>	<b>421,504</b>	<b>18,798</b>	<b>589,702</b>
<b>Excess of Revenues Over (Under)</b>	<b>98,506</b>	<b>(95,569)</b>	<b>0</b>	<b>2,937</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	0	120,362	0	120,362
Transfers (out)	(120,362)	0	0	(120,362)
<b>Total Other Financing Sources (Uses)</b>	<b>(120,362)</b>	<b>120,362</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenue and Other Sources Over (Under)</b>	<b>(21,856)</b>	<b>24,793</b>	<b>0</b>	<b>2,937</b>
Fund Balance-April 1, 2006	117,743	301,163	2,236	421,142
Fund Balance-March 31, 2007	<u>\$ 95,887</u>	<u>\$ 325,956</u>	<u>\$ 2,236</u>	<u>\$ 424,079</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MONTEREY**  
**FIDUCIARY FUNDS-STATEMENT OF NET ASSETS**  
**MARCH 31, 2007**

	<u>Agency Fund (Property Tax Collection Fund)</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,291
Total Assets	<u>\$ 1,291</u>
<b>LIABILITIES</b>	
Due to individuals	\$ 0
Due to other funds	<u>1,291</u>
Total Liabilities	<u>\$ 1,291</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Monterey, Allegan County, Michigan is a general law Township. The Township operates under an elected Board/Supervisor form of government and provides the following services as authorized by its charter: public safety, highways and street, public improvements, cultural recreation, planning and zoning, and administrative services.

The accounting policies of the Township of Monterey conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**A. The Reporting Entity**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

**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 primary government and its component units. 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. 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 the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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.

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007**

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

**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 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 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.

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, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

The Road Fund is a Special Revenue Fund of the Township. The Road Fund is used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

Additionally, the government reports the following non-major fund types:

The Building Inspection Fund is a Special Revenue Fund of the Township. The Building Inspection Fund is used to account for all resources of the Township's permits and licenses. The Permanent Cemetery Fund is accountable for care of specific family gravesites. This permanent fund allows interest earnings only to be used in the care of specific sites. The principal cash balance is restricted from other uses. Interest earnings are deposited into the General Fund and these same dollars are used for care of the specific sites.

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007**

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

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**  
(continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Township of Monterey does not have enterprise funds.

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Finally, the government reports the following fund types:

The Tax Collection Fund is a Fiduciary Fund accountable for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds.

**D. Assets, Liabilities, and Net Assets or Equity**

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

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied each July for State Education Tax, and on each December 1 on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent in the following September and March of the following respective period, at which time penalties and interest are assessed.

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007**

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

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government 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.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Fire Equipment	07 to 25 years
Vehicles	03 to 05 years
Office Equipment	05 to 07 years
Computer Equipment	03 to 07 years

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

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.

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Government-wide financial statements differ from the Governmental fund financial statements only for the effect of the inclusion of capital assets.

Capitalized Asset Costs	\$ 48,913
Less Accumulated Depreciation	<u>(29,688)</u>
Capital Assets, net	19,225
Governmental Fund Balances	<u>424,079</u>
Net Assets of Governmental Activities	<u>\$ 443,304</u>

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information-The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Township Board approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Township Board, therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, Roads etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds-During the year, the Local Governmental Unit did not incur expenditures in budgeted funds which were in excess of the amounts appropriated.

Fund Deficits-The Local Governmental Unit has no accumulated fund balance deficits at this time.

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in 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 obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated 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 as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

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

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 362,543	\$ 0	\$ 362,543

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 362,543
Investments in Securities, Mutual Funds and Similar Vehicles	-
Petty Cash and Cash on Hand	-
<b>Total</b>	<u><b>\$ 362,543</b></u>

The bank balance of the primary government's deposits is \$362,543, of which \$102,236 is covered by federal depository insurance.

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007**

**NOTE 5 - RECEIVABLES**

Receivables as of year-end for the government's individual major, nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are reported in the Government Wide Statement of Net Assets as follows:

	Major Funds		Non-Major and Other Funds	Total
	General Fund	Road Special Millage		
Taxes receivable	\$ 9,412	\$ 22,609	\$ 0	\$ 32,021
State share revenues receivable	23,422	0	0	23,422
State refund receivable	1,831	0	0	1,831
Due from other funds	1,291	303,347	0	304,638
Less: allowance for uncollectibles	0	0	0	0
<b>Net Receivables</b>	<b><u>\$ 35,956</u></b>	<b><u>\$ 325,956</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 361,912</u></b>

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 0	0	0	\$ 0
Construction in Progress	0	0	0	0
Subtotal	0	0	0	0
Capital Assets Being Depreciated				
Buildings & improvements other than building	32,083	0	0	32,083
Machinery and equipment	15,830	1,000	0	16,830
Infrastructure	0	0	0	0
Subtotal	47,913	1,000	0	48,913
Less Accumulated Depreciation for				
Buildings & improvements other than building	14,928	2,652	0	17,580
Machinery and equipment	10,616	1,492	0	12,108
Infrastructure	0	0	0	0
Subtotal	25,544	4,144	0	29,688
Net Capital Assets Being Depreciated	22,369	(3,144)	0	19,225
Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$ 22,369</u>	<u>\$ (3,144)</u>	<u>\$ 0</u>	<u>\$ 19,225</u>

The Township assets have been evaluated according to GASB 34 guidelines. The Township owns cemetery property and an old township hall where historical cost values are unknown. These assets are fully depreciated, as applicable, with unknown salvage values. The most recent asset acquisitions are recorded and depreciated.

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

<b>Governmental Activities</b>		
General government	\$ 4,144	
Public safety	0	
Public works	0	
Economic development	0	
Recreation and culture	0	
Total Governmental Activities	<u>\$ 4,144</u>	15

**TOWNSHIP OF MONTEREY  
ALLEGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007**

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS**

The composition of interfund balances is as follows:

<b>Due To/From Other Funds</b>			
<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General	\$ 1,291	Tax Collection	\$ 1,291
Road Special Millage	<u>303,347</u>	General	<u>303,347</u>
Total	<u>\$ 304,638</u>		<u>\$ 304,638</u>

<b>Interfund Transfers</b>	<u>Transfers (Out)</u>		
<u>Transfers In</u>	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Road Special Millage Fund	\$ 120,362	\$ 0	\$ 120,362
Non-Major Governmental Fund	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 120,362</u>	<u>\$ 0</u>	<u>\$ 120,362</u>

**REQUIRED SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF MONTEREY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED MARCH 31, 2007**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ 106,000	\$ 117,200	\$ 117,743	\$ 543
Resources (Inflows)				
Property taxes	72,000	75,000	85,052	10,052
State aid	150,500	150,500	147,092	(3,408)
Licenses and permits	0	0	0	0
Charges for services	7,100	7,100	6,946	(154)
Interest and rentals	3,000	3,000	4,507	1,507
Miscellaneous revenues	4,100	6,600	4,309	(2,291)
Transfers from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Amounts Available for Appropriation	342,700	359,400	365,649	6,249
Charges to Appropriations (Outflows)				
General Government				
Township board	19,800	17,500	15,942	1,558
Supervisor	8,000	8,000	8,000	0
Finance	2,400	2,400	2,000	400
Treasurer	12,700	12,700	11,939	761
Assessing	13,500	13,500	12,213	1,287
Elections	5,800	5,900	2,911	2,989
Clerk	11,700	11,700	10,448	1,252
Board of review	1,000	1,000	735	265
Other General Government				
Building and grounds	4,400	4,500	3,905	595
Attorney	3,000	3,000	2,874	126
Cemetery	23,200	18,400	17,131	1,269
Public Safety				
Fire	43,000	43,000	42,000	1,000
Public Works				
Transfer station	5,000	7,400	3,803	3,597
Recreation and culture	3,000	3,000	3,000	0
Health and welfare	6,000	6,000	6,000	0
Community/Economic development	10,200	11,000	5,499	5,501
Capital outlay	2,000	1,000	1,000	0
Transfers to other funds	<u>96,000</u>	<u>117,400</u>	<u>120,362</u>	<u>(2,962)</u>
Total Charges to Appropriations	<u>270,700</u>	<u>287,400</u>	<u>269,762</u>	<u>17,638</u>
Budgetary Fund Balance-March 31	<u>\$ 72,000</u>	<u>\$ 72,000</u>	<u>\$ 95,887</u>	<u>\$ 23,887</u>

**TOWNSHIP OF MONTEREY  
BUDGETARY COMPARISON SCHEDULE  
MAJOR ROAD FUND  
YEAR ENDED MARCH 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 298,000	\$ 301,200	\$ 301,163	\$ (37)
Resources (Inflows)				
Property taxes	310,000	310,000	322,281	\$ 12,281
State aid	3,000	3,000	3,654	\$ 654
Transfers In	96,000	117,400	120,362	\$ 2,962
Amounts Available for Appropriation	<u>707,000</u>	<u>731,600</u>	<u>747,460</u>	<u>15,860</u>
Charges to Appropriation (Outflows)				
Public Works				
Roads	<u>397,000</u>	<u>421,600</u>	<u>421,504</u>	<u>96</u>
Total Charges to Appropriations	<u>397,000</u>	<u>421,600</u>	<u>421,504</u>	<u>96</u>
Budgetary Fund Balance-March 31	<u>\$ 310,000</u>	<u>\$ 310,000</u>	<u>\$ 325,956</u>	<u>\$ 15,956</u>

## ADDITIONAL INFORMATION

**TOWNSHIP OF MONTEREY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2007**

	Building Inspection	Permanent Cemetery Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 0	\$ 2,236	\$ 2,236
Investments	0	0	0
Receivables - net	0	0	0
Due from other funds	0	0	0
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 0</b>	<b>\$ 2,236</b>	<b>\$ 2,236</b>
<b>Liabilities and Fund Equity</b>			
<b>Liabilities</b>			
Accounts payable	\$ 0	\$ 0	\$ 0
Due to other funds	0	0	0
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balance</b>			
Reserved	0	2,236	2,236
Unreserved	0	0	0
	<hr/>	<hr/>	<hr/>
<b>Total Fund Equity</b>	<b>0</b>	<b>2,236</b>	<b>2,236</b>
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 0</b>	<b>\$ 2,236</b>	<b>\$ 2,236</b>

The Notes to the Financial Statements are an integral part of this statement.

**TOWNSHIP OF MONTEREY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2007**

	Building Inspection	Permanent Cemetery Fund	Total Non-Major Governmental Funds
Revenues			
Taxes and penalties	\$ 0	\$ 0	\$ 0
Licenses and permits	18,725	0	18,725
State aid	0	0	0
Interest	0	73	73
Other revenue	0	0	0
Total Revenues	18,725	73	18,798
Expenditures			
Current			
Public safety	18,725	73	18,798
Total Expenditures	18,725	73	18,798
Excess of Revenues Over (Under) Expenditures	0	0	0
Other Financing Sources (Uses)			
Operating transfers (out)	0	0	0
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	0	0	0
Fund Balance - April 1, 2006	0	2,236	2,236
Fund Balance - March 31, 2007	\$ 0	\$ 2,236	\$ 2,236

The Notes to the Financial Statements are an integral part of this statement.

# ANGLE & STEFFES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:  
American Institute of Certified  
Public Accountants (AICPA)

430 WESTERN AVENUE, SUITE B  
ALLEGAN, MICHIGAN 49010

STEVEN K. ANGLE, CPA  
THERESA E. STEFFES, CPA, CGFM

Ph: (269) 686-9050  
Fax: (269) 686-9056  
email: mail@anglesteffes.com

Michigan Association of Certified  
Public Accountants (MACPA)

July 2, 2007

In planning and performing the audit of the Financial Statements of the Township of Monterey for the year ended March 31, 2007, we considered the Township's internal control structure to determine audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of one matter that is an opportunity to strengthen internal control and increase operating efficiency. We offer the following item for your consideration.

### **Uninsured Funds and Invested Funds**

The Township currently has all of the bank accounts at one bank, United Bank of Michigan, with a total of \$260,307 over the federally insured level as of March 31, 2007. We recommend that no more than \$200,000 be maintained in any one bank, \$100,000 limit each in savings and demand accounts, to avoid risk of uninsured losses that may occur. Movement of funds into savings accounts or certificates of deposit from the checking account at this same bank would provide additional insurance coverage.

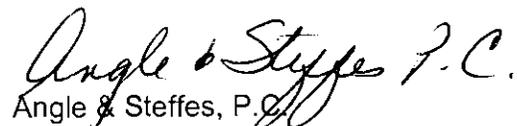
As of March 31, 2007, the Township holds over \$360,000 in checking balances, with \$300,000 for road projects. The Township normally spends these road dollars within six months following its fiscal year. We suggest exploring interest rates for sweep accounts or three and six month negotiable Certificate of Deposits to compare against the General Fund checking interest rate. The checking interest rates are well below .25% on its balances. The short-term investment of this significant cash balance would be a profitable option when addressing management of governmental revenue resources.

### **General**

In general the internal control systems of the Township are good and functioning properly. The comments noted above will help the Township strengthen the existing controls and will help provide greater accountability to residents of the Township.

We greatly appreciate the help and cooperation given us by all Township employees and officials.

Respectfully submitted,



Angle & Steffes, P.C.  
Certified Public Accountants