

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF STANDISH	County ARENAC
Fiscal Year End 03/31/2007	Opinion Date 05/10/2007	Date Audit Report Submitted to State 07/31/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

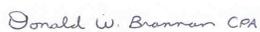
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

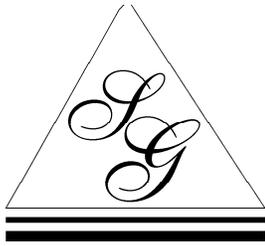
YES NO **Check each applicable box below.** (See instructions for further detail.)

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) STEPHENSON, GRACIK & CO., P.C.		Telephone Number (989) 362-4491	
Street Address 325 NEWMAN STREET, PO BOX 592		City EAST TAWAS	State Zip MI 48730
Authorizing CPA Signature  <small>Digitally signed by Stephenson, Gracik and Co., P.C. DN: cn=Stephenson, Gracik and Co., P.C., c=US Date: 2007.08.27 10:13:35 -0500</small>	Printed Name DONALD W. BRANNAN		License Number 1101021039



Stephenson Gracik & Co., P.C.

Certified Public Accountants & Consultants

Alan J Stephenson, CPA
Gerald D Gracik Jr., CPA
James J Gracik, CPA
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Herman A Bertuleit, CPA

TOWNSHIP OF STANDISH
ARENAC COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED MARCH 31, 2007

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AUDITORS' REPORT

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BASIC FINANCIAL STATEMENTS

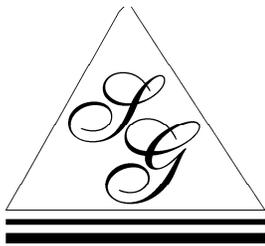
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July 2, 2007

Independent Auditors' Report

Members of the Township Board
Township of Standish
Arenac County, Michigan

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Township of Standish, Arenac County, Michigan, as of and for the year ended March 31, 2007, as listed in the index, which collectively comprise a portion of the Township's basic financial statements required by accounting principles generally accepted in the United States of America. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between this accounting practice and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As described more fully in Note 2, management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Standish, Arenac County, Michigan as of March 31, 2007, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Township of Standish, Arenac County, Michigan, as of March 31, 2007, and the revenues it received and expenditures it paid for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2007, on our consideration of the Township of Standish's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the Township Board
Township of Standish
July 2, 2007
Page Two

The budgetary comparison information is not a required part of the basic financial statements but is 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 required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Standish, Arenac County, Michigan has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Stephenson, Gratch & Co., P.C.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF ASSETS, LIABILITIES
AND FUND EQUITY - CASH BASIS
GOVERNMENTAL FUNDS

March 31, 2007

With Comparative Totals for March 31, 2006

	<u>General</u>	<u>Garbage Collection</u>	<u>Total Governmental Funds</u>	
			<u>March 31, 2007</u>	<u>March 31, 2006</u>
<u>ASSETS</u>				
Cash and cash equivalents (Note 3)	\$ 45,950	\$ 0	\$ 45,950	\$ 44,128
Investments (Note 3)	279,032	0	279,032	273,170
Due from other funds (Note 4)	<u>36,956</u>	<u>82,400</u>	<u>119,356</u>	<u>35,245</u>
 Total Assets	 <u>\$ 361,938</u>	 <u>\$ 82,400</u>	 <u>\$ 444,338</u>	 <u>\$ 352,543</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities</u>				
Accrued payroll taxes	\$ 1,124	\$ 0	\$ 1,124	\$ 1,014
 <u>Fund Equity</u>				
Fund balances:				
Unreserved:				
Undesignated, reported in:				
General fund	360,814	0	360,814	351,529
Special revenue fund	<u>0</u>	<u>82,400</u>	<u>82,400</u>	<u>0</u>
Total fund equity	<u>360,814</u>	<u>82,400</u>	<u>443,214</u>	<u>351,529</u>
 Total Liabilities and Fund Equity	 <u>\$ 361,938</u>	 <u>\$ 82,400</u>	 <u>\$ 444,338</u>	 <u>\$ 352,543</u>

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

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2007
With Comparative Totals for the Year Ended March 31, 2006

	General	Garbage Collection	Total Governmental Funds	
			March 31, 2007	March 31, 2006
<u>Revenue</u>				
Taxes	\$ 41,399	\$ 0	\$ 41,399	\$ 39,372
State revenue	153,526	0	153,526	142,167
Charges for services	4,545	0	4,545	3,985
Licenses and permits	2,016	0	2,016	1,075
Interest and rents	13,010	0	13,010	9,062
Special assessments	4,869	82,400	87,269	4,875
Contributions	40,000	0	40,000	0
Other revenue	2,832	0	2,832	3,358
Total revenue	<u>262,197</u>	<u>82,400</u>	<u>344,597</u>	<u>203,894</u>
<u>Expenditures</u>				
Current:				
General government	86,702	0	86,702	96,383
Public safety	42,614	0	42,614	40,171
Public works	95,859	0	95,859	47,562
Community and economic development	8,632	0	8,632	5,822
Other functions	12,313	0	12,313	12,051
Capital outlay	<u>6,792</u>	<u>0</u>	<u>6,792</u>	<u>0</u>
Total expenditures	<u>252,912</u>	<u>0</u>	<u>252,912</u>	<u>201,989</u>
Excess of revenue over expenditures	9,285	82,400	91,685	1,905
Fund balances - beginning of year	<u>351,529</u>	<u>0</u>	<u>351,529</u>	<u>349,624</u>
Fund balances - end of year	<u>\$ 360,814</u>	<u>\$ 82,400</u>	<u>\$ 443,214</u>	<u>\$ 351,529</u>

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

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF FIDUCIARY
 NET ASSETS - CASH BASIS
 FIDUCIARY FUND

For the Year Ended March 31, 2007

With Comparative Totals for the Year Ended March 31, 2006

	<u>March 31, 2007</u>	<u>March 31, 2006</u>
<u>ASSETS</u>		
Cash and cash equivalents (Note 3)	<u>\$ 119,356</u>	<u>\$ 35,245</u>
<u>LIABILITIES</u>		
Due to other funds (Note 4)	<u>\$ 119,356</u>	<u>\$ 35,245</u>

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

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Township Operations

The Township of Standish operates under an elected Township Board (five members) and provides services to its residents in many areas, including road maintenance, refuse collection and fire protection. The financial statements of the Township have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, except as noted in Note 2. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Joint Venture

The Standish Area Fire Authority was established as a joint venture between the City of Standish, Township of Lincoln and the Township of Standish. The Authority was established to provide fire protection services to the constituent municipalities. Complete financial statements can be obtained from the Standish Area Fire Authority's office located in the Township of Lincoln fire hall, Standish, Michigan.

C. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most of the governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

General Fund – This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes and state revenue.

Garbage Collection Fund – This fund is used to account for a special assessment levy for the purpose of providing garbage and rubbish collection.

Fiduciary Fund

Fiduciary fund reporting focuses on net assets and changes in net assets. This fund is used to account for assets held in trust or as an agent for others. The Township uses this fund to account for current tax collections.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

The Township's basic financial statements consist of fund financial statements which provide a detailed level of financial information.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at a detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. All of the Township's funds are considered major funds. Fiduciary funds are reported by type.

E. Basis of Accounting

The Township's policy is to prepare its financial statements on the cash receipts and disbursements basis of accounting; consequently, certain revenues are recognized when cash is received rather than when earned, and certain disbursements are recognized when cash is disbursed rather than when the obligation is incurred. Financial statements prepared on this basis of accounting are not intended to present financial position and results of operations in accordance with generally accepted accounting principles. Financial activity is recorded as follows:

1. Property taxes and other revenue that are both measurable and available for use for financial operations are recorded as revenue when collected.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls.

For the current year, the taxable value for properties located within the Township was \$42,614,494. The tax rate was .8779 mills for operations.

2. Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from these sources is recognized when collected.
3. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
4. Normally, expenditures are not divided between years by the recording of prepaid expenses.
5. Payrolls and other costs are recorded when incurred.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

G. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

H. Budgets and Budgetary Accounting

The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits a proposed operating budget to the Township Board which includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted or as amended by the Township Board.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Township Board.

NOTE 2 - OMITTED FINANCIAL STATEMENTS

The Township did not adopt GASB 34 and GASB 37 in its entirety, as permitted by the Local Audit and Finance Division of the Treasury Department of the State of Michigan (State of Michigan), because the Township believes that the cost of implementing the statements may exceed the benefit of the additional information. However, because management has not recorded certain fixed assets and general infrastructure assets in the governmental activities and because the amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable, an adverse opinion was issued on the financial statements taken as a whole.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 45,950	\$ 119,356	\$ 165,306
Investments	<u>279,032</u>	<u>0</u>	<u>279,032</u>
	<u>\$ 324,982</u>	<u>\$ 119,356</u>	<u>\$ 444,338</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	<u>\$ 444,338</u>

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, \$100,501 of the Township's bank balance of \$466,905 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk

The Township's investment policy does not address concentration of credit risk, interest rate risk or foreign currency risk.

Investments:

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- * Accounts of federally insured banks, credit unions and savings and loan associations
- * Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- * United States government or federal agency obligation repurchase agreements
- * Banker's acceptances of United States banks
- * Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- * 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 the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2007

NOTE 4 - RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

The amounts of interfund receivables and payables as of March 31, 2007 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 36,956	Tax	\$ 36,956
Garbage Collection	<u>82,400</u>	Tax	<u>82,400</u>
	<u>\$ 119,356</u>		<u>\$ 119,356</u>

NOTE 5 - INCOMPLETE FUNDS

The Township did not approve a budget for the Garbage Collection Fund as required by P.A. 621 of 1978. Therefore, the required supplementary information, budget and actual comparison report for the Garbage Collection Fund, has not been included which should be included to conform with accounting principles generally accepted in the United States of America.

NOTE 6 - PENSION PLAN

The Township has a non-standardized money purchase pension plan with Met Life Insurance Company effective July 1, 1991. All full-time employees are covered under the plan. Eligibility to become a participant is limited to those employees who, on the effective date or on any anniversary date, have attained age 18. Vesting is 100% upon entering the plan.

Each employee must contribute 7.5% of their gross earnings to the plan. The Township is required to contribute an amount equal to 7.5% of the employee's gross earnings.

During the year, the Township's contributions amounted to \$2,567, which was 7.5% of the covered payroll period. Employees' contributions amounted to \$2,567. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 7 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

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

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2007, the Township incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Capital outlay	\$ 0	\$ 6,792	\$ 6,792

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2007

NOTE 8 - UNEMPLOYMENT COMPENSATION

The Township is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Township must reimburse the Employment Agency for all benefits charged against the Township. No liabilities have been incurred as of March 31, 2007.

NOTE 9 - 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. The Township continues to carry commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 10 - COMPARATIVE DATA

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Some prior year balances have been reclassified to conform with the current year presentation.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF STANDISH
Arenac County, Michigan

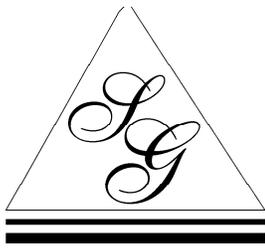
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CASH BASIS - GENERAL FUND
For The Year Ended March 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Taxes	\$ 40,141	\$ 40,141	\$ 41,399	\$ 1,258
State revenue	140,700	140,700	153,526	12,826
Charges for services	2,300	2,300	4,545	2,245
Licenses and permits	1,184	1,184	2,016	832
Interest and rents	5,300	5,300	13,010	7,710
Special assessments	3,600	3,600	4,869	1,269
Contributions	0	0	40,000	40,000
Other revenue	1,775	1,775	2,832	1,057
Total revenue	<u>195,000</u>	<u>195,000</u>	<u>262,197</u>	<u>67,197</u>
<u>Expenditures</u>				
Current:				
General government				
Township board	7,457	7,223	7,223	0
Supervisor	8,181	8,000	8,000	0
Elections	2,000	2,715	2,715	0
Assessor	15,000	17,677	17,677	0
Board of review	1,500	1,828	1,828	0
Clerk	8,181	8,000	8,000	0
Treasurer	18,181	17,041	17,041	0
Township hall	10,000	14,160	14,160	0
Cemetery	7,000	10,058	10,058	0
Public safety				
Fire protection	40,000	42,614	42,614	0
Public works				
Highways, street and bridges	52,500	92,994	90,994	2,000
Street lighting	5,000	4,865	4,865	0
Community and economic development				
Planning commission	6,000	8,632	8,632	0
Other functions				
Insurance	5,000	5,576	5,576	0
Employee benefits	7,000	6,762	6,737	25
Contingency	2,000	0	0	0
Capital outlay	0	0	6,792	(6,792)
Total expenditures	<u>195,000</u>	<u>248,145</u>	<u>252,912</u>	<u>(4,767)</u>
Excess of revenue over (under) expenditures	0	(53,145)	9,285	62,430
Fund balances - beginning of year	<u>351,529</u>	<u>351,529</u>	<u>351,529</u>	<u>0</u>
Fund balances - end of year	<u>\$ 351,529</u>	<u>\$ 298,384</u>	<u>\$ 360,814</u>	<u>\$ 62,430</u>

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 CASH BASIS - GARBAGE COLLECTION FUND - SPECIAL REVENUE FUND
For The Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Special assessments	\$ 0	\$ 0	\$ 82,400	\$ 82,400
<u>Expenditures</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenue over expenditures	0	0	82,400	82,400
Fund balances - beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances - end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 82,400</u>	<u>\$ 82,400</u>



Stephenson Gracik & Co., P.C.

Certified Public Accountants & Consultants

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Kyle E Troyer, CPA

Herman A Bertuleit, CPA

July 2, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Township Board
Township of Standish
Arenac County, Michigan

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Township of Standish as of and for the year ended March 31, 2007, which collectively comprise a portion of the Township's basic financial statements and have issued our report thereon dated July 2, 2007. The report on the governmental activities was adverse because the Government-Wide Financial Statements were not included in the basic financial statements. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Standish's internal control over financial reporting as 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 Township of Standish's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Standish's 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. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Township of Standish'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 Township of Standish's financial statements that is more than inconsequential will not be prevented or detected by the Township of Standish's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

Financial Statement Preparation

We noted that management and accounting personnel lack the skills and knowledge necessary to apply generally accepted accounting principles in recording the entity's financial transactions in order to prepare its financial statements.

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 Township of Standish's 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 believe the significant deficiency described above to be a material weakness.

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Members of the Township Board
Township of Standish
July 2, 2007
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Standish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described below:

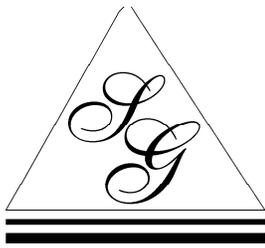
Incomplete Funds

The Township did not adopt a budget for the Garbage Collection Fund for the year ended March 31, 2007. We recommend that the Township adopt a budget for all governmental funds on an annual basis, review the adopted budgets on a periodic basis and amend as needed to be in compliance with the Uniform Budgeting and Accounting Act.

We noted one other matter that we have reported to management of the Township in a separate letter dated July 2, 2007.

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

Stephenson, Grubb & Co., P.C.



Stephenson Gracik & Co., P.C.

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July 2, 2007

Members of the Township Board
Township of Standish
Arenac County, Michigan

Dear Board Members:

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Township of Standish for the year ended March 31, 2007, and have issued our report thereon dated July 2, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated January 3, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the 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 and not be detected by us.

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

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Standish's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the 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 the Township of Standish are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Township of Standish during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the 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 of Standish'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 of Standish, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Members of the Township Board
Township of Standish
July 2, 2007
Page Two

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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

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

Additional Information

As a result of our study and evaluation of the internal controls as described in the third and fourth paragraphs, three matters came to our attention upon which we would like to comment.

Financial Statement Preparation

We noted that management and accounting personnel lack the skills and knowledge necessary to apply generally accepted accounting principles in recording the entity's financial transactions in order to prepare its financial statements.

Incomplete Funds

We noted that the Township did not adopt a budget for the Garbage Collection Fund for the year ended March 31, 2007. We recommend that the Township adopt a budget for all governmental funds on an annual basis, review the budget on a periodic basis and amend as needed to be in compliance with the Uniform Budgeting and Accounting Act.

Budget Control

We noted that the Township's General Fund included expenditures in one activity that exceeded the appropriated amount. We recommend that the Township continue to amend the budgets for all funds as needed and take into consideration recurring year end audit adjustments.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of the Township.

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