

# 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 Inland Township		County Benzie
Fiscal Year End March 31, 2007		Opinion Date September 28, 2007		Date Audit Report Submitted to State September 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

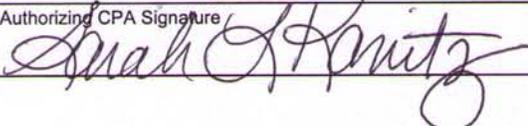
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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

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 type="checkbox"/>	No letter issued
Other (Describe)	<input type="checkbox"/>	No other reports issued
Certified Public Accountant (Firm Name) Lake Michigan CPA Services, PLC		Telephone Number (231) 690-5217
Street Address 239 N. Jebavy Drive		City Ludington
		State MI
		Zip 49431
Authorizing CPA Signature 	Printed Name Sarah L. Kanitz	License Number 1101027051

Inland Township  
**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)  
Year ended March 31, 2007

# Inland Township

## List of Elected Officials

Supervisor: .....	Zane Gray
Clerk: .....	Marilyn Wareham
Treasurer: .....	Gladys Wilson
Trustee: .....	Gerald Bush
Trustee: .....	Mary Miller

# Inland Township

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# Lake Michigan CPA Services, PLC

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## INDEPENDENT AUDITOR'S REPORT

September 28, 2007

Township Board  
Inland Township  
Interlochen, Michigan

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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

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

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements what collectively comprise Inland Township's basic financial statements. The combining and individual nonmajor fund financial statements on pages 27 and 28 are presented for additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lake Michigan CPA Services, PLLC*  
Ludington, Michigan

# INLAND TOWNSHIP

Benzie County, Michigan

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## Management's Discussion and Analysis

### Using this Annual Report

As management of Inland Township, we offer readers of Inland Township's financial statements, this narrative overview and analysis of financial activities for the year ended March 31, 2007. The Township is presenting this analysis along with the financial statements in a format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34). The annual report consists of a series of financial statements, including the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements are also included, which tell how these services were financed in the short-term, as well as what remains for future spending.

### Financial Highlights

The Township's governmental activities showed an improvement over the prior year, as the Township's revenues exceeded expenses by \$38,883 in the government-wide financial statements. This was similar to the 2005 fiscal year (the last audited fiscal year), which reflected a change in net assets of \$44,337.

The Township's General Fund revenues exceeded expenditures by \$15,782 and the fund balance rose \$12,710 in the Benzie Road Special Assessment Fund. Nonmajor governmental funds improved \$2,434 over the prior year.

### Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

#### *Government-Wide Financial Statements*

The government-wide financial statements are designed to give a view of the entity as a whole. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that

## Management's Discussion and Analysis

found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities and charges.

The Statement of Net Assets is the Township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities, with the difference reported as net assets. Over time, changes in net assets may serve as a useful indicator of the financial health of the Township and whether the financial condition is improving or deteriorating.

The Statement of Activities reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included when the event giving rise to the change occurs, regardless of the timing of when cash is received or paid. The Statement of Activities is designed to help show the financial reliance of the Township's distinct activities or functions on revenues provided by the Township's taxpayers and intergovernmental revenues.

### *Fund Financial Statements.*

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with related laws and regulations. Within the basic financial statements, the fund financial statements focus on the Township's most significant funds, rather than the Township as whole. Major funds are separately reported while all others are combined into an aggregated presentation. Inland Township has several governmental funds, but has no business-type funds. The Township's major funds are the General Fund and the Benzie Road Special Assessment Fund.

The Township has two types of funds as noted below:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Township's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year. Governmental funds are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

# INLAND TOWNSHIP

Benzie County, Michigan

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## Management's Discussion and Analysis

The government-wide financial statements focus on the long-term view, while the fund statements focus on a shorter view. Therefore, comparisons of the two may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances include a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison for the General Fund is found at the end of this report. This schedule demonstrates compliance with the Township's adopted and final revised budget.

*Fiduciary funds* are reported in the fiduciary fund financial statements, but are excluded from the government-wide financial reporting, as they are used to account for resources held for the benefit of parties other than the Township. Fiduciary fund financial statements report resources that are not available to fund Township programs. Fiduciary fund financial statements report similarly to proprietary funds.

*Notes to the Financial Statements.*

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

### Government-wide Financial Analysis

Net assets of the Township may be used as an indicator of a government's overall financial position. As of March 31, 2007, the Township's net assets from governmental activities totaled \$466,707, which was an increase over the net assets of \$427,824 at March 31, 2006 and net assets of \$340,351 at March 31, 2005.

Net assets of the Township include net assets which are invested in capital assets (i.e., buildings, land, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Net assets invested in capital assets totaled \$66,527 at March 31, 2007 and \$58,570 at March 31, 2006. The Township did not have any debt outstanding at March 31, 2007 or 2006.

# INLAND TOWNSHIP

Benzie County, Michigan

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## Management's Discussion and Analysis

The unrestricted net assets for governmental-type activities at March 31, 2007 depict a fund balance of \$307,548. The unrestricted fund balance represents the amount of discretionary resources that can be used for general governmental operations. Restricted net assets at March 31, 2007 consisted of net assets restricted for road improvements and cemetery improvements.

The following table presents a summary of the government-wide statement of net assets:

Inland Township  
Summary of Net Assets  
March 31, 2007 and 2006

	March 31, 2007	March 31, 2006	Increase/ (Decrease)
Current assets	\$ 411,073	\$ 369,254	\$ 41,819
Noncurrent assets	66,527	58,570	7,957
Total Assets	<u>477,600</u>	<u>427,824</u>	<u>49,776</u>
Current liabilities			
	10,893	-	10,893
Net Assets			
Invested in Capital Assets	66,527	58,570	7,957
Restricted for road improvements	70,462	57,752	12,710
Cemetery perpetual care	22,170	21,004	1,166
Unrestricted	307,548	290,498	17,050
Total Net Assets	<u>\$ 466,707</u>	<u>\$ 427,824</u>	<u>\$ 38,883</u>

# INLAND TOWNSHIP

Benzie County, Michigan

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## Management's Discussion and Analysis

The change in governmental activities' net assets showed an increase of \$38,883 during the fiscal year. The following table summarizes the governmental statement of activities for the year ended March 31, 2007:

### Summary of the Statement of Activities For the Years Ended March 31, 2007

<b>Revenues</b>	<u>3/31/2007</u>
Program Revenues	
Charges for Services	\$ 3,746
Operating Grants and Contributions	14,837
General Revenues	
Property Taxes	63,734
Other Taxes	9,139
Grants and Contributions not restricted	107,961
Unrestricted Investment Earnings	7,216
Miscellaneous	4,030
Total Revenue	<u>210,663</u>
<b>Expenses</b>	
General Government	102,520
Public Safety	66,445
Public Works	1,973
Community and economic development	153
Culture and Recreation	689
Total Expenses	<u>171,780</u>
Increase in Net Assets	38,883
Net Assets, April 1, 2006	<u>427,824</u>
Net Assets, March 31, 2007	<u>\$ 466,707</u>

## Fund Financial Analysis

As noted above, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing

# INLAND TOWNSHIP

Benzie County, Michigan

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## **Management's Discussion and Analysis**

resources available at the end of the year in comparison with upcoming requirements. Inland has several governmental funds, including the General Fund, the Benzie Road Special Assessment Fund, the following nonmajor funds: Public Improvement, Countryside Cemetary, Brundage Cemetary, and a Recreation fund.

The General Fund reported an ending fund balance of \$266,877, all of which is unreserved and unrestricted for continuing Township service requirements. The fund balance of the General Fund rose \$15,782 over the prior year. This was due to an increase in revenue and a decline in spending.

In the Benzie Road Special Assessment Fund, the total fund balance of \$70,462 is reserved for future road improvements. During fiscal year 2007, this fund balance increased \$12,710.

The fund balance of the other governmental funds include reservations of \$10,344 for recreation and \$22,170 for cemetery care. The remaining \$30,327 in other governmental funds was unreserved and unrestricted at March 31, 2007.

### **General Fund Budgetary Highlights**

The originally adopted General Fund budget for the March 31, 2007 fiscal year showed planned revenue of \$147,613 and expenditures of \$194,340. The excess of expenditures over revenues was to be covered by the Township's fund balance. The total revenue budget did not change from the original budget to the final amended budget. However there were small changes in the expenditures from the contingency line item to operational line items and the total expenditures were amended to \$194,135.

### **Capital Assets**

The Township's total investment in capital assets as of March 31, 2007 was \$66,527. The investment in capital assets includes buildings, land, improvements, furniture and fixtures, and equipment. The only current year capital asset addition was the purchase of land for a township park costing \$9,800.

# INLAND TOWNSHIP

Benzie County, Michigan

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## Management's Discussion and Analysis

The following table depicts the composition of capital assets of the Township as of March 31, 2007 and 2006:

	March 31, 2007	March 31, 2006
Nondepreciable		
Land	\$ 44,807	\$ 35,007
Depreciable		
Buildings	40,000	40,000
Improvements	31,606	31,606
Furniture and fixtures	3,200	3,200
Equipment	13,726	13,726
Total depreciable assets	<u>88,532</u>	<u>88,532</u>
Total capital assets	133,339	123,539
Less: Accumulated Depreciation	<u>(66,812)</u>	<u>(64,969)</u>
Capital assets, net of accumulated depreciation	<u>\$ 66,527</u>	<u>\$ 58,570</u>

### Long-term debt

Inland Township had no outstanding debt at March 31, 2007 and 2006.

### General Economic Overview

Inland Township plans to maintain its financial stability over the course of the next fiscal year. The two main sources of revenue for the Township are property taxes and state shared revenue, both of which are expected to remain at about the same level as was experienced in the current fiscal year. Expenditures are planned to remain consistent with the 2007 fiscal year.

# **INLAND TOWNSHIP**

Benzie County, Michigan

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## **Management's Discussion and Analysis**

### **Requests for Information**

This financial report is designed to provide a general overview of the Inland Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Inland Township, 19971 Kent Street, Interlochen, Michigan 49643 or (231) 275-6568.

Inland Township  
Statement of Net Assets  
March 31, 2007

**ASSETS**

	Governmental activities
<b>CURRENT ASSETS</b>	
Cash and investments	\$ 383,385
Receivables	9,963
Due from other governmental units	17,725
Total current assets	411,073
 <b>NONCURRENT ASSETS</b>	
Capital assets, net	
Nondepreciable	44,807
Depreciable	21,720
Total noncurrent assets	66,527
Total assets	\$ 477,600

**LIABILITIES**

<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 10,893

**NET ASSETS**

<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	66,527
Restricted for:	
Road improvements	70,462
Cemetary perpetual care	22,170
Unrestricted	307,548
Total net assets	\$ 466,707

The accompanying notes are an integral part of this statement.

**Inland Township**  
**Statement of Activities**  
For the year ended March 31, 2007

<b>Functions/Programs</b>	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
Governmental activities:	Expenses	Charges for services	Operating grants and contributions	Governmental activities
General government	\$ 102,520	\$ 3,746	\$ -	\$ (98,774)
Public safety	66,445	-	-	(66,445)
Public works	1,973	-	14,837	12,864
Community and economic development	153	-	-	(153)
Culture and recreation	689	-	-	(689)
Total governmental activities	171,780	3,746	14,837	(153,197)
General revenues				
Property taxes, levied for general purposes				63,734
Other taxes				9,139
Grants and contributions not restricted to specific programs				107,961
Unrestricted investment earnings				7,216
Miscellaneous				4,030
Total general revenues and special items				192,080
Change in net assets				38,883
Net assets at April 1, 2006				427,824
Net assets at March 31, 2007				\$ 466,707

The accompanying notes are an integral part of this statement.

Inland Township  
Balance Sheet  
Governmental Funds  
March 31, 2007

**ASSETS**

	General Fund	Betsie River Road Special Assessment Fund	Other governmental gunds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 252,640	\$ 67,904	\$ 62,841	\$ 383,385
Accounts receivable				
Taxes	7,405	-	-	7,405
Special assessments	-	2,558	-	2,558
Due from other governmental units	17,725	-	-	17,725
Total assets	<u>\$ 277,770</u>	<u>\$ 70,462</u>	<u>\$ 62,841</u>	<u>\$ 411,073</u>

**LIABILITIES AND FUND BALANCES**

<b>LIABILITIES</b>				
Accounts payable	\$ 10,893	\$ -	\$ -	\$ 10,893
<b>FUND BALANCES</b>				
Reserved for:				
Road improvements	-	70,462	-	70,462
Recreation	-	-	10,344	10,344
Cemetery perpetual care	-	-	22,170	22,170
Unreserved	266,877	-	30,327	297,204
Total fund balances	<u>266,877</u>	<u>70,462</u>	<u>62,841</u>	<u>400,180</u>
 Total liabilities and fund balances	 <u>\$ 277,770</u>	 <u>\$ 70,462</u>	 <u>\$ 62,841</u>	 <u>\$ 411,073</u>

The accompanying notes are an integral part of this statement.

**Inland Township**  
 Reconciliation of the Governmental Fund Balance Sheet  
 to the Statement of Net Assets  
 March 31, 2007

Total fund balance—governmental funds	\$ 400,180
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Cost of capital assets	\$ 133,339	
Accumulated depreciation	<u>(66,812)</u>	66,527

Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>466,707</u></u>
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The accompanying notes are an integral part of this statement.

**Inland Township**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the year ended March 31, 2007

	General Fund	Betsie River Road Special Assessment Fund	Other governmental funds	Total governmental funds
<b>REVENUES</b>				
Property taxes	\$ 63,734	\$ -	\$ -	\$ 63,734
Other taxes	9,139	-	-	9,139
Intergovernmental revenues - state	107,961	-	-	107,961
Charges for services	3,746	-	-	3,746
Special assessments	-	14,837	-	14,837
Investment earnings	4,613	1,718	885	7,216
Other	2,011	-	2,019	4,030
Total revenues	<u>191,204</u>	<u>16,555</u>	<u>2,904</u>	<u>210,663</u>
<b>EXPENDITURES</b>				
Current:				
General government	100,677	-	-	100,677
Public safety	66,445	-	-	66,445
Public works	1,973	-	-	1,973
Community and economic development	153	-	-	153
Culture and recreation	219	-	470	689
Capital outlay	9,800	-	-	9,800
Total expenditures	<u>179,267</u>	<u>-</u>	<u>470</u>	<u>179,737</u>
Excess of revenues over expenditures	<u>11,937</u>	<u>16,555</u>	<u>2,434</u>	<u>30,926</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,845	-	-	3,845
Transfers out	-	(3,845)	-	(3,845)
	<u>3,845</u>	<u>(3,845)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	15,782	12,710	2,434	30,926
Fund balance at April 1, 2006	<u>251,095</u>	<u>57,752</u>	<u>60,407</u>	<u>369,254</u>
Fund balance at March 31, 2007	<u>\$ 266,877</u>	<u>\$ 70,462</u>	<u>\$ 62,841</u>	<u>\$ 400,180</u>

The accompanying notes are an integral part of this statement.

## Inland Township

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the governmental funds to the Statement of Activities

For the year ended March 31, 2007

Net changes in fund balances - total governmental funds	\$ 30,926
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets 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.

Depreciation expense	(1,843)
Capital outlay	9,800

Change in net assets of governmental activities	<u>\$ 38,883</u>
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The accompanying notes are an integral part of this statement.

**Inland Township**  
 Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 For the year ended March 31, 2007

<b>ASSETS</b>	Tax Collection Fund	Agency Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and investments	\$ 98	\$ 1,479	\$ 1,577
	<u>          </u>	<u>          </u>	<u>          </u>
<b>LIABILITIES</b>			
Due to other governmental units	98	1,479	1,577
	<u>\$ 98</u>	<u>\$ 1,479</u>	<u>\$ 1,577</u>

The accompanying notes are an integral part of this statement.

**Inland Township**  
Notes to the Financial Statements  
March 31, 2007

**I. Summary of significant accounting policies**

The accounting policies of Inland Township have been prepared to conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by Inland Township.

**A. Reporting entity**

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

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

**Inland Township**  
Notes to the Financial Statements  
March 31, 2007

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

Inland Township reports the following major governmental funds:

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

The Benzie Road Special Assessment Fund accounts for collection of special assessments for future road improvements.

Additionally, the township reports the following fund type:

The Township has two agency funds. The tax collection agency accounts for all of the tax collection payments and disbursements to Inland Township and other governmental units. The agency fund is used for payroll tax disbursements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent

**Inland Township**  
Notes to the Financial Statements  
March 31, 2007

private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

**D. Assets, liabilities and net assets or equity**

***1. Deposits and investments***

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

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds. All investments are reported at fair value.

***2. Receivables and payables***

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

All trade and property tax receivables are shown net of allowance for uncollectibles. The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Property taxes are levied on December 1 on the taxable valuation of real and personal property (as defined by state statutes) located in the Township as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The

**Inland Township**  
Notes to the Financial Statements  
March 31, 2007

delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for property within the Township totaled approximately \$52,687,272. The property tax levied consisted of .8131 mills for the Township's operating purposes and the tax revenue is recorded in the Township's General Fund.

**3. Capital assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5-30
Equipment	5
Furniture and fixtures	5-7

**4. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**5. Use of Estimates**

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

**Inland Township**  
Notes to the Financial Statements  
March 31, 2007

**II. Stewardship, compliance and accountability**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

The township supervisor prepares the budget and submits it to the Township Board prior to March 31. The operating budget includes proposed expenditures and the means of financing them. A public hearing is held at the Township Hall to obtain taxpayer comments. Prior to the end of the fiscal year, the Township Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures.

The appropriated budget is prepared by fund and function. Transfers of appropriations between functions require the approval of the Township Board. The legal level of budgetary control is the function level. The Township Board made a few budgetary appropriations throughout the year.

**III. Detailed notes on all funds**

**A. Deposits and investments**

As of March 31, 2007, the township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Moody's</u>	<u>Percent</u>
Negotiable certificates of deposit	\$72,500	1	Not rated	100%

***Interest Rate Risk***

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Township's investment policy does not further limit its investment options.

**Inland Township**  
Notes to the Financial Statements  
March 31, 2007

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township does not have a concentration of credit risk policy.

***Custodial Credit Risk - Deposits***

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require, and the Township does not have, a deposit policy for custodial credit risk. As of March 31, 2007, \$172,571 of the Township's governmental funds' deposits was covered by federal depository insurance, and \$210,814 was exposed to custodial credit risk because it was uninsured and uncollateralized.

***Foreign currency risk***

The Township is not authorized to invest in securities which have this type of risk.

**B. Receivables**

The Township's receivables in the governmental funds consisted of \$7,405 due from Benzie County for delinquent property taxes and \$2,558 of special assessments collected by the County on behalf of the township.

The Township's due from other governmental units consisted of a State of Michigan shared revenue payment of \$17,725.

**Inland Township**  
Notes to the Financial Statements  
March 31, 2007

**C. Capital assets**

Capital asset activity for the year ended March 31, 2007 was as follows:

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
Capital assets, not being depreciated:				
Land	\$ 35,007	\$ 9,800	\$ -	\$ 44,807
Capital assets, being depreciated:				
Buildings	40,000	-	-	40,000
Building and land improvements	31,606	-	-	31,606
Furniture and fixtures	3,200	-	-	3,200
Equipment	13,726	-	-	13,726
Total capital assets, being depreciated:	88,532	-	-	88,532
Less accumulated depreciation	(64,969)	(1,843)	-	(66,812)
Net capital assets, being depreciated	23,563	(1,843)	-	21,720
Total governmental capital, net	<u>\$ 58,570</u>	<u>\$ 7,957</u>	<u>\$ -</u>	<u>\$ 66,527</u>

Depreciation expense was charged to the general government function of the primary government.

**D. Interfund receivables, payables, and transfers**

The Township's interfund transfers during the 2007 fiscal year consisted of the following for operating purposes:

<u>Fund Transferring Out</u>	<u>Receiving Fund</u>	<u>Amount</u>
Benzie Road Special Assessment	General Fund	\$ 3,845

**Inland Township**  
Notes to the Financial Statements  
March 31, 2007

**E. Fund balance restrictions**

The Township's restricted net assets at March 31, 2007 consisted of assets restricted by external parties for road improvements on Benzie Road and cemetery perpetual care.

**F. Other information**

***1. Risk management***

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

***2. Contingent liabilities***

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

**G. Economic dependency**

The Township relies on the State of Michigan Shared Revenue program to fund a portion of its current governmental operations. For the year ended March 31, 2007, the state shared revenue was approximately 51% of total governmental revenue.

**Required supplementary information**

**Inland Township**  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the year ended March 31, 2007

<b>REVENUES</b>	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
Property taxes	\$ 54,186	\$ 54,186	\$ 63,734	\$ 9,548
Other taxes	9,207	9,207	9,139	(68)
Intergovernmental revenues - state	70,830	70,830	107,961	37,131
Charges for services	4,040	4,040	3,746	(294)
Investment earnings	2,000	2,000	4,613	2,613
Other	7,350	7,350	2,011	(5,339)
Total revenues	147,613	147,613	191,204	43,591
 <b>EXPENDITURES</b>				
Current				
General government				
Township board	24,000	22,000	19,954	2,046
Supervisor	9,000	9,875	9,871	4
Elections	3,000	3,000	2,921	79
Clerk	16,700	16,700	15,337	1,363
Treasurer	14,000	14,500	14,478	22
Assessor	17,000	18,110	18,104	6
Townhall	16,000	14,425	7,362	7,063
Board of review	1,000	1,350	1,330	20
Cemetary	6,500	11,345	11,320	25
Public safety				
Fire	66,700	66,700	66,445	255
Public works				
Roads	3,700	3,700	1,973	1,727
Community and economic development				
Culture and recreation	450	450	219	231
Capital outlay				
Contingency	5,000	690	-	690
Total expenditures	194,340	194,135	179,267	14,868
Excess of revenues over expenditures	(46,727)	(46,522)	11,937	58,459
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	3,845	3,845
Transfers out	(205)	(205)	-	205
	(205)	(205)	3,845	4,050
Net change in fund balance	\$ (46,932)	\$ (46,727)	15,782	\$ 62,509
Fund balance at April 1, 2006			251,095	
Fund balance at March 31, 2007			\$ 266,877	

**Other supplemental information**

**Inland Township**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**March 31, 2007**

**ASSETS**

<b>ASSETS</b>	<u>Recreation Fund</u>	<u>Countryside Cemetery</u>	<u>Brundage Cemetery</u>	<u>Public Improvement Fund</u>	<u>Total Non-Major Governmental Funds</u>
Cash and investments	\$ 10,344	\$ 8,727	\$ 13,443	\$ 30,327	\$ 62,841

**FUND BALANCE**

**FUND BALANCES**

Reserved for:

Recreation	\$ 10,344	\$ -	\$ -	\$ -	\$ 10,344
Cemetery perpetual care	-	8,727	13,443	-	22,170
Unreserved	-	-	-	30,327	30,327
Total fund balances	<u>\$ 10,344</u>	<u>\$ 8,727</u>	<u>\$ 13,443</u>	<u>\$ 30,327</u>	<u>\$ 62,841</u>

**Inland Township**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
For the year ended March 31, 2007

	Recreation Fund	Countryside Cemetery	Brundage Cemetery	Public Improvement Fund	Total Governmental Funds
<b>REVENUES</b>					
Investment earnings	\$ 142	\$ 65	\$ 101	\$ 577	\$ 885
Other	1,019	500	500	-	2,019
Total revenues	<u>1,161</u>	<u>565</u>	<u>601</u>	<u>577</u>	<u>2,904</u>
<b>EXPENDITURES</b>					
Current:					
Culture and recreation	<u>470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>470</u>
Total expenditures	<u>470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>470</u>
Net change in fund balances	691	565	601	577	2,434
Fund balance at April 1, 2006	<u>9,653</u>	<u>8,162</u>	<u>12,842</u>	<u>29,750</u>	<u>60,407</u>
Fund balance at March 31, 2007	<u><u>\$ 10,344</u></u>	<u><u>\$ 8,727</u></u>	<u><u>\$ 13,443</u></u>	<u><u>\$ 30,327</u></u>	<u><u>\$ 62,841</u></u>