

**LONG RAPIDS TOWNSHIP
LACHINE, MICHIGAN**

Audited Financial Statements and
Other Supplementary Financial Information

Year Ended March 31, 2007

STRALEY, ILSLEY & LAMP P.C.

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 LONG RAPIDS TOWNSHIP | County ALPENA |
| Fiscal Year End MARCH 31, 2007 | Opinion Date SEPTEMBER 28, 2007 | Date Audit Report Submitted to State SEPTEMBER 28, 2007 | |

We affirm that:

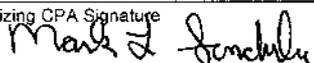
We are certified public accountants licensed to practice in Michigan.

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.)
- 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.
 - 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.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - 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.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - 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).
 - 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.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - 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) STRALEY, ILSLEY & LAMP P.C. | | Telephone Number 989-356-4531 | |
| Street Address 2106 U.S. 23 SOUTH | | City ALPENA | State MI |
| | | | Zip 49707 |
| Authorizing CPA Signature  | | Printed Name MARK L. SANDULA | |
| | | License Number A 263243 | |

CONTENTS

| | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 |
| BASIC FINANCIAL STATEMENTS | |
| Government-wide Financial Statements | |
| Statement of Net Assets | 10 |
| Statement of Activities | 11 |
| Fund Financial Statements | |
| Governmental Fund Financial Statements | |
| Balance Sheet | 12 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | 13 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 14 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 15 |
| Fiduciary Fund | |
| Statement of Fiduciary Net Assets | 16 |
| Notes to financial statements | 17 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedules: | |
| General Fund | 24 |
| INDIVIDUAL FUND STATEMENTS | |
| General Fund | |
| Balance sheet | 26 |
| Statement of revenues, expenditures, and fund balances | 27 |
| Trust and Agency Fund | |
| Combining statement of changes in assets and liabilities | 32 |
| Schedule of Indebtedness | 33 |



Certified Public Accountants

PHILIP T. STRALEY, C.P.A.
ROBERT D. ILSLEY, C.P.A.
BERNARD R. LAMP, C.P.A.
TERRENCE D. YULE, C.P.A.
MARK L. SANDULA, C.P.A.
JAMES E. KRAENZLEIN, C.P.A./A.B.V.,C.V.A.
DONALD C. LEVREN

STRALEY, ILSLEY & LAMP P.C.

2106 U.S. 23 SOUTH, P.O. BOX 738
ALPENA, MICHIGAN 49707
TELEPHONE (989) 356-4531
FACSIMILE (989) 356-0494

TAX, AUDIT AND BUSINESS CONSULTANTS

RETIRE
GORDON A. NETHERCUT, C.P.A.
CARL F. REITZ, C.P.A.
WARREN W. YOUNG, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Long Rapids Township
Lachine, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Long Rapids Township, Lachine, 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 **Long Rapids Township, Michigan'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 the 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 **Long Rapids Township, Lachine, Michigan** as of March 31, 2007, and the respective changes in financial position and cash flows, were applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information identified in the Table of Contents are not a required part of the basic financial statements but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Individual Fund Financial Statements and Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Long Rapids Township, Lachine, Michigan's** basic financial statements. The accompanying information identified in the table of contents as individual financial statements and other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

Straley, Ilsley & Lamb P.C.

September 28, 2007

LONG RAPIDS TOWNSHIP
Management's Discussion and Analysis

As management of the Township of Long Rapids, Michigan, we offer readers of the Township of Long Rapids, Michigan financial statements this narrative overview and analysis of the financial activities for the fiscal year ended March 31, 2007. We encourage readers to consider the information presented here in conjunction with the financial statements and related footnotes which follow this report.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Long Rapids Township financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Township's governmental funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent for the collection of property taxes. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for General Fund

Other Supplemental Information

Individual Fund Statements

LONG RAPIDS TOWNSHIP Management's Discussion and Analysis

Reporting the Township as a Whole – Government-wide Financial Statements

The statement of net assets and the statement of activities, which appear first in the Township's financial statements, report information about the Township as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These two statements report the Township's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the statement of net assets - is one way to measure the Township's financial health, or position. Over time, increases or decreases in the Township's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Township's operating results. However, the Township's goal is to provide services to our citizens, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the overall health of Long Rapids Township.

The statement of net assets and statement of activities report the governmental activities for the Township, which encompass all of the Township's services, including general government, public safety, public works and community and economic development. Property taxes and state sales tax finance most of these activities.

Reporting the Township's Most Significant Funds – Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by state law and by bond covenants. However, the Township may establish other funds to help it control and manage money for a particular purpose. The governmental funds of the Township use the following accounting approach:

Governmental Funds – All of the Township's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

The governmental fund statements provide a detailed short-term view of the operations of the Township and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

LONG RAPIDS TOWNSHIP
Management's Discussion and Analysis

The Township as Trustee – Reporting the Township's Fiduciary Responsibilities

The Township is a trustee, or fiduciary, for its tax collection fund. All of the Township's fiduciary activities are reported in separate statements of fiduciary net assets. We excluded these activities from the Township's other financial statement because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The Township as a Whole

Recall that the statement of net assets provides the perspective of the Township as a whole. Table 1 provides a summary of the Township's net assets as of March 31, 2007:

TABLE 1

| | |
|--|--------------------------|
| ASSETS | |
| Current and Other Assets | \$ 438,067 |
| Property and Equipment | <u>536,798</u> |
| Total Assets | \$ <u>974,865</u> |
| LIABILITIES | |
| Current Liabilities | \$ 17,853 |
| Long-Term Liabilities | <u>248,966</u> |
| Total Liabilities | \$ <u>271,678</u> |
| NET ASSETS | |
| Invested in property and equipment – net of related debt | \$ 269,979 |
| Unrestricted | <u>433,208</u> |
| Total Net Assets | \$ <u>703,187</u> |

The above analysis focuses on the net assets. The change in net assets (see Table 2) of the Township's governmental activities is discussed below. The Township's net assets were \$703,187 at March 31, 2007. Capital assets, net of related debt totals \$269,979 and compares the original cost, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. The remaining amount of the net assets of \$433,208 was unrestricted.

The \$433,208 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets balance enables the Township to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2007.

LONG RAPIDS TOWNSHIP
Management's Discussion and Analysis

TABLE 2

| | <u>Governmental Activities</u> |
|---------------------------------------|------------------------------------|
| Revenue | |
| Program revenue: | |
| Charges for services | \$ 20,448 |
| Operating grants | 2,731 |
| General revenue: | |
| Property taxes | 144,576 |
| State aid | 71,791 |
| Investment Earnings | 7,146 |
| Other | <u>11</u> |
| Total revenue | \$ <u>246,703</u> |
| Functions/Program Expenses | |
| General government | \$ 167,663 |
| Public safety | 67,343 |
| Public works | 18,101 |
| Community and economic development | 810 |
| Other | 2,020 |
| Debt service | <u>686</u> |
| Total expenses | <u>256,623</u> |
| Decrease in Net Assets | <u>\$ (9,920)</u> |

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$256,623. Certain activities were partially funded from those who benefited from the programs \$20,448 or by other governments and organizations that subsidized certain programs with grants and contributions \$2,731. We paid for the remaining "public benefit" portion of our governmental activities with \$144,576 in taxes, \$71,791 in state sales tax and with our other revenues (i.e., interest and other general revenue).

The Township experienced a decrease in net assets of \$9,920. The key reason for the change in net assets included a decrease from fund operations of \$7,954.

As discussed above, the net cost shows the financial burden that was placed on the State and the Township's taxpayers by each of these functions. Since property taxes for operations and State sales taxes constitute the majority of Township operating revenue sources, the Board of Trustees must annually evaluate the needs of the Township and balance those needs with State-prescribed available unrestricted resources.

LONG RAPIDS TOWNSHIP
Management's Discussion and Analysis

The Township's Funds

As we noted earlier, the Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide and may provide more insight into the Township's overall financial health. As the Township completed this year, the governmental funds reported a combined fund balance of \$437,923 which is a decrease of \$7,954 from the previous year. The primary reason for the decrease is program revenues declining and expenditures increasing while trying to continue cost control efforts by carefully matching tax revenues with expenses. The 2007-08 budget was adopted in March of 2007.

The General Fund unreserved balance available to fund general operations costs for administrative and support services remains stable at \$437,923.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year-end. (A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements).

Capital Assets and Debt Administration

Capital Assets

At March 31, 2007 the Township had a net value of \$536,798 invested in a broad range of capital assets, including land, buildings, equipment, and vehicles. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately \$20,001 from the previous year.

| | <u>2007</u> | <u>2006</u> |
|-------------------------------------|-------------------|-------------------|
| Assets not being depreciated – Land | \$ 18,751 | \$ 18,751 |
| Buildings improvements | 543,912 | 543,912 |
| Equipment | 253,906 | 228,760 |
| Fire truck | 160,254 | 160,254 |
| Vehicle – Van | <u>20,430</u> | <u>20,430</u> |
| Total capital assets | \$ <u>997,253</u> | \$ <u>972,107</u> |
| Less accumulated depreciation | <u>460,455</u> | <u>415,308</u> |
| Net capital assets | \$ <u>536,798</u> | \$ <u>556,799</u> |

This year's additions of \$25,146 for equipment were the only additions. No new debt was issued this year for this addition.

**LONG RAPIDS TOWNSHIP
Management's Discussion and Analysis**

Debt

At the end of this fiscal year, the Township had \$373,473 in outstanding bonded debt, a note payable and future interest payments. During the year ended March 31, 2007 the Township reduced its bond principal outstanding by \$17,738.

Economic Factors and Next Year's Budgets and Rates

Our Board of Trustees consider many factors when setting the Township's 2007-08 fiscal year budget. The 2007-08 fiscal year budget was adopted in March 2007 based on property tax, state and other revenue estimates available at that time. State law requires the Township to amend the budget if actual resources are not sufficient to fund original appropriations.

Since the Township's revenue is heavily dependent on Property taxes and State funding and the economic health of the State of Michigan, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to Townships. The state periodically holds a revenue estimating conference to estimate revenues. Based on recent conference reports and subsequent preliminary data it appears the State will have to make adjustments to the planned state sales tax allocations as the year progresses.

Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Long Rapids Township 11936 Long Rapids Road, Lachine, MI 49753.

This page left blank

Long Rapids Township

STATEMENT OF NET ASSETS

March 31, 2007

| | <u>Primary Government</u> <u>Governmental</u> <u>Activities</u> |
|--|---|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 93,927 |
| Certificates of deposit | 251,140 |
| Receivables (net of allowance for uncollectible accounts) | <u>93,000</u> |
| Total current assets | <u>438,067</u> |
| NON-CURRENT ASSETS | |
| Capital assets | 997,253 |
| Accumulated depreciation | <u>(460,455)</u> |
| Total non-current assets | <u>536,798</u> |
| TOTAL ASSETS | <u>974,865</u> |
| LIABILITIES | |
| Due to federal government | 144 |
| Accrued interest | 4,715 |
| Noncurrent liabilities | |
| Due within one year | |
| Bonds and loans | 17,853 |
| Due in more than one year | |
| Bonds and loans | <u>248,966</u> |
| TOTAL LIABILITIES | <u>271,678</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 269,979 |
| Unrestricted | <u>433,208</u> |
| TOTAL NET ASSETS | <u>\$ 703,187</u> |

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

Long Rapids Township

STATEMENT OF ACTIVITIES- GOVERNMENTAL ACTIVITIES

Year ended March 31, 2007

| | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Assets</u> |
|---|-------------------|---------------------------------|-----------------------------|--|
| | | <u>Charges for Services</u> | <u>Operating Grants</u> | |
| Functions/Programs: | | | | |
| Primary Government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 167,663 | \$ 14,948 | \$ - | \$ (152,715) |
| Public safety | 67,343 | 5,500 | 2,731 | (59,112) |
| Public works | 18,101 | - | - | (18,101) |
| Community and economic development | 810 | - | - | (810) |
| Other | 2,020 | - | - | (2,020) |
| Debt Service | 686 | - | - | (686) |
| Total governmental activities | <u>256,623</u> | <u>20,448</u> | <u>2,731</u> | <u>(233,444)</u> |
| Total primary government | <u>\$ 256,623</u> | <u>\$ 20,448</u> | <u>\$ 2,731</u> | <u>\$ (233,444)</u> |
| General Revenues: | | | | |
| Property taxes, levied for general purposes | | | | \$ 138,288 |
| Property taxes, levied for fire department | | | | 6,288 |
| State sales tax | | | | 71,791 |
| Investment earnings | | | | 7,146 |
| Other | | | | 11 |
| Total General Revenues | | | | <u>223,524</u> |
| Change in Net Assets | | | | (9,920) |
| Net Assets - Beginning of the year | | | | <u>713,107</u> |
| Net Assets - End of the year | | | | <u>\$ 703,187</u> |

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

Long Rapids Township

BALANCE SHEET - GOVERNMENTAL FUNDS

March 31, 2007

| | <u>Governmental Fund Type</u> |
|---|-----------------------------------|
| | <u>General Fund</u> |
| ASSETS | |
| Cash and cash equivalents | \$ 93,927 |
| Certificates of deposit | 251,140 |
| Receivables (net of allowance for uncollectible accounts) | <u>93,000</u> |
| Total assets | <u><u>\$ 438,067</u></u> |
| LIABILITIES AND FUND BALANCES | |
| Due to federal government | <u>\$ 144</u> |
| Total liabilities | <u>144</u> |
| Fund Balances: | |
| Unreserved | |
| Undesignated | <u>437,923</u> |
| Total fund balances | <u>437,923</u> |
| Total liabilities and fund balances | <u><u>\$ 438,067</u></u> |

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

Long Rapids Township

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS**

As of March 31, 2007

| | | | |
|--|----|------------------|-----------------------|
| Fund balances - Total governmental funds | | \$ | 437,923 |
| 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 not reported in the governmental funds. | | | |
| Governmental capital assets | \$ | 997,253 | |
| Less accumulated depreciation | | <u>(460,455)</u> | |
| | | | 536,798 |
| Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds. | | | |
| 1996 General obligation unlimited tax bonds | | (100,000) | |
| 2002 General obligation unlimited tax bonds | | (155,000) | |
| 2006 Note payable | | (11,819) | |
| Accrued interest payable | | <u>(4,715)</u> | |
| | | | <u>(271,534)</u> |
| Net Assets of Governmental Activities | | \$ | <u><u>703,187</u></u> |

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

Long Rapids Township

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended March 31, 2007

| | <u>Governmental Fund Type</u> |
|--|-----------------------------------|
| | <u>General Fund</u> |
| REVENUES | |
| Taxes | \$ 144,576 |
| Licenses and permits | 8,930 |
| State sources | 74,522 |
| Charges for services | 11,518 |
| Interest and rents | 7,146 |
| Other | 11 |
| Total revenues | <u>246,703</u> |
| EXPENDITURES | |
| General government | 163,687 |
| Public safety | 51,318 |
| Public works | 33,398 |
| Community and economic development | 810 |
| Other | 2,020 |
| Debt Service | 3,424 |
| Total expenditures | <u>254,657</u> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | (7,954) |
| FUND BALANCES , beginning of the year | <u>445,877</u> |
| FUND BALANCES , end of the Year | <u>\$ 437,923</u> |

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

Long Rapids Township

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

For the Year Ended March 31, 2007

| | | | |
|---|----|-----------------|----------------|
| Net change in fund balances - Total governmental funds | | \$ | (7,954) |
| 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, the cost of those assets is depreciated over their estimated useful lives. | | | |
| Expenditures for capital assets | \$ | 25,146 | |
| Less current year depreciation | | <u>(45,147)</u> | (20,001) |
| Repayment of Bond Principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities: | | | |
| Principal paid on 1996 General obligation unlimited tax bonds | | 5,000 | |
| Principal paid on 2002 General obligation unlimited tax bonds | | 10,000 | |
| Principal paid on 2006 Note payable | | <u>2,738</u> | 17,738 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | | |
| Change in accrued interest payable | | <u>297</u> | <u>297</u> |
| Change in Net Assets of Governmental Activities | | <u>\$</u> | <u>(9,920)</u> |

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

Long Rapids Township

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

March 31, 2007

| | <u>Agency Fund</u> |
|---------------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 93,425</u> |
| Total assets | <u><u>\$ 93,425</u></u> |
| LIABILITIES | |
| Due to other governmental units | <u>\$ 93,425</u> |
| Total liabilities | <u>93,425</u> |
| NET ASSETS | |
| Unrestricted | <u><u>\$ -</u></u> |

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

Long Rapids Township

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The accounting policies of Long Rapids Township conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity.

Description of Township Operations. Long Rapids Township is a political entity situated within the County of Alpena which is located in the northeastern region of the lower peninsula of Michigan. The governing body of the Township is the Township Board, composed of the supervisor, the clerk, the treasurer, and four trustees. The Township supervisor acts as the chief administrative and executive officer.

The Township provides services to its citizens in general government, public safety, public works, and recreation and culture. Revenues for these services are provided chiefly by taxes and state shared revenues.

The accompanying financial statements present the government of the Township. Long Rapids Township does not have any component units, entities for which the government 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 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 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.

Long Rapids Township

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

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 fiscal 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 fund:

Governmental Fund Types. General Fund. This fund includes the general operations of the Township and transactions not included in other funds. The revenues of this fund are derived primarily from property taxes and state shared revenues.

Additionally, Long Rapids Township reports the following fund types:

Fiduciary Fund Types. Trust and Agency Fund. This fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds.

D. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents. For purposes of these financial statements, cash equivalents include time deposits, certificates of deposit, and all other highly liquid deposits with maturities of three months or less.

Inventories. Inventories are not considered significant and are recorded as expenditures when purchased.

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 \$5,000 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 and Improvements - 50 years
Office Equipment - 10 years
Vehicles - 10 years

Accrued Liabilities and Long-term Obligations. All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Assets. Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the township through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Long Rapids Township

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

Property Taxes. Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. The taxes are due on February 14 with the final collection date of February 28 before they are added to the delinquent County of Alpena tax rolls. Assessed values are established annually and are equalized by the State at an estimated 50% of current market value. Real property in Long Rapids Township for the 2006 levy was assessed at a taxable value of \$36,536,735. The Township's general operating rate is currently 1.0554 mills with an additional 3.3317 mills voted for fire protection, and debt reduction. With other governmental services, such as county, schools, and ambulance, Township residents pay a total of 24.9574 mills for homestead property and 42.9574 mills for nonhomestead property.

By agreement with the County of Alpena, delinquent real property taxes are purchased by the County of Alpena. The proceeds from the County's purchase of the delinquent taxes are used to liquidate the Township's delinquent real property taxes receivables.

Encumbrances. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is not employed by the Township. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

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

NOTE 2--LEGAL COMPLIANCE.

Budgets and Budgetary Accounting. Prior to adoption of the operating budget, Township departments prepare and submit their proposed operating budgets commencing the following April 1. A public hearing is conducted to obtain taxpayer comments. Prior to March 31, the budget is adopted by the Township Board. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year. Unused appropriations at March 31, are not carried forward to the following year. The budget for the year ended March 31, 2007 was adopted on a functional basis.

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Local Unit's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Long Rapids Township for these budgetary funds were adopted on a function level. Detail at the activity and departmental level is presented in the Individual General Fund Statement for the benefit of management.

Accumulated Fund Deficits. Long Rapids Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2007.

NOTE 3--DEPOSITS AND INVESTMENTS.

Michigan Compiled Laws, Section 129.91, authorizes Long Rapids 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 of purchase; obligations of the State of Michigan or its political subdivisions which are rated as

Long Rapids Township

NOTES TO FINANCIAL STATEMENTS

NOTE 3--DEPOSITS AND INVESTMENTS. (continued)

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 investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized vestment 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.

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

At year end, Long Rapids Township's deposits and investments were reported in the basic financial statements in statements in the following categories:

| | Governmental Activities | Fiduciary Funds |
|---------------------------|----------------------------|--------------------|
| Cash and cash equivalents | \$ 93,927 | \$ 93,425 |
| Certificates of deposit | 251,140 | - |
| Total | <u>\$ 345,067</u> | <u>\$ 93,425</u> |

The breakdown between deposits and investments is as follows:

| | Primary Government |
|--|-----------------------|
| Bank deposits (checking accounts, savings accounts, and Certificates of Deposit) | <u>\$ 345,067</u> |

The Township maintains separate cash accounts for each of its funds. Cash is not pooled. Cash equivalents generally include only investments with original maturities of three months or less.

The Township's cash and investments are subject to risk, which is examined in more detail below:

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are:

- Uncollateralized
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the local unit.

As of March 31, 2007, \$ 112,889 of the Township's demand deposits (certificates of deposit, checking, and savings accounts) with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. The township believes that due to the dollar amounts of cash deposits and the preference of depositing township funds at local financial institutions and the limits of federal depository insurance, it is impractical to insure all deposits.

Long Rapids Township

NOTES TO FINANCIAL STATEMENTS

NOTE 4--CAPITAL ASSETS.

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

| | Primary Government | | | Balances March 31,2007 |
|---------------------------------|---------------------------|--------------------|-------------|---------------------------|
| | Balances April 1, 2006 | Additions | (Deletions) | |
| Governmental activities: | | | | |
| Historical cost: | | | | |
| Land | \$ 18,751 | \$ - | \$ - | \$ 18,751 |
| Buildings and improvements | 543,912 | - | - | 543,912 |
| Equipment | 228,760 | 25,146 | - | 253,906 |
| Fire truck | 160,254 | - | - | 160,254 |
| Vehicle | 20,430 | - | - | 20,430 |
| | <u>972,107</u> | <u>25,146</u> | <u>-</u> | <u>997,253</u> |
| Allowance for depreciation: | | | | |
| Buildings and improvements | (180,788) | (17,766) | - | (198,554) |
| Equipment | (192,414) | (7,270) | - | (199,684) |
| Fire truck | (40,063) | (16,025) | - | (56,088) |
| Vehicle | (2,043) | (4,086) | - | (6,129) |
| | <u>(415,308)</u> | <u>(45,147)</u> | <u>-</u> | <u>(460,455)</u> |
| Net Capital Assets | <u>\$ 556,799</u> | <u>\$ (20,001)</u> | <u>\$ -</u> | <u>\$ 536,798</u> |

NOTE 5--LONG-TERM DEBT (including current portions). The bonds, dated November 14, 2002 are a full faith and credit general obligation unlimited tax bond of the Township and the principle and interest and any premium thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the Township. Principal payments on the bonds begin May 1, 2003, and mature May 1, 2023. Interest rates, which range from 5.0% to 7.0% will be payable on November1, 2003 and semiannually on each subsequent May 1 and November 1 prior to maturity or redemption.

Bond and contractual obligation activity can be summarized as follows:

| | Balances, April 1, 2006 | Additions | (Deductions) | Balances, Mar 31, 2007 | Due within one year |
|---|-------------------------------|-------------|--------------------|------------------------------|------------------------|
| Governmental Activities | | | | | |
| 1996 General Obligation Unlimited Tax Bonds, Date of Issue: April 18, 1996 Amount of Issue: \$175,000 | \$ 110,000 | \$ - | \$ (10,000) | \$ 100,000 | \$ 10,000 |
| 2002 General Obligation Unlimited Tax Bonds, Date of Issue: November 14, 2002 Amount of Issue: \$175,000 | 160,000 | - | (5,000) | 155,000 | 5,000 |
| Note Payable | 14,557 | - | (2,738) | 11,819 | 2,853 |
| Total governmental activities | <u>\$ 284,557</u> | <u>\$ -</u> | <u>\$ (17,738)</u> | <u>\$ 266,819</u> | <u>\$ 17,853</u> |

Long Rapids Township

NOTES TO FINANCIAL STATEMENTS

NOTE 5--LONG-TERM DEBT (continued)

The annual requirements to pay principal and interest on long-term debt outstanding at March 31, 2007, are as follows:

| <u>For the Year Ended March 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Annual Requirement</u> |
|--|-------------------|-------------------|-------------------------------|
| 2008 | \$ 17,853 | \$ 14,248 | \$ 32,101 |
| 2009 | 18,025 | 13,189 | 31,214 |
| 2010 | 18,188 | 12,111 | 30,299 |
| 2011 | 17,753 | 11,016 | 28,769 |
| 2012 | 20,000 | 9,940 | 29,940 |
| 2013-2017 | 100,000 | 33,225 | 133,225 |
| 2018-2022 | 60,000 | 12,531 | 72,531 |
| 2023 | 15,000 | 394 | 15,394 |
| | <u>\$ 266,819</u> | <u>\$ 106,654</u> | <u>\$ 373,473</u> |

NOTE 6—DEFINED CONTRIBUTION PLAN.

The Township provides pension benefits for all of its employees who have reached age 18, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Contributions are made solely by the Township which contributes an amount equal to 12% of the employees earnings annually. The Township's contribution for the year ended March 31, 2007 was \$5,136.

NOTE 7--RISK MANAGEMENT.

The Township is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, unemployment benefits, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for fleet equipment and tort claims, boiler and machinery, certain property and equipment damage and theft, employee theft, and limited tort claims for specific Township facilities or events.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through commercial insurance during the past year.

REQUIRED SUPPLEMENTARY INFORMATION

Long Rapids Township

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year ended March 31, 2007

| | Budget Amounts | | Actual | Variance with Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 140,645 | \$ 140,645 | \$ 144,576 | \$ 3,931 |
| Licenses and permits | 95,845 | 95,845 | 8,930 | (86,915) |
| State sources | 77,000 | 74,000 | 74,522 | 522 |
| Charges for services | 10,500 | 13,500 | 11,518 | (1,982) |
| Interest and rents | 7,500 | 7,500 | 7,146 | (354) |
| Other | 400 | 400 | 11 | (389) |
| Total revenues | <u>331,890</u> | <u>331,890</u> | <u>246,703</u> | <u>(85,187)</u> |
| EXPENDITURES | | | | |
| General government | 198,676 | 198,676 | 163,687 | 34,989 |
| Public safety | 51,620 | 51,620 | 51,318 | 302 |
| Public works | 50,470 | 50,470 | 33,398 | 17,072 |
| Community and Economic Development | 2,700 | 2,700 | 810 | 1,890 |
| Other | 25,000 | 25,000 | 2,020 | 22,980 |
| Debt Service | 3,424 | 3,424 | 3,424 | - |
| Total expenditures | <u>331,890</u> | <u>331,890</u> | <u>254,657</u> | <u>77,233</u> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | <u>-</u> | <u>-</u> | <u>(7,954)</u> | <u>(7,954)</u> |
| FUND BALANCES, April 1 | | | | |
| | <u>445,877</u> | <u>445,877</u> | <u>445,877</u> | <u>-</u> |
| FUND BALANCE, March 31 | | | | |
| | <u>\$ 445,877</u> | <u>\$ 445,877</u> | <u>\$ 437,923</u> | <u>\$ (7,954)</u> |

INDIVIDUAL FUND STATEMENTS

Long Rapids Township

General Fund

BALANCE SHEET

| | March 31 | |
|-------------------------------|-------------------|-------------------|
| | <u>2007</u> | <u>2006</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 93,927 | \$ 117,702 |
| Certificates of deposit | 251,140 | 244,690 |
| Taxes receivable | <u>93,000</u> | <u>83,468</u> |
| | <u>\$ 438,067</u> | <u>\$ 445,860</u> |
| LIABILITIES AND EQUITY | | |
| Due to federal government | \$ 144 | \$ (17) |
| | <u>144</u> | <u>(17)</u> |
| Fund Balances | | |
| Unreserved | | |
| Undesignated | <u>437,923</u> | <u>445,877</u> |
| | <u>437,923</u> | <u>445,877</u> |
| | <u>\$ 438,067</u> | <u>\$ 445,860</u> |

Long Rapids Township

General Fund

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL**

| | Year Ended March 31 | | |
|----------------------------------|---------------------|----------------|----------------|
| | 2007 Budget | 2007 Actual | 2006 Actual |
| REVENUES | | | |
| TAXES | | | |
| Property taxes | \$ 127,145 | \$ 129,465 | \$ 124,780 |
| Other taxes | 5,000 | 5,262 | 5,262 |
| Administration fees and interest | 8,500 | 9,849 | 5,987 |
| | <u>140,645</u> | <u>144,576</u> | <u>136,029</u> |
| LICENSES AND PERMITS | | | |
| Zoning permits | 13,000 | 8,930 | 11,141 |
| Planning commission fees | 500 | - | - |
| | <u>13,500</u> | <u>8,930</u> | <u>11,141</u> |
| STATE SOURCES | | | |
| Sales tax | 71,000 | 71,791 | 73,923 |
| Public safety grants | 3,000 | 2,731 | 17,270 |
| | <u>74,000</u> | <u>74,522</u> | <u>91,193</u> |
| CHARGES FOR SERVICES | | | |
| Tel-com payment | 3,000 | 3,274 | - |
| Fire protection | 5,500 | 5,500 | 5,500 |
| Cemetery fees | 5,000 | 2,744 | 5,375 |
| | <u>13,500</u> | <u>11,518</u> | <u>10,875</u> |
| INTEREST AND RENTS | | | |
| Investment income | 4,500 | 4,708 | 4,691 |
| Rental | 3,000 | 2,438 | 10,655 |
| | <u>7,500</u> | <u>7,146</u> | <u>15,346</u> |
| OTHER REVENUES | | | |
| Refunds | 400 | 11 | - |
| | <u>400</u> | <u>11</u> | <u>-</u> |
| TOTAL REVENUES | <u>249,545</u> | <u>246,703</u> | <u>264,584</u> |

Long Rapids Township

General Fund

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL**

| | Year Ended March 31 | | |
|---|---------------------|----------------|----------------|
| | 2007 Budget | 2007 Actual | 2006 Actual |
| EXPENDITURES | | | |
| GENERAL GOVERNMENT | | | |
| LEGISLATIVE | | | |
| Governing Body | | | |
| Employer share FICA | \$ 1,100 | \$ 1,122 | \$ 804 |
| Printing and publishing | 1,000 | 325 | 607 |
| Snow plowing | 1,400 | 619 | 1,632 |
| Seminars and education | 6,800 | 6,056 | 4,747 |
| | <u>10,300</u> | <u>8,122</u> | <u>7,790</u> |
| CHIEF EXECUTIVE | | | |
| Chief Executive | | | |
| Wages | 6,122 | 6,123 | 6,121 |
| Per diem | 450 | 515 | 293 |
| Supplies | 100 | 78 | - |
| Mileage | 150 | 103 | - |
| | <u>6,822</u> | <u>6,819</u> | <u>6,414</u> |
| Administrator/Manager/Superintendent | | | |
| Board of Trustees | 1,900 | 2,550 | 2,156 |
| Mileage | 500 | 234 | 189 |
| Professional fees | 9,500 | 5,511 | 8,167 |
| Community promotion | 4,500 | 4,103 | 3,011 |
| | <u>16,400</u> | <u>12,398</u> | <u>13,523</u> |
| FINANCIAL AND TAX ADMINISTRATION | | | |
| Abstract Department | | | |
| Contracted services | 13,000 | 9,095 | 11,639 |
| | <u>13,000</u> | <u>9,095</u> | <u>11,639</u> |
| Assessor | | | |
| Wages | 8,090 | 2,200 | 8,080 |
| Per diem | 2,300 | 6,600 | 75 |
| Supplies | 4,000 | 3,642 | 3,314 |
| Mileage | 100 | 125 | 96 |
| | <u>14,490</u> | <u>12,567</u> | <u>11,565</u> |

Long Rapids Township

General Fund

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL**

| | Year Ended March 31 | | |
|---------------------------------|---------------------|----------------|----------------|
| | 2007 Budget | 2007 Actual | 2006 Actual |
| EXPENDITURES (continued) | | | |
| Clerk | | | |
| Wages | \$ 8,072 | \$ 8,071 | \$ 8,062 |
| Per diem | 700 | 625 | 893 |
| Supplies | 2,000 | 2,131 | 1,604 |
| Mileage | 200 | 32 | 163 |
| | <u>10,972</u> | <u>10,859</u> | <u>10,722</u> |
| Review Board | | | |
| Board of review | 1,600 | 954 | 1,179 |
| Mileage | 150 | - | - |
| | <u>1,750</u> | <u>954</u> | <u>1,179</u> |
| Treasurer | | | |
| Wages | 8,072 | 8,061 | 8,072 |
| Per diem | 600 | 750 | 743 |
| Supplies | 5,000 | 3,734 | 1,715 |
| Mileage | 100 | - | - |
| | <u>13,772</u> | <u>12,545</u> | <u>10,530</u> |
| OTHER GENERAL GOVERNMENT | | | |
| Elections | | | |
| Wages | 3,000 | 1,572 | 971 |
| Operating supplies | 500 | 130 | 148 |
| Printing and publishing | 200 | 55 | 79 |
| | <u>3,700</u> | <u>1,757</u> | <u>1,198</u> |
| Building and Grounds | | | |
| Wages | 2,200 | 2,175 | 1,950 |
| Professional fees | 100 | 64 | 218 |
| Utilities | 10,000 | 6,901 | 10,925 |
| Capital outlay | 35,000 | 19,146 | 56,035 |
| Repairs and maintenance | 10,500 | 15,684 | 5,188 |
| Bond debt | 13,870 | 13,720 | 14,320 |
| | <u>71,670</u> | <u>57,690</u> | <u>88,636</u> |
| Retirement Board/Department | | | |
| Pension | 5,000 | 5,136 | 4,537 |
| Insurance | 22,000 | 17,326 | 17,390 |
| | <u>27,000</u> | <u>22,462</u> | <u>21,927</u> |

Long Rapids Township

General Fund

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL**

| | Year Ended March 31 | | |
|---|---------------------|----------------|----------------|
| | 2007 Budget | 2007 Actual | 2006 Actual |
| EXPENDITURES (continued) | | | |
| Cemetery | | | |
| Wages | \$ 8,000 | \$ 3,868 | \$ 5,319 |
| Supplies | 600 | 316 | 142 |
| Professional fees | 50 | 50 | 36 |
| Utilities | 150 | 185 | 137 |
| Land acquisition | - | 4,000 | 135 |
| | <u>8,800</u> | <u>8,419</u> | <u>5,769</u> |
| TOTAL GENERAL GOVERNMENT | <u>198,676</u> | <u>163,687</u> | <u>190,892</u> |
| PUBLIC SAFETY | | | |
| Fire Department | | | |
| Supplies | 7,000 | 8,899 | 6,092 |
| Professional fees | - | - | 180 |
| Electric | 1,000 | 1,063 | 595 |
| Natural gas | 1,500 | 1,392 | 1,478 |
| Telephone | 600 | 594 | 585 |
| Repairs and maintenance | 5,000 | 6,136 | 4,219 |
| Capital outlay | 20,000 | 16,814 | 56,931 |
| Bond debt | 16,520 | 16,420 | 17,255 |
| | <u>51,620</u> | <u>51,318</u> | <u>87,335</u> |
| PUBLIC WORKS | | | |
| Road Commission | | | |
| Road repairs | 25,237 | 18,337 | 16,102 |
| Road chloride | 25,237 | 15,061 | 21,169 |
| | <u>50,474</u> | <u>33,398</u> | <u>37,271</u> |
| COMMUNITY AND ECONOMIC DEVELOPMENT | | | |
| Planning Department/Commission | | | |
| Per diem | 1,000 | 810 | 835 |
| Supplies | 1,600 | - | 8 |
| Mileage | 100 | - | - |
| | <u>2,700</u> | <u>810</u> | <u>843</u> |
| OTHER FUNCTIONS | | | |
| Contingency | 25,000 | 2,020 | - |
| | <u>25,000</u> | <u>2,020</u> | <u>-</u> |

Long Rapids Township

General Fund

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL**

| | Year Ended March 31 | | |
|--|---------------------|-------------------|-------------------|
| | 2007 Budget | 2007 Actual | 2006 Actual |
| EXPENDITURES (continued) | | | |
| DEBT SERVICE | | | |
| Principal retirement | \$ 2,700 | \$ 2,738 | \$ 443 |
| Interest and fees | 720 | 686 | 128 |
| | <u>3,420</u> | <u>3,424</u> | <u>571</u> |
| TOTAL EXPENDITURES | <u>331,890</u> | <u>254,657</u> | <u>316,912</u> |
| OTHER REVENUES / (EXPENDITURES) | | | |
| Transfers-in | 82,345 | - | - |
| Transfers-(out) | - | - | - |
| | <u>82,345</u> | <u>-</u> | <u>-</u> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | - | (7,954) | (52,328) |
| FUND BALANCE - Beginning of the Year | <u>444,491</u> | <u>445,877</u> | <u>498,205</u> |
| FUND BALANCE - End of the Year | <u>\$ 444,491</u> | <u>\$ 437,923</u> | <u>\$ 445,877</u> |

Long Rapids Township

Trust and Agency Fund

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS**

| | <u>Balances, April 1, 2006</u> | <u>Additions</u> | <u>(Deductions)</u> | <u>Balances, March 31, 2007</u> |
|------------------------------------|------------------------------------|--------------------------|--------------------------|-------------------------------------|
| ASSETS | | | | |
| Cash | <u>\$ 83,123</u> | <u>\$ 797,511</u> | <u>\$ 787,209</u> | <u>\$ 93,425</u> |
| | <u><u>\$ 83,123</u></u> | <u><u>\$ 797,511</u></u> | <u><u>\$ 787,209</u></u> | <u><u>\$ 93,425</u></u> |
| LIABILITIES AND EQUITY | | | | |
| Due to other governmental units | <u>\$ 83,123</u> | <u>\$ 797,511</u> | <u>\$ 787,209</u> | <u>\$ 93,425</u> |
| | <u><u>\$ 83,123</u></u> | <u><u>\$ 797,511</u></u> | <u><u>\$ 787,209</u></u> | <u><u>\$ 93,425</u></u> |

Long Rapids Township

SCHEDULE OF INDEBTEDNESS

March 31, 2007

| | Interest Rate | Date of Maturity | Principal Payable | Annual Interest Payable |
|-------------------------|------------------|---------------------|----------------------|-------------------------------|
| GENERAL FUND | | | | |
| 1996 General Obligation | 5.50% | 2008 | \$ 10,000 | \$ 5,575 |
| Unlimited Tax Bonds | 5.60% | 2009 | 10,000 | 5,020 |
| Date of Issue: | 5.70% | 2010 | 10,000 | 4,455 |
| April 18, 1996 | 5.80% | 2011 | 10,000 | 3,880 |
| Amount of Issue: | 5.90% | 2012 | 10,000 | 3,295 |
| \$175,000 | 6.00% | 2013 | 10,000 | 2,700 |
| | 6.00% | 2014 | 10,000 | 2,100 |
| | 6.00% | 2015 | 10,000 | 1,500 |
| | 6.00% | 2016 | 10,000 | 900 |
| | 6.00% | 2017 | 10,000 | 300 |
| | | | 100,000 | 29,725 |
| | | | | |
| 2002 General Obligation | 7.40% | 2008 | 5,000 | 8,120 |
| Unlimited Tax Bonds | 7.40% | 2009 | 5,000 | 7,770 |
| Date of Issue: | 7.40% | 2010 | 5,000 | 7,420 |
| November 14, 2002 | 7.40% | 2011 | 5,000 | 7,070 |
| Amount of Issue: | 7.40% | 2012 | 10,000 | 6,645 |
| \$175,000 | 7.40% | 2013 | 10,000 | 6,145 |
| | 7.40% | 2014 | 10,000 | 5,645 |
| | 7.40% | 2015 | 10,000 | 5,145 |
| | 7.40% | 2016 | 10,000 | 4,645 |
| | 7.40% | 2017 | 10,000 | 4,145 |
| | 7.40% | 2018 | 10,000 | 3,640 |
| | 7.40% | 2019 | 10,000 | 3,130 |
| | 7.40% | 2020 | 10,000 | 2,615 |
| | 7.40% | 2021 | 15,000 | 1,965 |
| | 7.40% | 2022 | 15,000 | 1,181 |
| | 7.40% | 2023 | 15,000 | 394 |
| | | | 155,000 | 75,675 |
| | | | | |
| Note Payable | 5.25% | 2008 | 2,853 | 553 |
| Date of Issue: | 5.25% | 2009 | 3,025 | 399 |
| September 27, 2007 | 5.25% | 2010 | 3,188 | 236 |
| Amount of Issue: | 5.25% | 2011 | 2,753 | 66 |
| \$15,000 | | | 11,819 | 1,254 |
| | | | | |
| Totals | | | \$ 266,819 | \$ 106,654 |



Certified Public Accountants

PHILIP T. STRALEY, C.P.A.
ROBERT D. ILSLEY, C.P.A.
BERNARD R. LAMP, C.P.A.
TERRENCE D. YULÉ, C.P.A.
MARK L. SANDULA, C.P.A.
JAMES E. KRAENZLEIN, C.P.A./A.B.V.,C.V.A.
DONALD C. LEVREN

STRALEY, ILSLEY & LAMP P.C.

2106 U.S. 23 SOUTH, P.O. BOX 738
ALPENA, MICHIGAN 49707
TELEPHONE (989) 356-4531
FACSIMILE (989) 356-0494

TAX, AUDIT AND BUSINESS CONSULTANTS

RETIRE
GORDON A. NETHERCUT, C.P.A.
CARL F. REITZ, C.P.A.
WARREN W. YOUNG, C.P.A.

September 28, 2007

To the Township Board
Long Rapids Township
Lachine, Michigan

We have audited the financial statements of Long Rapids Township for the year ended March 31, 2007, and have issued our report thereon dated September 28, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated June 25, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the general purpose financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Long Rapids Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Long Rapids Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending March 31, 2007. We noted no transactions entered into by the governmental unit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the governmental unit's financial reporting process (that is, cause future financial statement to be materially misstated). In our judgment, some of the adjustments we proposed, which were recorded by the governmental unit, either individually or in the aggregate, indicate matters that could have a significant effect on the governmental unit's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Long Rapids Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Reportable Conditions

Reportable conditions involve matters coming to our attention, under standards established by the American Institute of Certified Public Accountants, relating to significant deficiencies in the design or operations of the internal control structure that, in our judgment, could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose of financial statements. Following are certain reportable conditions, as well as other matters, we noted during our audit. Our consideration of the internal control structure would not necessarily disclose all matters that might be reportable conditions.

Other Matters

1. **General Ledger Adjustments.** It was noted during the course of our examination that all cash reconciliation items are being posted to fund equity or revenue transfer accounts. In our opinion these adjustments are to correct timing differences that would correct themselves in the following month as the transactions clear through the Township's cash accounts. We recommend the Township stop this practice as it creating unnecessary activity in the recording of the Township's finances. We would be happy to assist the Township in instituting proper procedures to reconcile the bank accounts to the general ledger.

2. **Recent Pronouncements.** The Governmental Accounting Standards Board (GASB), in its continuing process of updating the accounting principles that all governmental units must adhere to, has issued the following recent pronouncements that will have an impact on the way the Rogers City Area Schools maintains its financial records:
 - a. **GASB Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.** This statement will require governmental units to record the cost of benefits (such as health insurance, life insurance, etc) in the periods when the related services are received by the employer if these benefits are not provided for through a pension plan. This will require the District to accrue and report an actuarially computed liability for any future postemployment benefit other than pensions. The requirements of this statement are effective for financial statements of the District for the year ended June 30, 2008.

 - b. **GASB Statement No. 43 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.** This statement establishes uniform reporting standards for other postemployment benefit plans. The financial statements focus on reporting current financial information about plan net assets and required note disclosures include a brief plan description, a summary of significant accounting policies, and information about contributions and legally required reserves. The requirements of this statement are effective for financial statements of the District for the year ended June 30, 2008.

We wish to thank the staff of Long Rapids Township for their assistance during the audit.

This report is intended solely for the information and use of Long Rapids Township Board of Commissioners, Michigan Department of Treasury, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which upon acceptance by Long Rapids Township, is a matter of public record.

We appreciate the opportunity to serve Long Rapids Township. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Straley, Hlsley : Lamp P.C.