

### 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 Central Lake Township	County Antrim
Fiscal Year End March 31, 2007	Opinion Date October 10, 2007	Date Audit Report Submitted to State November 13, 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) Baird, Cotter and Bishop, P.C.		Telephone Number (231) 775-9789	
Street Address 134 West Harris Street		City Cadillac	State      Zip MI      49601
Authorizing CPA Signature 	Printed Name Steven C. Arends, C.P.A.		License Number 1101013211

**CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY**

**CENTRAL LAKE, MICHIGAN**

**MARCH 31, 2007**

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

MARCH 31, 2007

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CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

MARCH 31, 2007

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*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

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PHONE: 231-775-9789 FAX: 231-775-9749  
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October 10, 2007

INDEPENDENT AUDITORS' REPORT

To the Township Board  
Central Lake Township  
Antrim County  
Central Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Lake Township, Antrim County, Central Lake, 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 the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Central Lake Township, Antrim County, Central Lake, Michigan, 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 management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 24 and 25 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Lake Township, Antrim County, Central Lake, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are 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 a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Central Lake Township, a general law township located in Antrim County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Central Lake Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2007.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$2,430,455. Of this amount, \$721,941 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,287,250, an increase of \$126,449 in comparison with the prior year. About 56.05% is available for spending at the Township's discretion.
- ◆ The Township's long term debt increased by \$594,743 during the fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$2,430,455 at March 31, 2007, meaning the Township’s assets were greater than its liabilities by this amount. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Central Lake Township**  
**Net Assets as of March 31**

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Current Assets	\$ 1,307,312	\$ 1,161,508
Non Current Assets		
Capital Assets	2,125,297	1,416,294
Less: Accumulated Depreciation	(387,349)	(335,514)
 Total Non Current Assets	 <u>1,737,948</u>	 <u>1,080,780</u>
 <b>Total Assets</b>	 <u>\$ 3,045,260</u>	 <u>\$ 2,242,288</u>
 <b>Liabilities</b>		
Current Liabilities	\$ 47,480	\$ 707
Non Current Liabilities	567,325	0
 <b>Total Liabilities</b>	 <u>614,805</u>	 <u>707</u>
 <b>Net Assets</b>		
Invested in Capital Assets, net of related debt	1,143,205	1,080,780
Restricted for Specific Purposes	565,309	405,672
Unrestricted	721,941	755,129
 <b>Total Net Assets</b>	 <u>2,430,455</u>	 <u>2,241,581</u>
 <b>Total Liabilities and Net Assets</b>	 <u>\$ 3,045,260</u>	 <u>\$ 2,242,288</u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$721,941 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets both for the government as a whole, as well as for its separate governmental activities.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

The total net assets of the Township increased by \$188,874, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

**Central Lake Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31,**

	Governmental Activities	
	2007	2006
<b><u>Revenues</u></b>		
<b>Program Revenues</b>		
Charges for Services	\$ 89,194	\$ 89,122
Operating Grants and Contributions	3,005	0
Capital Grants and Contributions	0	4,755
<b>General Revenues</b>		
Taxes	490,059	426,941
State Grants	86,324	89,880
Interest Earnings	51,193	27,318
Other	61,582	9,164
<b>Total Revenues</b>	781,357	647,180
<b><u>Expenses</u></b>		
Legislative	53,340	51,432
General Government	167,488	160,268
Public Safety	251,239	163,729
Public Works	117,418	60,149
Culture and Recreation	2,228	5,449
Other Functions	770	0
<b>Total Expenses</b>	592,483	441,027
Change in Net Assets	188,874	206,153
NET ASSETS - Beginning of Year	2,241,581	2,035,428
NET ASSETS - End of Year	\$ 2,430,455	\$ 2,241,581

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

### **Governmental Activities**

During the fiscal year ended March 31, 2007, the Township's net assets increased by \$188,874 in the governmental activities. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Central Lake Township comes from property taxes. The Township levied a millage for public improvement and fire protection, in addition to the operating millages, this fiscal year. The Township levied 0.9763 mills for operating purposes, 1.0000 mills for public improvement, and 2.000 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by public safety expenses that total 42.40% of total expenses. The Township spent \$251,239 in fiscal year 2007 on public safety expenses. General government represented the next largest expense at \$167,488, or 28.27% of total expenses.

### **Business-Type Activities**

The Township does not maintain any Business-Type Activities.

### **Financial Analysis of the Government's Funds**

**Governmental Funds** The focus of Central Lake Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Central Lake Township's governmental funds reported combined ending fund balances of \$1,287,250. Approximately 56.08% of this total amount (\$721,941) constitutes unreserved fund balance. The remainder of the fund balance is reserved or designated for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

**General Fund** – The General Fund decreased its fund balance by \$(8,869) which brings the fund balance to \$643,443. \$637,547 of the General Fund's fund balance is unreserved. Fund balance has been reserved for telecommunications right-of-way maintenance in the amount of \$5,896. The following functions ended the year with expenditures above budgeted amounts: Supervisor, Assessor, Clerk, Board of Review, Cemetery and Other functions. The remaining functions of the General Fund ended the year with expenditures below budgeted amounts. State shared revenues were collected in the amount of \$ 86,234.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Fire Fund** – The Fire Fund increased its fund balance by \$107,850 which brings the fund balance to \$325,955. This balance is reserved and must be used for fire protection. The fire fund expenditures exceeded budgeted amounts. An addition to the fire hall was completed at an approximate cost of \$639,290.

The Township levied a fire millage on the 2006 tax roll. This resulted in \$225,739 in tax related revenues during the current fiscal year.

**Public Improvement Fund** – The Public Improvement Fund increased its fund balance by \$45,928 which brings the fund balance to \$176,155. This balance is reserved and must be used for public improvement. A budget was not adopted for the public improvement fund.

The Township levied a public improvement millage on the 2006 tax roll. This resulted in \$117,101 in tax related revenues during the current fiscal year.

**Equipment Replacement Fund** – The Equipment Replacement Fund decreased its fund balance by \$(24,878) which brings the fund balance to \$1,313.

**Budget Stabilization Fund** – The Budget Stabilization Fund increased its fund balance by \$1,522 which brings the fund balance to \$42,588.

**Longevity Fund** – The Longevity Fund increased its fund balance by \$1,043 which brings the fund balance to \$40,493.

**Perpetual Care Fund** – The Perpetual Care Fund increased its fund balance by \$3,853 which brings the fund balance to \$57,303. This balance is reserved and must be used for perpetual care.

**Proprietary Fund** The Township does not maintain any proprietary funds.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2007 amounted to \$1,737,948 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Central Lake Township**  
**Capital Assets as of March 31,**

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 219,181	\$ 219,181
Buildings and Improvements	1,283,082	643,792
Land Improvements	18,565	0
Infrastructure	147,394	89,829
Vehicles and Equipment	457,075	463,492
	<u>2,125,297</u>	<u>1,416,294</u>
Less Accumulated Depreciation	(387,349)	(335,514)
<b>Net Capital Assets</b>	<u>\$ 1,737,948</u>	<u>\$ 1,080,780</u>

Major capital asset events during the current fiscal year included:

- Completed an addition to the fire hall at a cost of \$639,290.
- Improvements to Mitchel Road at a cost of \$57,565.
- Began a project to install a fence at the cemetery at a cost of \$18,565.
- Purchase of two Lifepak 100 Machines at a cost of \$6,135.

**Long-Term Debt.** At the end of the current fiscal year, the Township had total installment debt outstanding of \$594,743. The entire balance of this debt is backed by the full faith and credit of the government. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, 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 any additional information, contact Central Lake Township at P.O. Box 748, Central Lake, Michigan 49646.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2007

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 941,925
Investments	278,070
Taxes Receivable	39,625
Due from External Parties (Fiduciary Fund)	6,008
Due from Other Governments	41,684
	<hr/>
Total Current Assets	1,307,312
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	219,181
Buildings and Improvements	1,283,082
Land Improvements	18,565
Infrastructure	147,394
Vehicles and Equipment	457,075
	<hr/>
	2,125,297
Less Accumulated Depreciation	387,349
	<hr/>
Net Capital Assets	1,737,948
	<hr/>
TOTAL ASSETS	<u>\$ 3,045,260</u>
	<hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accounts Payable	\$ 20,062
Current Portion Non Current Liabilities	27,418
	<hr/>
Total Current Liabilities	47,480
	<hr/>
<u>Non Current Liabilities</u>	
Loan Payable	594,743
Less Current Portion of Non Current Liabilities	(27,418)
	<hr/>
Total Non Current Liabilities	567,325
	<hr/>
Total Liabilities	<u>614,805</u>

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

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2007

NET ASSETS

Invested in Capital Assets, net of related debt	1,143,205
Restricted for:	
Telecommunications Right of Way Maintenance	5,896
Fire Protection	325,955
Public Improvement	176,155
Perpetual Care	57,303
Unrestricted	721,941
	<hr/>
TOTAL NET ASSETS	2,430,455
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 3,045,260
	<hr/> <hr/>

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

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>TOTAL GOVERNMENTAL ACTIVITIES</u>
Legislative	\$ 53,340	\$ 0	\$ 0	\$ 0	\$ (53,340)
General Government	167,488	19,891	0	0	(147,597)
Public Safety	251,239	7,800	0	0	(243,439)
Public Works	117,418	61,503	3,005	0	(52,910)
Culture and Recreation	2,228	0	0	0	(2,228)
Other Functions	770	0	0	0	(770)
Total	\$ 592,483	\$ 89,194	\$ 3,005	\$ 0	(500,284)
<u>GENERAL REVENUES</u>					
					490,059
Taxes					86,324
State Grants					51,193
Interest Earnings					61,582
Other					689,158
Total General Revenues					689,158
Change in Net Assets					188,874
<u>NET ASSETS</u> - Beginning of Year					2,241,581
<u>NET ASSETS</u> - End of Year					\$ 2,430,455

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

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2007

	GENERAL FUND	FIRE FUND	PUBLIC IMPROVEMENT
<u>ASSETS</u>			
Cash	\$ 339,170	\$ 312,468	\$ 148,590
Investments	256,781	3,726	17,563
Taxes Receivable	9,764	19,859	10,002
Due from Other Funds	6,008	0	0
Due from Other Governments	41,684	0	0
TOTAL ASSETS	<u>\$ 653,407</u>	<u>\$ 336,053</u>	<u>\$ 176,155</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 9,964	\$ 10,098	\$ 0
<u>FUND BALANCE</u>			
Reserved for:			
Telecommunications Right-of-Way Maintenance	5,896	0	0
Fire Protection	0	325,955	0
Public Improvement	0	0	176,155
Perpetual Care	0	0	0
Unreserved	637,547	0	0
Total Fund Balance	643,443	325,955	176,155
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 653,407</u>	<u>\$ 336,053</u>	<u>\$ 176,155</u>

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

OTHER NONMAJOR GOVERNMENTAL FUNDS		TOTALS
\$	141,697	\$ 941,925
	0	278,070
	0	39,625
	0	6,008
	0	41,684
<hr/>		
\$	141,697	\$1,307,312
<hr/> <hr/>		<hr/> <hr/>

\$	0	\$ 20,062
<hr/>		<hr/>

	0	5,896
	0	325,955
	0	176,155
	57,303	57,303
	84,394	721,941
<hr/>		
	141,697	1,287,250
<hr/>		<hr/>
\$	141,697	\$1,307,312
<hr/> <hr/>		<hr/> <hr/>

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

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2007

Total Fund Balance for Governmental Funds \$ 1,287,250

Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

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

Land	\$ 219,181	
Buildings and Improvements	1,283,082	
Land Improvements	18,565	
Infrastructure	147,394	
Vehicles and Equipment	457,075	
Accumulated Depreciation	<u>(387,349)</u>	1,737,948

Long term liabilities are not due and payable in the current period  
and are not reported in the funds.

Loan Payable	<u>(594,743)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,430,455</u></u>
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The accompanying notes are an integral part of the financial statements.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN  
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	GENERAL FUND	FIRE FUND	PUBLIC IMPROVEMENT
<u>REVENUES</u>			
Taxes	\$ 147,219	\$ 225,739	\$ 117,101
State Grants	89,329	0	0
Charges for Services	70,438	7,800	0
Interest and Rents	45,978	5,634	4,496
Other Revenues	58,082	3,500	0
Total Revenues	411,046	242,673	121,597
<u>EXPENDITURES</u>			
Legislative	53,340	0	0
General Government	166,804	0	0
Public Safety	0	856,408	0
Public Works	66,334	0	103,767
Culture and Recreation	2,228	0	0
Other Functions	770	0	0
Total Expenditures	289,476	856,408	103,767
Excess (Deficiency) of Revenues Over Expenditures	121,570	(613,735)	17,830
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	126,842	28,098
Transfers (Out)	(130,439)	0	0
Proceeds from the Issuance of Debt	0	594,743	0
Total Other Financing Sources (Uses)	(130,439)	721,585	28,098
Net Change in Fund Balance	(8,869)	107,850	45,928
<u>FUND BALANCE</u> - Beginning of Year	652,312	218,105	130,227
<u>FUND BALANCE</u> - End of Year	\$ 643,443	\$ 325,955	\$ 176,155

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

OTHER NONMAJOR GOVERNMENTAL FUNDS		TOTALS
\$	0	\$ 490,059
	0	89,329
	0	78,238
	6,041	62,149
	0	61,582
	<u>6,041</u>	<u>781,357</u>
	0	53,340
	0	166,804
	0	856,408
	0	170,101
	0	2,228
	0	770
	<u>0</u>	<u>1,249,651</u>
	<u>6,041</u>	<u>(468,294)</u>
	629	155,569
	(25,130)	(155,569)
	0	594,743
	<u>(24,501)</u>	<u>594,743</u>
	(18,460)	126,449
	<u>160,157</u>	<u>1,160,801</u>
\$	<u>141,697</u>	\$ <u>1,287,250</u>

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

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2007

Net change in Fund Balance - Total Governmental Funds	\$ 126,449
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(64,387)
Capital Outlay	721,555
 Bond issuance is not reported as an other financing source on the statement of activities.	 <u>(594,743)</u>
 CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	 <u><u>\$ 188,874</u></u>

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

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2007

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 7,614
	<hr/>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 6,008
Due to Other Governments	1,606
	<hr/>
TOTAL LIABILITIES	\$ 7,614
	<hr/>

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

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Central Lake Township is a general law township located in Antrim County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

The Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

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 revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Central Lake Township reports the following major governmental funds:

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

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Public Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for road improvements.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Additionally Central Lake Township reports the following fund types:

*Special revenue funds* are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, general fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

- (I) The Township Board has authorized the Township Treasurer to invest in the following:
- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
  - (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution with a location within the State of Michigan.
  - (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
  - (d) Repurchase agreements consisting of instruments listed in subdivision (a).

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share. (Recommendation--the above limitation is recommended, however, the Treasurer may also include mutual funds whose net asset value may fluctuate on a periodic basis by so stating in this area).

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and two-thirds of county taxes are levied and due July 1, and become delinquent after September 15. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2006 taxable valuation of Central Lake Township totaled \$117,045,876, on which ad valorem taxes levied consisted of 0.9763 mills for Central Lake Township operating purposes. Additional mills were levied as follows:

Fire (Real Property Only)	2.0000
Public Improvement	1.0000

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns 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 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings and Improvements	25-40
Land Improvements	10-20
Machinery and Equipment	5-10
Vehicles	5-10
Utility Systems	25-40
Infrastructure	20-40
Office Equipment	5

Central Lake Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

**5. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**6. 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.

**7. Use of Estimates**

The presentation 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.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted in February 15, 2006, or as amended by the Township Board from time to time throughout the year.

Budgets were prepared by fund and activity for the General and Fire Fund. Budgets were not adopted for the Public Improvement, Equipment Replacement, Budget Stabilization, Longevity and Perpetual Care Funds. The Township Board exercises budgetary control over expenditures.

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 because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are on deposit with Alden State Bank in Central Lake, Michigan, Citizens Bank in Bellaire, Michigan and MBIA Asset Management in Armonk, NY.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2007, \$986,979 of the government's bank balance of \$1,242,120 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. All of the Township's investments are classified as category 1.

As of March 31, 2007 the Township held the following investments:

	<u>CARRYING AMOUNT</u>	<u>FAIR VALUE</u>
Investments - Primary Government		
MBIA Asset Management	\$ 278,070	\$ 278,070

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

A reconciliation of cash and investments follows:

	<u>PRIMARY GOVERNMENT</u>
Carrying Amount of Deposits	\$ 919,943
Carrying Amount of Investments	307,766
Total	\$ 1,227,709
Government-wide Statement of Net Assets	
Cash	\$ 941,925
Investments	278,070
Statement of Fiduciary Assets and Liabilities	
Cash	7,614
Total	\$ 1,227,609

**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor funds are as follows:

	Public				
	General	Fire	Improvement	Nonmajor	Total
Receivables					
Taxes	\$ 9,764	\$ 19,859	\$ 10,002	\$ 0	\$ 39,625
Due from Other Governments	41,684	0	0	0	41,684
	\$ 51,448	\$ 19,859	\$ 10,002	\$ 0	\$ 81,309

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 219,181	\$ 0	\$ 0	\$ 219,181
Capital assets, being depreciated				
Building and Improvements	643,792	639,290	0	1,283,082
Land Improvements	0	18,565	0	18,565
Infrastructure	89,829	57,565	0	147,394
Vehicles and Equipment	463,492	6,135	12,552	457,075
Total capital assets, being depreciated	1,197,113	721,555	12,552	1,906,116
Less Accumulated Depreciation for:				
Building and Improvements	157,303	15,850	0	173,153
Land Improvements	0	0	0	0
Infrastructure	2,994	4,491	0	7,485
Vehicles and Equipment	175,217	44,046	12,552	206,711
Total accumulated depreciation	335,514	64,387	12,552	387,349
Total capital assets, being depreciated, net	861,599	657,168	0	1,518,767
Governmental activities capital assets, net	\$1,080,780	\$ 657,168	\$ 0	\$ 1,737,948

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

General Government	\$ 19,249
Public Safety	40,256
Public Works	4,882
Total	<u>\$ 64,387</u>

Construction Commitments:

The government has an outstanding construction commitment as of March 31, 2007 with Antrim County to complete road improvements to Mitchel Road. The remaining commitment was approximately \$57,564 at March 31, 2007.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2007, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 6,008	\$ 0
Fiduciary Funds		
Current Tax Collection Fund	0	6,008
	<u>\$ 6,008</u>	<u>\$ 6,008</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund transfers as of March 31, 2007 were:

<u>Primary Government</u>	Transfers	
	In	Out
General Fund	\$ 0	\$ 130,439
Fire Fund	126,842	0
Public Improvement Fund	28,098	0
Perpetual Care Fund	546	0
Equipment Replacement Fund	0	25,108
Budget Stabilization	83	0
Longevity Fund	0	22
	<u>\$ 155,569</u>	<u>\$ 155,569</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**E. Long-Term Debt**

The following is a summary of the long-term debt transactions of the Township for the year ended March 31, 2007:

Governmental activities:

Long-Term Debt Payable

At April 1, 2006	\$	0
New Debt Incurred		594,743
Payments on Debt		0
		0

LONG-TERM DEBT PAYABLE

AT MARCH 31, 2007	\$	594,743
Amount due within one year		27,418

The total interest incurred for the year ended March 31, 2007, was \$15,080. The entire amount was included as a direct expense in the public safety function.

Debt payable at March 31, 2007 consisted of the following individual issues:

Governmental Activities

General Obligation

\$594,743 Fire Hall Addition Loan due in annual installments of \$57,482 through March 1, 2022; interest at 5.0%		\$ 594,743
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The annual requirements to amortize debt outstanding as of March 31, 2007, are as follows:

	Principal	Interest	Amounts Payable
Year Ending March 31,			
2008	\$ 27,418	\$ 30,064	\$ 57,482
2009	29,038	28,444	57,482
2010	30,493	26,989	57,482
2011	32,022	25,460	57,482
2012	33,562	23,920	57,482
2013-2017	195,119	92,291	287,410
2018-2022	247,091	38,195	285,286
	\$ 594,743	\$ 265,363	\$ 860,106

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**F. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. In addition, certain portions of unreserved fund balances have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved for:

Telecommunications Right-Of-Way Maintenance	\$ 5,896
Fire Protection	325,955
Public Improvement	176,155
Perpetual Care	<u>57,303</u>
 TOTAL FUND BALANCE	
RESERVES AND DESIGNATIONS	<u><u>\$ 565,309</u></u>

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Pension Plan**

The Township has a defined contribution pension plan for Michigan Township employees under contract with the Manufacturers Life Insurance Company. Listed below is a summary of the significant plan provisions adopted by Board resolution in June 1969 and amended in June 1996:

**A. Eligibility Requirements**

1. Attained age of 18 and not more than 75.
2. No minimum service requirement.
3. All elected officials and the assessor.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

B. Contributions

1. A percentage of annual compensation (currently 10%) funded entirely by the Township on an annual basis.
2. Compensation determined by the basic annual rate of compensation in effect at the beginning of the plan year.
3. Township pays 100% of required annual contribution.

C. Vesting

1. Contributions are vested to the employee immediately upon early retirement, termination of services, death, disability, or normal retirement at 100% after 18 months of service.

D. Plan Administration

1. The plan is administered by the Township Clerk.

During the audit year, the total contribution for 2006-2007 was \$8,522. Covered payroll for the year was \$85,217 with total payroll for all employees of \$170,464. The plan was funded at the required contribution amount.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2007

	<u>GENERAL FUND</u>			<u>FIRE FUND</u>			<u>PUBLIC IMPROVEMENT FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>									
Taxes	\$ 128,000	\$ 128,000	\$ 147,219	\$ 208,900	\$ 208,900	\$ 225,739	\$ 0	\$ 0	\$ 117,101
State Grants	87,000	87,000	89,329	0	0	0	0	0	0
Charges for Services	60,000	60,000	70,438	10,000	10,000	7,800	0	0	0
Interest and Rents	15,500	15,500	45,978	3,000	3,000	5,634	0	0	4,496
Other Revenues	0	0	58,082	0	0	3,500	0	0	0
Total Revenues	290,500	290,500	411,046	221,900	221,900	242,673	0	0	121,597
<u>EXPENDITURES</u>									
Legislative									
Township Board	55,852	55,852	53,340	0	0	0	0	0	0
General Government									
Supervisor	11,620	11,620	12,058	0	0	0	0	0	0
Election	10,250	10,250	7,296	0	0	0	0	0	0
Assessor	24,900	24,900	26,415	0	0	0	0	0	0
Clerk	18,840	18,840	20,055	0	0	0	0	0	0
Board of Review	2,525	2,525	2,875	0	0	0	0	0	0
Treasurer	27,465	27,465	24,811	0	0	0	0	0	0
Building and Grounds	32,670	32,670	32,014	0	0	0	0	0	0
Cemetery	29,612	29,612	41,280	0	0	0	0	0	0
Public Safety	0	0	0	208,400	208,400	856,408	0	0	0
Public Works	66,760	66,760	66,334	0	0	0	0	0	103,767
Culture and Recreation	11,006	11,006	2,228	0	0	0	0	0	0
Other Functions	0	0	770	0	0	0	0	0	0
Contingency	5,000	5,000	0	2,500	2,500	0	0	0	0
Total Expenditures	296,500	296,500	289,476	210,900	210,900	856,408	0	0	103,767

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2007

	GENERAL FUND			FIRE FUND			PUBLIC IMPROVEMENT FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Excess (Deficiency) of Revenues Over Expenditures	(6,000)	(6,000)	121,570	11,000	11,000	(613,735)	0	0	17,830
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfer In	6,000	6,000	0	0	0	126,842	0	0	28,098
Transfer Out	0	0	(130,439)	(11,000)	(11,000)	0	0	0	0
Proceeds from the Issuance of Debt	0	0	0	0	0	594,743	0	0	0
Total Other Financing Sources (Uses)	6,000	6,000	(130,439)	(11,000)	(11,000)	721,585	0	0	28,098
Net Change in Fund Balance	0	0	(8,869)	0	0	107,850	0	0	45,928
<u>FUND BALANCE</u> - Beginning of Year	0	0	652,312	0	0	218,105	0	0	130,227
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 643,443	\$ 0	\$ 0	\$ 325,955	\$ 0	\$ 0	\$ 176,155

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET  
MARCH 31, 2007

	SPECIAL REVENUE			PERMANTENT FUND	TOTAL NONMAJOR
<u>ASSETS</u>	EQUIPMENT REPLACEMENT	BUDGET STABILIZATON	LONGEVITY	PERPETUAL CARE	GOVERNMENTAL FUNDS
Cash	\$ 1,313	\$ 42,588	\$ 40,493	\$ 57,303	\$ 141,697
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCES</u>					
Reserved for:					
Perpetual Care	0	0	0	57,303	57,303
Unreserved	1,313	42,588	40,493	0	84,394
Total Fund Balances	1,313	42,588	40,493	57,303	141,697
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,313</b>	<b>\$ 42,588</b>	<b>\$ 40,493</b>	<b>\$ 57,303</b>	<b>\$ 141,697</b>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2007

	<u>SPECIAL REVENUE</u>			<u>PERMANENT FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>EQUIPMENT REPLACEMENT</u>	<u>BUDGET STABILIZATION</u>	<u>LONGEVITY</u>	<u>PERPETUAL CARE</u>	
<u>REVENUES</u>					
Interest and Rents	\$ 230	\$ 1,439	\$ 1,065	\$ 3,307	\$ 6,041
<u>EXPENDITURES</u>	0	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	230	1,439	1,065	3,307	6,041
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	0	83	0	546	629
Transfers Out	(25,108)	0	(22)	0	(25,130)
Total Other Financing Sources (Uses)	(25,108)	83	(22)	546	(24,501)
Net Change in Fund Balances	(24,878)	1,522	1,043	3,853	(18,460)
<u>FUND BALANCE</u> - Beginning of Year	26,191	41,066	39,450	53,450	160,157
<u>FUND BALANCE</u> - End of Year	\$ 1,313	\$ 42,588	\$ 40,493	\$ 57,303	\$ 141,697

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

GENERAL FUND

BALANCE SHEET  
MARCH 31, 2007

ASSETS

Cash	\$ 339,170
Investments	256,781
Taxes Receivable	9,764
Due from Other Funds	6,008
Due from Other Governments	<u>41,684</u>
 TOTAL ASSETS	 <u><u>\$ 653,407</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	<u>\$ 9,964</u>
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FUND BALANCE

Reserved for	
Telecommunications Right-of-Way Maintenance	5,896
Unreserved	<u>637,547</u>

Total Fund Balance	<u>643,443</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 653,407</u></u>
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CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2007

REVENUES

Taxes	\$ 147,219
State Grants	89,329
Charges for Services	70,438
Interest and Rents	45,978
Other Revenues	<u>58,082</u>
 Total Revenues	 <u>411,046</u>

EXPENDITURES

Legislative	
Township Board	53,340
General Government	
Supervisor	12,058
Election	7,296
Assessor	26,415
Clerk	20,055
Board of Review	2,875
Treasurer	24,811
Building and Grounds	32,014
Cemetery	41,280
Public Works	66,334
Cultural and Recreation	2,228
Other Functions	<u>770</u>
 Total Expenditures	 <u>289,476</u>
 Excess (Deficiency) of Revenues Over Expenditures	  <u>121,570</u>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2007

<u>OTHER FINANCING SOURCES (USES)</u>	
Transfer Out	<u>(130,439)</u>
Total Other Financing Sources (Uses)	(130,439)
Net Change in Fund Balance	(8,869)
<u>FUND BALANCE</u> - Beginning of Year	<u>652,312</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 643,443</u>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

FIRE FUND

BALANCE SHEET  
MARCH 31, 2007

ASSETS

Cash	\$ 312,468
Investments	3,726
Taxes Receivable	<u>19,859</u>
Total Assets	<u><u>\$ 336,053</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Account Payable	\$ 10,098
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FUND BALANCE

Reserved for Fire Protection	<u>325,955</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 336,053</u></u>
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CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2007

REVENUES

Taxes	\$ 225,739
Charges for Services	7,800
Interest and Rents	5,634
Other Revenues	3,500
	<hr/>
Total Revenues	242,673

EXPENDITURES

Salaries and Wages	66,022
Payroll Taxes	5,051
Supplies - Including Medical	8,033
Professional Services	2,168
Fire Prevention	416
Telephone	1,916
Memberships and Dues	425
Insurance	14,272
Utilities	5,857
Maintenance and Repairs	4,431
Registration Fees	2,795
Capital Outlay	649,361
Equipment Replacement	151
Interest	15,080
Miscellaneous	80,430
	<hr/>
Total	856,408
	<hr/>
Excess (Deficiency) of Revenues	
Over Expenditures	(613,735)

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2007

OTHER FINANCING SOURCES (USES)

Transfers In	126,842
Proceeds from Issuance of Debt	<u>594,743</u>
Total Other Financing Sources (Uses)	721,585
Net Change in Fund Balance	107,850
<u>FUND BALANCE</u> - Beginning of Year	<u>218,105</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 325,955</u>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

PUBLIC IMPROVEMENT FUND

BALANCE SHEET  
MARCH 31, 2007

ASSETS

Cash	\$ 148,590
Investments	17,563
Taxes Receivable	<u>10,002</u>
 TOTAL ASSETS	 <u>\$ 176,155</u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Public Improvement	<u>176,155</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 176,155</u>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

PUBLIC IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2007

	<u>ACTUAL</u>
<u>REVENUES</u>	
Taxes	\$ 117,101
Interest and Rents	4,496
Total Revenues	<u>121,597</u>
<u>EXPENDITURES</u>	
Public Works	
Road Maintenance	57,565
Miscellaneous	46,202
Total Expenditures	<u>103,767</u>
Excess (Deficiency) of Revenues Over Expenditures	17,830
<u>OTHER FINANCING SOURCES (USES)</u>	
Transfer In	<u>28,098</u>
Net Change in Fund Balance	45,928
<u>FUND BALANCE</u> - Beginning of Year	<u>130,227</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 176,155</u></u>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED MARCH 31, 2007

	<u>BALANCE</u>			<u>BALANCE</u>
	<u>4/1/2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>3/31/2007</u>
<u>ASSETS</u>				
Cash	\$ 453,013	\$ 3,433,528	\$ 3,878,927	\$ 7,614
<u>LIABILITIES</u>				
Due to Other Funds	443,692	529,513	967,197	6,008
Due to Other Organizations and Individuals	9,321	3,706	13,027	0
Due to Other Governments	0	2,900,309	2,898,703	1,606
Total Liabilities	\$ 453,013	\$ 3,433,528	\$ 3,878,927	\$ 7,614

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

STATEMENT OF 2006 TAX ROLL  
MARCH 31, 2007

TAXES ASSESSED

County	\$ 735,169	
County - State Education Tax	702,267	
District Library	40,820	
Ambulance	53,629	
Township		
Operating	114,280	
Fire	225,739	
Roads	117,058	
Schools		
Central Lake Public Schools	1,321,981	
Ellsworth Community Schools	4,561	
Intermediate School		
Charlevoix Emmet Intermediate School	<u>322,064</u>	\$ 3,637,568

TAXES COLLECTED

County	682,970	
County - State Education Tax	660,935	
District Library	37,341	
Ambulance	49,046	
Township		
Operating	104,516	
Fire	205,879	
Roads	107,056	
Schools		
Central Lake Public Schools	1,204,796	
Ellsworth Community Schools	3,912	
Intermediate School		
Charlevoix Emmet Intermediate School	<u>294,544</u>	<u>3,350,995</u>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

STATEMENT OF 2006 TAX ROLL  
MARCH 31, 2007

TAXES RETURNED DELINQUENT

County	52,199	
County - State Education Tax	41,332	
District Library	3,479	
Ambulance	4,583	
Township		
Operating	9,764	
Fire	19,860	
Roads	10,002	
Schools		
Central Lake Public Schools	117,185	
Ellsworth Community Schools	649	
Intermediate School		
Charlevoix Emmet Intermediate School	<u>27,520</u>	<u>\$ 286,573</u>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY  
CENTRAL LAKE, MICHIGAN

STATEMENT OF 2006 INDUSTRIAL FACILITIES TAX ROLL  
MARCH 31, 2007

	TAXABLE VALUATION	MILLS LEVIED	TAXES ASSESSED	TAXES COLLECTED	TAXES RETURNED DELINQUENT
County	\$ 70,600	3.1400	\$ 222	\$ 222	\$ 0
District Library	70,600	0.1750	12	12	0
Ambulance	70,600	0.2291	16	16	0
Township					
Operating	70,600	0.4881	34	34	0
Roads	70,600	0.5000	35	35	0
School					
Central Lake Public Schools	70,600	9.8750	697	697	0
Intermediate School					
Charlevoix Emmet Intermediate School	70,600	1.3756	97	97	0
			<u>\$ 1,113</u>	<u>\$ 1,113</u>	<u>\$ 0</u>

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

October 10, 2007

### LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Central Lake Township  
Antrim County  
Central Lake, Michigan

During the course of our audit of the basic financial statements of Central Lake Township for the year ended March 31, 2007, we noted the following items:

#### Budgeting

The Township did not adopt budgets for the following funds: Public Improvement, Equipment Replacement, Budget Stabilization, Longevity and Perpetual Care. To be in compliance with P.A. 621 the Township should adopt budgets for the General Fund and each Special Revenue fund. Additionally, the fire fund expenditures exceeded budgeted amounts. This was caused by audit adjustments that booked the construction costs for the addition to the fire hall and the issuance of the debt to pay for the addition to the fire hall.

#### Reconciliation Between Clerk and Treasurer Records

The Michigan Department of Treasury Uniform Accounting Procedures Manual requires the Clerk to reconcile the Clerk's records to the Treasurer's records on a monthly basis. It does not appear that the Township is currently following this procedure. We recommend that the Clerk and Treasurer reconcile their records on a monthly basis.

#### Balance in Tax Collection Fund

At year end, a balance existed in the Tax Collection Fund. All monies collected by this fund should be timely paid out in accordance with state law.

#### Telecommunications Right-of-Way Revenues

The state restricts the use of these monies to specific items, such as road construction and street lighting. As a result \$5,896 of the General Fund fund balance is restricted. We recommend that this money and all future Telecommunication revenues be used for road construction and road maintenance projects.

Property Tax Administration Fee

The Township is charging a property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the Board pass a motion to write off the loss annually.

We would like to thank the board for awarding our firm the audit assignment of the Township and to thank the Township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

October 10, 2007

To the Township Board  
Central Lake Township  
Antrim County  
Central Lake, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Lake Township, Antrim County, Central Lake, Michigan as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of

strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

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

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*