Tobin & Co.

Torch Lake Township

Antrim County, Michigan

Audit Report

For the Year Ended March 31, 2008

Michigan Department of Treasury
496 (Rev.06/08)

Auditing Procedures Report

Reset Form | Email

Issued under Public Act 2 of 1968, as amended.

Unit Name	County	Type	MuniCode
Torch Lake Township	Antrim	Township	05.1140

Opinion Date	Audit Submitted	Fiscal Year
9/4/08	9/11/08	3/31/08

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- ☑ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☑ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☑ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☑ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☑ 5. Did the local unit adopt a budget for all required funds?
- ☑ 6. Was a public hearing on the budget held in accordance with State statute?
- ☑ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☑ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☑ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☑ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☑ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☑ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☑ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- ☑ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☑ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☑ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☑ 18. Are there reported deficiencies? ☑ 19. If so, was it attached to the audit report?

General Fund Revenue:	436,721	General Fund Balance:	788,604
General Fund Expenditure:	2042,152	Governmental Activities Long-Term Debt (see instructions):	1,099,689
Major Fund Deficit Amount:	$ 0.00		

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations)

CPA (First Name)	Last Name	Ten Digit License Number		
JOHN	TOBIN	1101005221		
CPA Street Address	City	State	Zip Code	Telephone
400 E. Eighth St.	Traverse City	MI	49686	231 947-0151
CPA Firm Name	Unit's Street Address	City	Zip Code	
Tobin & Co., PC	400 E. Eighth	Traverse City	MI	

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INTRODUCTORY SECTION

Comments and Recommendations

We have audited the basic financial statements of Torch Lake Township, Antrim County, for the year ended March 31, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal aceounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Torch Lake Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

General

The records were maintained in excellent condition by your present Clerk and Treasurer. Recorded revenues were deposited intact, journals and ledgers were properly posted and maintained in accordance with the Uniform Accounting Proeedures developed by the Michigan Department of Treasury. Board minutes were in good order and supporting documents and follow-up procedures appeared to be in very good order. The efforts of these officials for 2007-2008 are commendable. In a separate management letter we have addressed accounting reeords matters which came to our attention and recommended steps to address these matters. Comments and recommendations regarding items other than the accounting records themselves are as follows:

Budgets and Procedures

The Township prepared and formally adopted budgets for its General and Special Revenue Funds. No cost centers exceeded budgeted amounts. Records show that cost center budgets were closely monitored during the year.

Property Tax Collections

2007 property taxes collected were distributed to taxing units prior to the end of the fiscal year. This function was handled in an excellent manner by the Treasurer.

Schedule 7 reflects the amount levied, collected, and returned delinquent for the 2007 property tax levy.

Ambulance/EMS

The billing for ambulance/EMS services is now up-to-date. In the future, eonsideration should be given to having a Township Board member review the status of the billing and collection process on a monthly schedule to assure that the record keeping is current and to assure, among other things, that only those accounts that are written-off as uncollectible are authorized by the Township Board or its representative.

EMS personnel have maintained a bank account in the name of Toreh Lake Township EMS Association for several years. The Association has accepted donations from citizens, and the funds have been used for beverages and snacks during meetings, Christmas dinners for staff, staff picnics, and other purposes.

Since the organization's name infers that it is part of Torch Lake Township, the funds must be accounted for in the books and records of Torch Lake Township. Further, a substantial portion of the expenditures by the Association, are illegal expenditures for local units of government.

Also, the individual who controls the bank accounts for the Torch Lake Township EMS Association is also the Township Treasurer. These two positions appear to be in conflict since the Township Treasurer is charged with controlling funds belonging to the Township and with informing the Township Clerk of the receipts collected so that the Clerk may enter the transactions in the Township financial records. Since those funds are Township funds, the Treasurer has not fulfilled that statutory duty.

It is our understanding that the bank account of the Torch Lake Township EMS Association has been closed, and the funds were deposited in a Township bank account.

Comments and Recommendations

Capital/Intangible Assets

Note 4 reflects the acquisition of capital/intangible assets during the audit year. GASB #34 requires that these assets be capitalized and depreciated or amortized over their useful lives on the government-wide financial statements.

Property Tax Administration Fees

As permitted by statute, an administration fee of 1% was levied on all 2007 property taxes. Fees collected may be used only to offset such property tax administration costs as assessing, collecting, and the review and appeal process. As reflected on Schedule 8, fees collected exceed costs by $5,754 for the year. The accumulated excess of costs over amounts collected is $1,173 at March 31, 2008. The calculation of Township costs should be reviewed since the Township cannot make a profit from the collection of administration fees.

Insurance and Surety Bond Coverage

Records reflect that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general liability, equipment, errors and omissions, crime and workmen's compensation. Coverage was reviewed during the audit year. The Clerk, Treasurer, Deputy Clerk, Deputy Treasurer, and Supervisor have surety bond coverage.

Payroll Procedures

Payroll procedures and filing of payroll tax returns were handled in a proper manner by the Township Clerk.

Other Data

We noted the use of an interest bearing money market account and the purchase of certificates of deposit during the audit year. This practice resulted in earned interest of nearly $125,000 for the audit year. We commend the Treasurer and other Board members for the practices and policies which resulted in this additional revenue.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field auditor in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

FINANCIAL SECTION

Tobin & Co.

REPORT OF INDEPENDENT AUDITOR

To the Township Board
Torch Lake Township
Antrim County
Eastport, Michigan 49627

We have audited the accompanying financial statements of the governmental activities and each major fund of Torch Lake Township as of and for the year ended March 31, 2008, 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 an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of Torch Lake Township at March 31, 2008, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by Government Accounting Standards Board Statement 34. 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 an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Torch Lake Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Tobin & Co., P.C.

TOBIN & CO., P.C.
Certified Public Accountants
September 4, 2008

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Traverse City
Michigan 49686
231 947-0151
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Certified Public Accountants

TORCH LAKE TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Administrative Officials of the Torch Lake Township, Antrim County, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Torch Lake Township for the fiscal year ended March 31, 2008.

Financial Highlights

The assets of Torch Lake Township exceeded its liabilities at the close of the most recent fiscal year by $4,019,797. Of this amount, $1,789,593 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of $1,777,840, a decrease of $356,739 in comparison with the prior year of the total amount, $788,604 is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was $788,604, or 39% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Torch Lake Township's basic financial statements. The Township's basic financial statements comprise 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.

1. 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-section business.

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 Township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as 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 future fiscal periods (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include: General Government, Public Safety, Road Projects, and Township Improvements. Torch Lake Township does not have any business-type activities (examples would include water and sewer, golf courses, etc.).

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Torch Lake Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Torch Lake Township are categorized as governmental funds.

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 fund financial statements focus on near-term inflows and outflows 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 statements, 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Torch Lake Township maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, and EMS Fund, which are considered to be major funds. All Township government activities are included in these seven funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

3. **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.

General Fund Analysis and Highlights

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was $788,604. Unreserved fund balance represents 39% of total general fund expenditures for the year.

The fund balance of the Township's general fund increased by $64,569 during the current fiscal year.

Expense increases associated with operational matters have generally followed the increases in inflation; however, during the 2007-2008 fiscal year, capital expenses escalated greatly due to increased costs associated with construction of a new Community Services Building at 2355 North US 31, Kewadin, MI. The pre-construction price of the building was $1,735,000 excluding furnishings; furniture; window treatments; appliances; change orders; and, audio, video, computer and phone systems. Some of these construction-related expenditures will carry over into fiscal year 2008-2009.

Prior to the start of construction, the Township Board had accumulated $260,000 in the General Fund budget to be used for the construction and furnishing of the new facility. In addition, on March 20, 2007, the Board entered into an Installment Purchase Agreement (IPA) involving Alden State Bank and Comstock Construction Company of Traverse City, MI., in the amount of $1,000,000. The Township will repay its financial obligations associated with this IPA by making fifteen (15) annual payments of $94,721, each due on the 15th of May through the year 2022.

Analysis of Balances and Transaction of the Other Township Funds

The Ambulance Special Assessment District Fund (EMS) is maintained by a special assessment district millage that allows a maximum annual debt retirement millage of 10 mills and an unlimited operations millage annually. These funds can only be used in conjunction with our Emergency Medical Service (EMS) Department operations. At the end of the current fiscal year, the total fund balance was $394,534. This fund increased by $43,159 over the previous fiscal year's fund balance.

During the past nine years, the Township Board earmarked over $70,000 to be used toward the purchase of a new ambulance and $20,000 for Building Capital Outlay in support of construction of a new facility that will include space for EMS vehicles, personnel and operations. During fiscal year 2007-2008, an order for a new ambulance was placed and a down payment of $11,969 was made. In addition, an Installment Purchase Agreement (IPA) with a contract amount of $99,689 was put into effect on March 5, 2008 involving Alden State Bank, Mercy Sales, Inc. of Saginaw, MI., and the Township. The Township will repay its financial obligations associated with this IPA my making five (5) annual payments beginning with a payment of $24,872.83 due on the 1st of May 2009 and continuing through May 1, 2013.

The Fire Special Assessment District Fund is maintained by a special assessment district millage that allows a maximum debt retirement annual millage of 10 mills and an unlimited operations millage annually. These funds can only be used in conjunction with our Fire Department operations. At the end of the current fiscal year, the total fund balance was $441,066. This fund decreased by $474,517 from the previous fiscal year's fund balance.

During the past thirteen years, the Township Board earmarked over $141,000 to be used toward the purchase of a fire pumper and $580,000 for Building Capital Outlay for the construction of a new facility that will include space for Fire Department vehicles, personnel and operations.

During fiscal year 2007-2008, an order for a new fire pumper vehicle was placed with an initial payment of $73,436 made to W. S. Darley, Co., Melrose Park/Itasca, IL. In addition, an Installment Purchase Agreement (IPA) with a contract amount of $226,501 was put into effect on May 22, 2008, involving Alden State Bank, Circle K Service Corporation, Midland, MI., W. S. Darley, Co., Melrose Park/Itasca, IL and the Township. The Township will repay its financial obligations associated with this IPA by making five (5) annual payments beginning with a payment of $42,501 due on the 1st of May 2009 and continuing through May 1, 2013.

Condensed Financial Information

Net Assets

	Governmental and Total Net Assets	
	3/31/08	3/31/07
Current Assets	$ 2,277,449	$ 2,188,724
Capital Assets	3,261,893	1,393,987
Other Long-term Assets	-	-
Total Assets	5,539,342	3,582,711
Current Liabilities	419,856	-
Long-term Debt	1,099,689	16,088
Other Long-term Liabilities	-	-
Total Liabilities	1,519,545	16,088
Net Assets:		
Investment in Capital and Intangible Assets	2,162,204	1,393,987
Restricted	68,000	62,518
Unrestricted	1,789,593	2,105,045
Total Net Assets	$ 4,019,593	$ 3,561,550

Activities

	Governmental and Total Activities	
	3/31/08	3/31/07
Program Revenues:		
Charges for Services	$ 72,142	$ 54,243
Operating Grants	-	-
General Revenues:		
Property Taxes	722,019	699,628
State Shared Revenues	83,690	82,970
Other	137,723	103,907
Total Revenues	943,432	940,748
Expenses:		
Legislative	57,305	49,013
General Government	111,638	137,474
Public Safety	289,261	340,831
Public Works	78,588	17,259
Recreation and Cultural	19,138	15,222
Other	1,395	13,661
Total Expenses	557,327	573,443
Change in Net Assets	$ 458,247	$ 367,305

Capital Asset and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental activities as of March 31, 2008, amounts to $3,261,893. This investment in capital assets includes: several parcels of land, Township Hall, Fire and Rescue Barns, Fire and Rescue Trucks and Equipment, and Office Furniture and Equipment. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful life. This fiscal year the amount by which capital outlays exceeded depreciation was $1,776,253.

Cash Assets

At the end of the current fiscal year, the Township had $2,197,696 in cash and investments. Of this amount, $1,881,604 (86%) was held in Money Market Funds and certificates of deposit and was earning interest; the remainder is held in the Township's checking account. The Township is limited by State law in how it can invest these funds, and we have made no changes in our investment strategy in several years.

Long-term Debt

At the end of the current fiscal year, the Township had installment debt outstanding of $99,689. This was incurred in connection with the acquisition of an ambulance. In addition, the Township has a $1,000,000 installment debt outstanding in connection with the construction of the Public Safety Building.

Pension Plan

Township employees have the option of having the Township pay Social Security taxes or to join our pension plan. The Township makes contributions equal to 6 percent of each employee's wage and employees contribute an additional 10 percent to Municipal Retirement Systems, Inc. This is an expensed item in the budget and totaled $6,461 for the fiscal year. The Township also provides health insurance for full-time EMS personnel.

Requests for Information

This financial report is designed to provide a general overview of Torch Lake Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Robert Spencer, Supervisor, Torch Lake Township, P. O. Box 713, Eastport, MI 49627 (231-599-2036).

Torch Lake Township
Statement of Net Assets
March 31, 2008

		Governmental Activities And Total
Assets		
Cash and Cash Equivalents		$ 316,092
Investments		1,881,604
Accounts Receivables		44,843
Taxes Receivable		34,910
Capital Assets:		
Land	$ 1,082,679	
Other Capital Assets, Net of Depreciation	2,083,354	3,166,033
Intangible Assets, Net of Amortization		95,860
Total Assets		5,539,342
Liabilities		
Accounts Payable and Accrued Expenses		419,856
Long-term Liabilities:		
Due Within One Year		65,443
Due in More Than One Year		1,034,246
Total Liabilities		1,519,545
Net Assets		
Invested in Capital and Intangible Assets, Net of Related Debt		2,162,204
Restricted for:		
Cemetery Perpetual Care		68,000
Unrestricted		1,789,593
Total Net Assets		$ 4,019,797

See Accompanying Notes to Basic Financial Statements

Torch Lake Township
Statement of Activities
March 31, 2008

Functions/Programs	Expenses	Charges For Services	Operating Grants and Contributions	Governmental Activities and Total
Governmental Activities:				
Legislative	$ 57,307	$ -	$ -	$ (57,307)
General Government	111,638	30,306	-	(81,332)
Public Safety	289,261	41,836	-	(247,425)
Public Works	78,588	-	-	(78,588)
Recreation and Cultural	19,138	-	-	(19,138)
Other	821	-	-	(821)
Interest on Long-Term Debt	574	-	-	(574)
Total Governmental Activities	$ 557,327	$ 72,142	$	(485,185)

General Revenues:	
Property Taxes	722,019
Grants and Contributions Not Restricted to Specific Programs	83,690
Unrestricted Investment Earnings	123,881
Miscellaneous	13,842
Total General Revenues	943,432
Change in Net Assets	458,247
Net Assets – Beginning	3,561,550
Net Assets – Ending	$ 4,019,797

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Torch Lake Township
Balance Sheet
Governmental Funds
March 31, 2008

	General	Fire	EMS	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 344	$ 200,000	$ 60,748	$ 55,000	$ 316,092
Investments	1,204,625	241,153	337,190	98,636	1,881,604
Accounts Receivable	-	-	44,843	-	44,843
Taxes Receivable – Current	11,519	10,396	12,995	-	34,910
Total Assets	$ 1,216,488	$ 451,549	$ 455,776	$ 153,636	$ 2,277,449
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	$ 411,855	$ -	$ -	$ -	$ 411,855
Wages, Pension, and Payroll Taxes	4,510	87	3,404	-	8,001
Deferred Revenue	11,519	10,396	57,838	-	79,753
Total Liabilities	427,884	10,483	61,242	-	499,609
Fund Balances:					
Reserved					
Unreserved	788,604	441,066	394,534	153,636	1,777,840
Total Fund Balances	788,604	441,066	394,534	153,636	1,777,840
Total Liabilities and Fund Balances	$ 1,216,488	$ 451,549	$ 455,776	$ 153,636	

Amounts reported for governmental activities on the statement of net assets are different because:	
Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,261,893
Property taxes receivable and accounts receivable are not deferred in the statement of net assets.	79,753
Long-term liabilities do not use current financial resources, and therefore, are not reported in the funds.	(1,099,689)
Net assets of governmental activities.	$ 4,019,797

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Toreh Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balanees
Governmental Funds
For the Year Ended March 31, 2008

	General	Fire	EMS	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 254,970	$ 205,386	$ 256,734	$ -	$ 717,090
State Grants	81,366	-	-	2,324	83,690
Charges for Serviees	30,306	-	16,084	-	46,390
Interest and Rents	66,331	41,065	12,647	5,498	125,541
Other	3,748	-	5,914	2,520	12,182
Total	436,721	246,451	291,379	10,342	984,893
Expenditures					
Legislative	57,307	-	-	-	57,307
General Government	111,638	-	-	-	111,638
Public Safety	35,325	140,968	257,909	292	434,494
Public Works	78,588	-	-	-	78,588
Recreation and Cultural	19,138	-	-	-	19,138
Other	17,483	-	-	-	17,483
Capital Outlay	1,722,673	-	-	-	1,722,673
Total	2,042,152	140,968	257,909	292	2,441,321
Excess Revenues (Expenditures)	(1,605,431)	105,483	33,470	10,050	(1,456,428)
Other Financing Sources (Uses)					
Transfers In	670,000	-	-	-	670,000
Transfers Out	-	(580,000)	(90,000)	-	(670,000)
Proceeds from Issue of Long-term Debt	1,000,000	-	99,689	-	1,099,689
Total Other Financing Sources (Uses)	1,670,000	(580,000)	9,689	-	1,099,689
Excess Revenues (Expenditures) and Net Change in Fund Balances	64,569	(474,517)	43,159	10,050	(356,739)
Fund Balance – Beginning of Year	724,035	915,583	351,375	143,586	2,134,579
Fund Balance – End of Year	$ 788,604	$ 441,066	$ 394,534	$ 153,636	$ 1,777,840

See Accompanying Notes to Basic Financial Statements

Torch Lake Township
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Aetivities
For the Year Ended March 31, 2008

Net change in fund balances – total governmental funds	$ (356,739)
Governmcntal funds defer property tax revenues received more than 60 days after the year end as unavailable financial resources for the financial statements. In the statement of activities these are not deferred. This is the amount by which deferred revenue increased during the year.	30,681
Governmental fund report eapital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital assets and costs of intangible assets exceeded depreciation and amortization in the current period.	1,867,906
Debt proeeeds are recorded as revenues in the governmental funds but as a liability in the statement of net assets	(1,099,689)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net asscts. This is the amount of repayment during the period.	16,088
Changes in net assets of governmental activities	$ 458,247

See Accompanying Notcs to Basic Financial Statements

Tobin & Co.

Torch Lake Township
Statement of Fiduciary Net Assets
March 31, 2008

Assets	Agency Funds
Cash and Investments	$ 124
Total Assets	124
Liabilities	
Undistributed Taxes and Interest	124
Total Liabilities	124
Net Assets	$ -

See Accompanying Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Torch Lake Township is a general law township located in Antrim County. Population as of the 2000 census was 1,159, and the current state equalized value and the taxable value for taxable property is $371,296,900 and $208,349,259, respectively.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Funds – These funds are used to account for resources that are legally restricted to the extent that only the earnings, and not the principal, may be used for purposes that support the reporting government's programs.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets (Continued)

Assets capitalized have an original cost of $1,000 or more and over one year of useful life. Depreciation has been ealculated on eaeh class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	10 – 20 years
Buildings and Improvements	25 – 40 years
Vehieles	5 – 10 years
Machinery and Equipment	1 – 10 years
Furniture and Equipment	3 – 10 years

F. Property Tax Procedures and Collections

Properties are assessed as of Deeember 31 and the related property taxes become a lien the following July 1 and/or Deeember 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	$371,296,900	$208,349,259	.9423
Fire Protection	$371,296,900	$206,761,659	1.0000
Ambulance Service	$371,296,900	$206,761,659	1.2500

G. Investments

At March 31, 2008, the Township had investments with a carrying value of $1,881,604. Township officials have been assured that the investments are legal for local units of government in Michigan.

H. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Fiduciary Fund Type and Non-expendable Trust Funds consider all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.

B. All funds had positive fund balances at March 31, 2008.

C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2008, no cost center exeeeded its expenditure budget.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

(1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.

(2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

(3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.

(4) Repurchase agreements consisting of instruments defined in (1) above.

(5) In bankers' acceptances of United States Banks.

(6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

(7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township had $2,207,888 deposited with local financial institutions at March 31, 2008 with a carrying value of $2,197,696. Interpreting the FDIC insurance coverage of $100,000 of demand deposits and $100,000 of time deposits per financial institution, the Township had $1,485,868 of uninsured deposits at March 31, 2008.

NOTE 4 - CAPITAL/INTANGIBLE ASSETS

	3/31/07	Additions	Deletions	3/31/08
Governmental Activities:				
Land and Improvements	$ 1,022,421	$ 60,258	$ -	$ 1,082,679
Construction in Progress	51,915	1,612,650	-	1,664,565
Buildings and Improvements	283,220	-	-	283,220
Machinery and Equipment	142,862	16,579	-	159,441
Office Furniture and Equipment	30,269	44,000	-	74,269
Vehicles and Equipment	347,993	85,405	-	433,398
Total	1,878,680	1,818,892	-	3,697,572
Less Accumulated Depreciation	(488,900)	(42,639)	-	(531,539)
Governmental Activities Capital Assets, Net	$ 1,389,780	$ 1,776,253	$ -	$ 3,166,033

NOTE 4 - CAPITAL/INTANGIBLE ASSETS (Continued)

	3/31/06	Additions	Deletions	3/31/07
Intangible Assets:				
Roads	$ 45,413	$ 59,077	$ -	$ 104,490
Less Accumulated Amortization	(3,406)	(5,224)	-	(8,630)
Intangible Assets, Net	$ 42,007	$ 53,853	$ -	$ 95,860

NOTE 5 - PUBLIC SAFETY BUILDING AND LONG-TERM DEBT

The Township began construction of a Public Safety Building during the year. Construction was completed in June 2008, and the facility will house the Township offices, fire equipment and offices, and EMS equipment and offices. The facility is being financed, in part, by an installment contract payable to a bank. The contract bears interest at 4.75% and is payable in annual installments of $94,721 on May 15 beginning in 2008.

A maturity schedule of the installment contract is as follows:

Maturity Date	Principal	Interest	Total
May 15, 2008	$ 47,221.13	$ 47,500.00	$ 94,721.13
May 15, 2009	49,464.13	45,257.00	94,721.13
May 15, 2010	51,813.68	42,907.45	94,721.13
May 15, 2011	54,274.83	40,446.30	94,721.13
May 15, 2012	56,852.88	37,868.25	94,721.13
May 15, 2013	59,553.40	35,167.73	94,721.13
May 15, 2014	62,382.18	32,338.95	94,721.13
May 15, 2015	65,345.34	29,375.79	94,721.13
May 15, 2016	68,449.24	26,271.89	94,721.13
May 15, 2017	71,700.58	23,020.55	94,721.13
May 15, 2018	75,106.36	19,614.77	94,721.13
May 15, 2019	78,673.91	16,047.22	94,721.13
May 15, 2020	82,410.92	12,310.21	94,721.13
May 15, 2021	86,325.44	8,395.69	94,721.13
May 15, 2022	90,425.98	4,295.23	94,721.13
Total	$ 1,000,000.00	$ 420,817.03	$ 1,420,817.03

In March 2008 the Township executed an installment contract for $99,689 in connection with the purchase of an ambulance. The contract provides for five annual payments of $22,708 including interest at 4.5%.

Maturities of both installment contracts comprising long-term debt are as follows:

Year Ending March 31,	Principal	Interest	Total
2009	$ 65,443	$ 51,986	$ 117,429
2010	68,506	48,923	117,429
2011	71,713	45,717	117,429
2012	75,070	42,360	117,429
2013	78,583	38,846	117,429
Thereafter	740,374	206,838	947,214
Total	$ 1,099,689	$ 434,670	$ 1,534,359

NOTE 6 - LOANS AND TRANSFERS BETWEEN FUNDS

During the year the Fire Fund transferred $580,000 to the General Fund, and the EMS Fund transferred $90,000 to the General Fund.

NOTE 7 - INVENTORIES

Torch Lake Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 8 - RETIREMENT PLAN

The Township participates in a defined contribution pension plan for Michigan Township employees through Municipal Retirement Systems, Inc. Listed below is a summary of the significant plan provisions adopted by Board resolution in July 1991:

A. Eligibility Requirements

1. Attained age of 18 and not more than 75.
2. No minimum service requirement.
3. All elected officials and full-time and part-time employees.

B. Contributions

1. 16% of annual compensation is funded annually – 6% by the Township and 10% by employees.
2. Compensation determined by the basic annual rate of compensation in effect at the beginning of the plan year.
3. Township pays 38% of required annual contribution.

C. Vesting

1. Contributions are vested to the employee immediately upon early retirement, termination of service, death, disability, or normal retirement at age 65.

D. Plan Administration

1. The plan is administered by the Township Clerk. During the year ended March 31, 2008, the total Township contribution for the plan year, July 1, 2006 to June 30, 2008 was $6,461. Covered payroll for the year was $86,455 with total payroll of $255,904 for all employees. The plan was funded at the required contribution amount.

NOTE 9 - ACCOUNTS/TAXES RECEIVABLE

Delinquent taxes receivable of $11,519 in the General Fund and $23,391 in the Special Revenue Funds, represent 2007 real property tax and property tax administration fees returned delinquent to the County Treasurer for collection as of March 1, 2008. Revenue recognition is deferred until taxes are collected, as the above amounts are not available for expenditures or obligations of the audit year. Accounts receivable represent outstanding charges for services rendered by the Ambulance Service. The revenues are recognized at the time the services are billed which approximates the date of service.

NOTE 10 - PROPERTY TAX ADMINISTRATION FEES

As permitted by statute, the Township levied a 1% administration fee on all 2007 property taxes. This fee may be used only to offset such property tax administration expenses as assessing, collecting, and the review and appeal process. Fee collections exceeded expenditures for the audit year by $5,754, and at March 31, 2008 accumulated expenditures exceeded fee collections by $1,173.

NOTE 11 - CONTINGENT LIABILITIES

Township officials are aware of no contingent liabilities as of March 31, 2008.

NOTE 12- 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; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 13- COMPENSATED ABSENCES

The Township provides EMS employees with paid vacation and paid personal/sick days. Paid vacation days accrue beginning at one-half day per month to a maximum of one day per month with a maximum of ten days per calendar year. Personal/sick days accrue at the rate of one day per month to a maximum of ten days per calendar year. At March 31, 2008, a total of $4,482 of vacation and personal/sick days had accrued.

SUPPLEMENTAL DATA SECTION

Torch Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2008

Schedule 1
Page 1

Revenues	Budgetary Amounts Original	Budgetary Amounts Final	Actual	Variance Favorable (Unfavorable)
Taxes:				
Current Taxes	$ 188,351	$ 188,351	$ 187,281	$ (1,070)
Delinquent Taxes	7,850	7,850	8,396	546
Penalties and Interest on Taxes	375	375	1,597	1,222
Property Tax Administration Fees	52,000	52,000	57,696	5,696
Licenses and Permits:				
Permits	1,550	1,550	1,980	430
State Grants:				
State Shared Revenues	77,000	77,000	79,739	2,739
Metro Act	1,600	1,600	1,627	27
Charges for Services:				
Trash	8,900	8,900	8,800	(100)
Cemetery Lots	3,500	3,500	10,080	6,580
Tax Collection Fees	5,303	5,303	5,428	125
Other	5,500	5,500	4,018	(1,482)
Interest and Rents:				
Interest	6,000	6,000	64,671	58,671
Rents	1,500	1,500	1,660	160
Other:				
Fixed Assets	-	-	200	200
Miscellaneous	1,350	1,350	3,548	2,198
Total Revenues	360,779	360,779	436,721	75,942
Expenditures				
Legislative:				
Township Board:				
Salaries and Wages	-	-	6,380	-
Legal	-	-	25,136	-
Audit	-	-	4,703	-
Telephone	-	-	1,446	-
Travel	-	-	325	-
Printing	-	-	7,584	-
Repairs and Maintenance	-	-	880	-
Supplies	-	-	6,387	-
Dues and Subscriptions	-	-	3,124	-
Miscellaneous	-	-	1,342	-
Total	73,522	73,522	57,307	16,215
Total Legislative	73,522	73,522	57,307	16,215
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	14,750	-
Dues	-	-	20	-
Education	-	-	75	-
Total	23,373	23,373	14,845	8,528

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

Torch Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2008

	Budgetary Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Expenditures (Continued)				
General Government (Continued):				
Elections:				
Salaries and Wages	-	-	2,081	-
Supplies	-	-	223	-
Travel	-	-	81	-
Miscellaneous	-	-	216	-
Total	10,300	10,300	2,601	7,699
Assessor:				
Supplies	-	-	893	-
Contracted Services	-	-	24,262	-
Total	26,300	26,300	25,155	1,145
Clerk:				
Salaries and Wages	-	-	18,630	-
Supplies	-	-	26	-
Contracted Services	-	-	970	-
Dues	-	-	139	-
Education and Travel	-	-	1,185	-
Total	22,325	22,325	20,950	1,375
Board of Review:				
Salaries and Wages	-	-	880	-
Printing and Publishing	-	-	246	-
Total	1,800	1,850	1,126	724
Treasurer:				
Salaries and Wages	-	-	19,023	-
Supplies	-	-	3,901	-
Contractual Serviees	-	-	2,529	-
Education and Travel	-	-	1,209	-
Total	29,866	29,866	26,662	3,204
Township Hall and Grounds:				
Salaries and Wages	-	-	998	-
Supplies	-	-	372	-
Snow Removal and Lawn Care	-	-	1,054	-
Public Utilities	-	-	9,947	-
Maintenance and Repairs	-	-	3,358	-
Total	24,400	24,400	15,729	8,671

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

Torch Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2008

	Budgetary Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Expenditures (Continued)				
General Government (Continued):				
Cemetery:				
Salaries and Wages	-	-	2,788	-
Supplies	-	-	973	-
Public Utilities	-	-	137	-
Maintenance and Repairs	-	-	672	-
Total	8,600	8,600	4,570	4,030
Total General Government	146,964	147,014	111,638	35,376
Public Safety:				
Planning:				
Salaries and Wages	-	-	4,623	-
Dues and Subscriptions	-	-	215	-
Contracted Services	-	-	7,014	-
Supplies	-	-	882	-
Printing	-	-	1,659	-
Education, Travel, and Miscellaneous	-	-	260	-
Total	23,800	23,800	14,653	9,147
Zoning:				
Salaries and Wages	-	-	14,630	-
Dues and Subscriptions	-	-	335	-
Supplies	-	-	103	-
Printing	-	-	256	-
Education, Travel, and Miscellaneous	-	-	276	-
Total	21,974	21,974	15,600	6,374
Poliee:				
Salaries and Wages	-	-	2,619	-
Supplies	-	-	329	-
Utilities	-	-	327	-
Travel	-	-	1,797	-
Total	4,200	6,300	5,072	1,228
Total Public Safety	49,974	52,074	35,325	16,749
Public Works:				
Roads	76,000	76,000	60,612	15,388
Street Lights	3,000	3,000	2,931	69
Recycling	14,900	15,050	15,045	5
Total Public Works	93,900	94,050	78,588	15,462

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

Torch Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2008

		Budgetary Amounts			Variance Favorable
		Original	Final	Actual	(Unfavorable)
Expenditures (Continued)					
Recreation and Culture:					
Day Park:					
Salaries and Wages		-	-	7,249	-
Supplies		-	-	787	-
Utilities		-	-	382	-
Maintenance and Repairs		-	-	4,059	-
Other		-	-	1,054	-
Total		14,150	14,150	13,531	619
Other Recreational Facilities:					
Salaries and Wages		-	-	451	-
Milton Township		-	-	1,500	-
Other		-	-	156	-
Total		10,500	10,500	2,107	8,393
Library:					
Contracted Services		3,500	3,500	3,500	-
Total Recreation and Culture		28,150	28,150	19,138	9,012
Other:					
Insurance		8,000	10,600	10,475	125
Social Security and Medicare		3,200	3,200	2,893	307
Pension		5,000	5,000	4,115	885
Total Other		16,200	18,800	17,483	1,317
Capital Outlay		295,500	1,965,500	1,722,673	242,827
Total Expenditures		707,210	2,379,110	2,042,152	336,958
Excess Revenues (Expenditures)		(346,431)	(2,018,331)	(1,605,431)	412,900
Other Financing Sources (Uses)					
Operating Transfers In		-	670,000	670,000	-
Proceeds from Long-Term Debt		-	1,000,000	1,000,000	-
Total		-	1,670,000	1,670,000	-
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	(1)	$ (346,431)	$ (348,331)	64,569	$ 412,900
Fund Balance – Beginning of Year				724,035	
Fund Balance – End of Year				$ 788,604	

(1) Budgeted from Fund Balance

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

Torch Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Fire Fund
For the Year Ended March 31, 2008

Schedule 2

	Budgetary Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Taxes:				
Current Taxes	$ 199,085	$ 199,085	$ 196,634	$ (2,451)
Delinquent Taxes	8,296	8,296	8,752	456
Interest and Rents:				
Earned Interest	10,000	10,000	41,065	31,065
Miscellaneous	500	500	-	(500)
Total	217,881	217,881	246,451	28,570
Expenditures				
Salaries and Wages	26,955	26,955	17,527	9,428
Social Security	500	500	565	(65)
Medical Testing	3,000	3,000	-	3,000
Pension	650	650	646	4
Office Supplies	300	300	124	176
Supplies	2,800	2,800	1,761	1,039
Gas	2,500	2,500	1,539	961
Professional Fees	1,000	1,000	890	110
Dues and Subscriptions	500	500	385	115
Telephone	1,400	1,400	1,282	118
Insurance	6,000	6,000	9,425	(3,425)
Public Utilities	8,700	8,700	4,800	3,900
Maintenance and Repairs	8,500	8,500	3,505	4,995
Travel	2,000	2,000	6	1,994
Printing and Publishing	800	800	-	800
Training	4,000	4,000	985	3,015
Miscellaneous	1,000	1,000	333	667
Capital Outlay:				
Equipment	99,436	99,436	80,578	18,858
Principal on Debt	16,088	16,088	16,043	45
Interest	563	563	574	(11)
Total	186,692	186,692	140,968	45,724
Excess Revenues (Expenditures)	31,189	31,189	105,483	74,294
Other Financing Sources (Uses)				
Operating Transfers Out	(580,000)	(580,000)	(580,000)	-
Total Other Financing Sources (Uses)	(580,000)	(580,000)	(580,000)	-
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	$ (548,811)	$ (548,811)	(474,517)	$ 74,294
Fund Balance – Beginning of Year			915,584	
Fund Balance – End of Year			$ 441,067	

(1) Budgeted from Fund Balance

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

Tobin & Co.

Toreh Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Aetual
EMS Fund
For the Year Ended March 31, 2008

Schedule 3

		Budgetary Amounts			Varianee Favorable
		Original	Final	Aetual	(Unfavorable)
Revenues					
Taxes:					
Current Taxes		$ 248,856	$ 248,856	$ 245,794	$ (3,062)
Delinquent Taxes		10,369	10,369	10,940	571
Charges for Serviees:					
Run Fees		32,000	32,000	16,084	(15,916)
Interest and Rents:					
Interest		3,000	3,000	12,647	9,647
Other:					
Miscellaneous		-	-	5,914	5,914
Total Revenues		294,225	294,225	291,379	(2,846)
Expenditures					
Salaries and Wages		172,850	172,850	163,223	9,627
Soeial Seeurity		14,000	14,000	10,537	3,463
Medieal Testing		500	500	288	212
Certifieation		250	250	320	(70)
Pension		1,700	1,700	1,022	678
Health Insurance		19,000	19,000	15,935	3,065
Offiee Supplies		500	500	683	(183)
Supplies		10,000	10,000	8,214	1,786
Gas		3,000	3,000	1,747	1,253
Professional Fees		6,000	6,000	10,552	(4,552)
Dues and Subscriptions		225	225	150	75
Telephone		1,700	1,700	1,034	666
Insurance		21,000	21,000	17,685	3,315
Public Utilities		4,200	4,200	3,157	1,043
Maintenanee and Repairs		5,450	5,450	2,787	2,663
Travel		2,500	2,500	406	2,094
Printing and Publishing		250	250	-	250
Training		5,000	5,000	2,103	2,897
Miseellaneous		300	300	30	270
Capital Outlay:					
Equipment		27,000	27,000	18,036	8,964
Total Expenditures		295,425	295,425	257,909	37,516
Execss Revenues (Expenditures)		(1,200)	(1,200)	33,470	34,670
Other Financing Sources (Uses)					
Operating Transfers Out		(90,000)	(90,000)	(90,000)	-
Proeeeds from Issuance of Long-Term Debt		-	-	99,689	99,689
Total Other Financing Sourees (Uses)		(90,000)	(90,000)	9,689	99,689
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	(1)	$ (91,200)	$ (91,200)	43,159	$ 134,359
Fund Balancc – Beginning of Year				351,375	
Fund Balance – End of Year				$ 394,534	

(1) Budgeted from Fund Balance

The Notes to the Basic Finaneial statements are an integral part of this statement.

Torch Lake Township
Combining Balance Sheet
Non-Major Governmental Funds
March 31, 2008

Schedule 4

Assets	Special Revenues: Liquor Law Enforcement	Special Revenues: Road Improvement	Special Revenues: Park and Recreation	Permanent Fund: Perpetual Care	Total
Cash and Cash Equivalents	$ -	$ -	$ -	$ 55,000	$ 55,000
Investments	17,568	44,730	23,338	13,000	98,636
Total Assets	$ 17,568	$ 44,730	$ 23,338	$ 68,000	$ 153,636
Liabilities and Fuod Equity					
Liabilities:	$ -	$ -	$ -	$ -	$ -
Total	-	-	-	-	-
Fund Equity:					
Fund Balance – Reserved	-	-	-	43,014	43,014
Fund Balance – Uoreserved	17,568	44,730	23,338	24,986	110,622
Total	17,568	44,730	23,338	68,000	153,636
Total Liabilities and Fund Balance	$ 17,568	$ 44,730	$ 23,338	$ 68,000	$ 153,636

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

Torch Lake Township
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
March 31, 2008

Schedule 5

	Special Revenues			Permanent Fund	
Revenues	Liquor Law Enforcement	Road Improvement	Park and Reereation	Perpetual Care	Total
State Grants	$ 2,324	$ -	$ -	$ -	$ 2,324
Interest Earned	-	1,667	869	2,962	5,498
Other	-	-	-	2,520	2,520
Total	2,324	1,667	869	5,482	10,342
Expenditures					
Public Safety	292	-	-	-	292
Total	292	-	-	-	292
Exeess Revenues (Expenditures)	2,032	1,667	869	5,482	10,050
Fund Balance – Beginning of Year	15,536	43,063	22,469	62,518	143,586
Fund Balance – End of Year	$ 17,568	$ 44,730	$ 23,338	$ 68,000	$ 153,636

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

Torch Lake Township
Statement of Changes in Assets and Liabilities
Current Tax Colleetion Fund
For the Year Ended March 31, 2008

Schedule 6

	Balance 3/31/06	Additions	Deductions	Balance 3/31/07
Assets				
Cash	$ 158	$ 6,127,860	$ 6,127,894	$ 124
Total Assets	$ 158	$ 6,127,860	$ 6,127,894	$ 124
Liabilities				
Undistributed Taxes and Interest	$ 158	$ 6,127,860	$ 6,127,894	$ 124
Total Liabilities	$ 158	$ 6,127,860	$ 6,127,894	$ 124

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

Torch Lake Township
2007 Property Tax Levy and Collections
For the Year Ended March 31, 2008

Schedule 7

	Millage Rate	Adjusted Levy	Collected	Returned Delinquent
County Tax	5.1353	$ 1,071,346	$ 1,044,129	$ 27,217
County MB OP	0.8000	166,892	158,533	8,359
County Tax-COA	0.3030	79,330	75,357	3,973
School District Tax				
Central Lake	20.9334	922,501	861,574	60,927
Elk Rapids	22.7800	1,462,043	1,409,581	52,462
Intermediate School District				
TBA	2.9334	368,984	357,802	11,182
Char-Emmet	2.7395	226,916	213,813	13,103
State Education	6.0000	1,251,747	1,219,948	31,799
Township Taxes				
- General	0.9423	196,577	186,732	9,845
- Special Assessment – Ambulance	1.2500	258,789	245,794	12,995
- Special Assessment – Fire	1.0000	207,030	196,634	10,396
- Property Tax Administration Fee		57,733	55,530	2,203
District Library	0.3500	28,988	27,314	1,674
Total		$ 6,298,876	$ 6,052,741	$ 246,135

Percent of Levy Collected	96.09%
State Equalized Value	$371,296,900
Taxable Value	$208,349,259

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

Schedule 8

Torch Lake Township
Statement of Revenues, Expenditures and Balance
Property Tax Administration Fees
For the Year Ended March 31, 2008

Revenues	
Property Tax Administration Fees	$ 57,696
Total Revenues	57,696
Expenditures	
Assessor (100%)	25,155
Board of Review (100%)	1,126
Treasurer – (75% of salary plus Deputy salary)	13,993
Supervisor (15%)	2,212
Clerk (5%)	809
Contract Services	2,529
Travel	248
Education	659
Postage and Supplies	3,901
Insurance, Utilities and Use of Building	1,310
Total	51,942
Excess Revenues (Expenditures)	5,754
Excess Revenues (Expenditures) – Prior Years	(6,927)
Accumulated Excess Revenues (Expenditures)	$ (1,173)

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

Tobin & Co.

To the Township Board
Torch Lake Township
Antrim County
Eastport, Michigan 49627

We have audited the financial statements of Torch Lake Township for the year ended March 31, 2008 and have issued our report thereon dated September 4, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 20, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. 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 misstatements may exist but not be detected by us.

As part of our audit, we considered the internal control of Torch Lake Township. Such consideration was solely for the purpose of determining our audit procedures and to provide any assurance concerning such internal control. However, in addition to our comments and recommendations and notes to the financial statements, certain items regarding the control procedures of the Township came to our attention, and we wish to address these at this time.

Internal Control

In planning and performing our audit, we considered the internal control over financial reporting of the Township as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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Certified Public Accountants

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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 financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other townships of its size.

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 Torch Lake Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008. We noted no transactions entered into by the Township during the year that were both significant and unusual and of which, under professional standards, we are required to inform you, or transaction for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the 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. However, none of management's estimates are considered to be particularly sensitive.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the 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 Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Township'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 Township's 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.

Difficulties Encountered in Performing the Audit

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

This information is intended solely for the use of the Township Board and management of Torch Lake Township and is not intended to be and should not be used by anyone other than these specified parties.

Tobin & Co., P.C.

Tobin & Co., P.C.

September 4, 2008