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**Tobin & Co.**

Eveline Township

Charlevoix County, Michigan

Audit Report

For the Year Ended June 30, 2007

### 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 Eveline Township	County Charlevoix
Fiscal Year End 6/30/07	Opinion Date 12/10/07	Date Audit Report Submitted to State 12/20/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

- YES NO Check each applicable box below. (See instructions for further detail.)
- All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) Tobin & Co., P.C.	Telephone Number 231 947-0151	
Street Address 400 E. Eighth St.	City Traverse City	State Zip MI 49686
Authorizing CPA Signature 	Printed Name David L. Basler	License Number 1101013418

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# Tobin & Co.

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## FINANCIAL SECTION

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# Tobin & Co.

## REPORT OF INDEPENDENT AUDITOR

To the Township Board  
Eveline Township  
Charlevoix County  
Charlevoix, Michigan 49646

We have audited the accompanying financial statements of the governmental activities and each major fund of Eveline Township as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express 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 basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of Eveline Township at June 30, 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.

Management's Discussion and Analysis are not a required part of the basic financial statements, but are supplementary information required by the GASB. 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 Eveline 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.  
Certified Public Accountants  
December 10, 2007

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## EVELINE TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Board of the Eveline Township, Charlevoix County, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Eveline Township for the fiscal year ended June 30, 2007.

Eveline 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.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

Both of the government-wide financial statements show functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**). The governmental activities of the Township include: General Government, Public Safety and Road Projects. Eveline Township does not have any business-type activities (examples would include water and sewer, golf courses, etc.).

### Statement of Governmental Net Assets:

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Eveline Township, assets exceeded liabilities by \$1,335,117 at the close of the most recent fiscal year.

A portion of the Township's net assets, \$398,951 or 30 percent of the total reflects its investment in capital and intangible assets. The Township used these capital and intangible assets to provide services to citizens; consequently, these assets are not available for future spending. The Township's investment in its capital assets has been made over the past several years and no related debt is outstanding.

### Statement of Township's Net Assets

	Governmental Activities and Total	
	June 30, 2007	June 30, 2006
Current and Other Assets	\$ 952,258	\$ 905,226
Capital and Intangible Assets	<u>398,951</u>	<u>38,745</u>
Total Assets	1,351,209	943,971
Long-term Liabilities	-	-
Other Liabilities	<u>16,092</u>	<u>31,866</u>
Total Liabilities	16,092	31,866
Net Assets:		
Investment in Capital Assets	398,951	38,745
Restricted for:		
Sewer System	8,152	8,010
Roads	315,368	419,080
Unrestricted	<u>612,646</u>	<u>446,270</u>
Total Net Assets	<u>\$ 1,335,117</u>	<u>\$ 912,105</u>

A portion of the Township's net assets (24 percent) represents resources that are subject to external restrictions on how they may be used (Sewer and Roads). The remaining balance of unrestricted net assets, \$612,646, may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances for the government as a whole, as well as for its separate governmental activities and funds. The same situation held true for the prior fiscal year.

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## Statement of Governmental Activities:

Governmental activities increased the Township's net assets by \$423,012, accounting for a 46.4 percent growth in the net assets of the Township.

### Statement of Township's Activities

	Governmental Activities and Total	
	June 30, 2007	June 30, 2006
Program Revenues:		
Charges for Services	\$ 18,403	\$ 11,225
Operating Grants and Contributions	7,676	13,753
Capital Grants and Contributions	-	-
General Revenues:		
Property Taxes	504,883	466,239
State Shared Revenues	106,954	106,700
Unrestricted Investment Earnings	46,558	27,007
Miscellaneous	2,757	4,334
Total Revenues	687,231	629,258
Program Expenses:		
Legislative	26,858	39,607
General Government	129,079	121,826
Public Safety	36,247	79,343
Public Works	42,308	74,530
Community and Economic Development	29,727	31,803
Total Expenses	264,219	347,109
Change in Net Assets	\$ 423,012	\$ 282,149

### 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. Eveline 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 Eveline Township are categorized as governmental funds.

Eveline Township maintains two 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 and Road Fund which are considered to be major funds. All Township government activities are included in these two funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds.

#### Governmental Funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$936,166, an increase of \$62,805 in comparison with the prior year. \$928,014 constitutes unreserved fund balance, which is available for spending at the Township's discretion.

All Township government activities are included in two funds that Eveline Township maintains. The General Fund is used for normal governmental activities such as, paying employees, running election, zoning activities, office supplies, and others. The Road Fund is used to construct, pave and repave roads within the Township.

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## Statement of Township's Governmental Funds Fund Balances

	2007			2006		
	General	Road	Total	General	Road	Total
<b>Assets:</b>						
Cash in Bank	\$ 571,274	\$ 356,093	\$ 927,367	\$ 397,567	\$ 459,805	\$ 857,372
Restricted Cash	8,152	-	8,152	8,010	-	8,010
Receivables	16,739	-	16,739	29,212	10,632	39,844
Due from Other Funds	<u>32,859</u>	<u>-</u>	<u>32,859</u>	<u>43,491</u>	<u>-</u>	<u>43,491</u>
<b>Total Assets</b>	<b>\$ 629,024</b>	<b>\$ 356,093</b>	<b>\$ 985,117</b>	<b>\$ 478,280</b>	<b>\$ 470,437</b>	<b>\$ 948,717</b>
<b>Liabilities:</b>						
Accounts Payable	\$ 8,226	\$ -	\$ 8,226	\$ 24,000	\$ -	\$ 24,000
Due to Other Funds	<u>-</u>	<u>40,725</u>	<u>40,725</u>	<u>-</u>	<u>51,357</u>	<u>51,357</u>
<b>Total Liabilities</b>	<b>8,226</b>	<b>40,725</b>	<b>48,951</b>	<b>24,000</b>	<b>51,357</b>	<b>75,357</b>
<b>Fund Balances:</b>						
Reserved Balances	8,152	-	8,152	8,010	-	8,010
Unreserved Balances	<u>612,646</u>	<u>315,368</u>	<u>928,014</u>	<u>446,270</u>	<u>419,080</u>	<u>865,350</u>
<b>Total Fund Balances</b>	<b>\$ 620,798</b>	<b>\$ 315,368</b>	<b>\$ 936,166</b>	<b>\$ 454,280</b>	<b>\$ 419,080</b>	<b>\$ 873,360</b>

## Statement of Township's Governmental Funds Revenues & Expenditures

	2007			2006		
	General	Road	Total	General	Road	Total
<b>Revenues:</b>						
Grants and Charges	\$ 26,079	\$ -	\$ 26,079	\$ 24,978	\$ -	\$ 24,978
Property Taxes	282,916	221,967	504,883	267,581	198,658	466,239
State Shared Revenues	106,954	-	106,954	106,700	-	106,700
Investment Earnings	35,288	11,270	46,558	18,510	8,497	27,007
Other Income	<u>2,757</u>	<u>-</u>	<u>2,757</u>	<u>1,334</u>	<u>3,000</u>	<u>4,334</u>
<b>Total Revenues</b>	<b>453,994</b>	<b>233,237</b>	<b>687,231</b>	<b>419,103</b>	<b>210,155</b>	<b>629,258</b>
<b>Program Expenses:</b>						
Legislative	40,151	-	40,151	39,607	-	39,607
General Government	111,404	-	111,404	115,752	-	115,752
Public Safety	36,247	-	36,247	79,343	-	79,343
Public Works	25,049	-	25,049	74,530	-	74,530
Community and Economic Development	29,727	-	29,727	31,803	-	31,803
Capital Outlay	<u>44,898</u>	<u>336,950</u>	<u>381,848</u>	<u>6,743</u>	<u>-</u>	<u>6,743</u>
<b>Total Expenses</b>	<b>287,476</b>	<b>336,950</b>	<b>624,426</b>	<b>347,778</b>	<b>-</b>	<b>347,778</b>
Change in Fund Balances	166,518	(103,713)	62,805	71,325	210,155	281,480
Fund Balance – Start of Year	<u>454,280</u>	<u>419,081</u>	<u>873,361</u>	<u>382,955</u>	<u>208,925</u>	<u>591,880</u>
Fund Balance – End of Year	<b>\$ 620,798</b>	<b>\$ 315,368</b>	<b>\$ 936,166</b>	<b>\$ 454,280</b>	<b>\$ 419,080</b>	<b>\$ 873,360</b>

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## **Notes to the Financial Statements**

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 Township employed a new accounting software near the end of the 2006/2007 year. In conjunction therewith, the Treasurer and Clerk adopted a new chart of accounts, to be implemented beginning with the 2007/2008 fiscal year. The new chart is in compliance with that prescribed by the State of Michigan.

The Board has reviewed the funds available to the Township, as part of the budget process for 2007/2008. Current plans are to survey the residents to determine where they want future expenditures to be focused. For example, on Township Hall improvements, roads and so forth. Currently plans are in place to spend approximately \$500,000 on roads during the summer of 2007. Roughly \$50,000 will be on routine maintenance, such as bringing, with the balance going toward major improvements. Plans are to use approximately \$150,000 from the General Fund.

### **Road Fund – Analysis and Highlights**

The Township is appreciative of the vote of confidence shown by the road millage renewal last summer. This allows us to continue to provide funds for road maintenance and some needed major improvements, as discussed earlier.

The Road Fund currently has in excess of \$300,000 available to fund road improvements. In addition, estimated revenues for 2007/2008 are \$235,000. These funds are currently earmarked as discussed in the General Fund above. Future improvements will be reviewed by the Board in conjunction with input from the residents, the County Road Commission, and other information gathered as to Township-wide needs.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The Township's investment in capital and intangible assets for its governmental activities as of June 30, 2007, amounts to \$511,634 less accumulated depreciation and amortization of \$112,683 for a total capital and intangible asset value of \$398,951. This investment in capital assets includes land, buildings and equipment. The investment in intangible assets includes road improvements. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful life.

This year the amount by which capital outlays exceeded depreciation was \$360,207.

#### **Long-term Debt**

At the end of the current fiscal year, the Township had no bonded or installment debt outstanding.

#### **Currently Known Facts, Decisions, or Conditions Affecting Future Periods**

The General Fund is used to account for all operating activities of the Township, as well as support road improvements where deemed appropriate. Budgeted expenditures for 2007/2008 are \$426,575 compared to revenues of \$444,750.

For the second year, the Board involved the residents in the preliminary stages of the budgeting process. Once again, the involvement increased resident awareness for the financial needs of the Township and provided valuable input to the Board for the budget preparation.

As in 2006/2007, the Board took a conservative approach toward spending in 2007/2008. Budgeted expenses were held at approximately 2006/2007 levels. Salaries for officers and trustees were held at 2006/2007 levels. On the revenue side, various fees are being increased to bring them into line with the associated costs. Zoning permits and fees and special use permit fees are two good examples. A complete list is available on our website.

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## Economic Factors and Next Year's Budgets and Rates

As mentioned, the Township has taken a conservative approach to spending, with the exception of monies earmarked for road work during the summer of 2007. The road work is necessary to maintain the lakeshore road system, which is so important to the Township as well as the entire County. Subject to resident input, roads will likely continue to be a primary focus for Township funds.

Though we have no specific knowledge, we continue to be cautious about State revenue sharing levels and other potentially negative economic factors, particularly given the state of the Michigan economy.

Budgeted amounts for 2007/2008 are as follows:

	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 444,750	\$ 426,575
Road Fund:		
Road Millage	\$ 235,000	\$ 235,000
Transfer from General Fund	\$ 100,000	\$ 100,000
Carryover fund balance from 2006/2007		\$ 115,000

## Requests for Information

This financial report is designed to provide a general overview of Eveline 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 John Vron dran, Supervisor, Eveline Township, 5141 Ferry Rd., East Jordan, Michigan 49727 – (213) 582-3119.

# Tobin & Co.

Eveline Township  
Statement of Net Assets  
June 30, 2007

		<u>Primary Government</u> <u>Governmental</u> <u>Activities</u> <u>And Total</u>
Assets		
Cash		\$ 935,519
Receivables		16,739
Capital Assets		
Land	500	
Other Capital Assets, Net of Depreciation	<u>35,181</u>	
Total Capital Assets		<u>35,681</u>
Intangible Assets, Net of Amortization		<u>363,270</u>
Total Assets		<u>1,351,209</u>
Liabilities		
Accounts Payable		8,226
Due to Other Funds		<u>7,866</u>
Total Liabilities		<u>16,092</u>
Net Assets		
Invested in Capital Assets		398,951
Restricted for:		
Sewer System		8,152
Roads		315,368
Unrestricted		<u>612,646</u>
Total Net Assets		<u>\$ 1,335,117</u>

See Accompanying Notes to Basic Financial Statements

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Eveline Township  
Statement of Activities  
June 30, 2007

Functions/Programs	<u>Expenses</u>	Program Revenues		<u>Total</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Legislative	\$ 26,858	\$ -	\$ -	\$ (26,858)
General Government	129,079	7,017	-	(122,062)
Public Safety	36,247	-	-	(36,247)
Public Works	42,308	-	7,676	(34,632)
Community and Economic Development	<u>29,727</u>	<u>11,386</u>	<u>-</u>	<u>(18,341)</u>
Total Governmental Activities	<u>\$ 264,219</u>	<u>\$ 18,403</u>	<u>\$ 7,676</u>	<u>(238,140)</u>
General Revenues:				
Property Taxes				504,883
State Shared Revenues				106,954
Unrestricted Investment Earnings				46,558
Miscellaneous				<u>2,757</u>
Total General Revenues				<u>661,152</u>
Change in Net Assets				423,012
Net Assets – Beginning				<u>912,105</u>
Net Assets – Ending				<u>\$ 1,335,117</u>

See Accompanying Notes to Basic Financial Statements

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Eveline Township  
Balance Sheets  
Governmental Funds  
June 30, 2007

	<u>General</u>	<u>Roads</u>	<u>Total</u>
Assets			
Cash in Bank	\$ 571,274	\$ 356,093	\$ 927,367
Restricted Cash	8,152	-	8,152
Accounts Receivable	16,739	-	16,739
Due from Other Funds	<u>32,859</u>	<u>-</u>	<u>32,859</u>
Total Assets	<u>\$ 629,024</u>	<u>\$ 356,093</u>	<u>\$ 985,117</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 8,226	\$ -	\$ 8,226
Due to Other Funds	<u>-</u>	<u>40,725</u>	<u>40,725</u>
Total Liabilities	<u>8,226</u>	<u>40,725</u>	<u>48,951</u>
Fund Balances:			
Restricted	8,152	-	8,152
Unrestricted	<u>612,646</u>	<u>315,368</u>	<u>928,014</u>
Total Fund Balances	<u>620,798</u>	<u>315,368</u>	936,166
Total Liabilities and Fund Balances	<u>\$ 629,024</u>	<u>\$ 356,093</u>	
Amounts reported for governmental activities on the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			<u>398,951</u>
Net assets of governmental activities.			<u>\$ 1,335,117</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

Eveline Township  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007

	General	Roads	Total
Revenues:			
Taxes	\$ 282,916	\$ 221,967	\$ 504,883
Licenses and Permits	11,286	-	11,286
State Grants	114,630	-	114,630
Charges for Services	7,017	-	7,017
Fines and Forfeits	100	-	100
Interest and Rents	35,288	11,270	46,558
Other	2,757	-	2,757
Total	453,994	233,237	687,231
Expenditures:			
Legislative	26,858	-	26,858
General Government	111,404	-	111,404
Public Safety	36,247	-	36,247
Public Works	25,049	-	25,049
Community and Economic Development	29,727	-	29,727
Other	13,293	-	13,293
Capital Outlay	44,898	336,950	381,848
Total	287,476	336,950	624,426
Excess Revenues and Net Change in Fund Balances	166,518	(103,713)	62,805
Fund Balance – Beginning of Year	454,280	419,081	
Fund Balance – End of Year	\$ 620,798	\$ 315,368	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets over their estimated useful lives are reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation, amortization and loss on disposal of assets in the current year.			360,207
Change in Net Assets of Governmental Activities.			\$ 423,012

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

Eveline Township  
Statement of Fiduciary Net Assets  
June 30, 2007

	<u>Agency Funds</u>
Assets	
Cash	\$ 57
Due from Other Funds	<u>7,866</u>
Total Assets	<u>\$ 7,923</u>
Liabilities	
Undistributed Taxes and Interest	<u>\$ 7,923</u>
Total Liabilities	<u>\$ 7,923</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements

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Eveline Township  
Notes to Financial Statements  
June 30, 2007

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Eveline Township is a general law township located in Charlevoix County. Population as of the 2000 census was 1,560, and the current taxable value is \$222,086,735.

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.

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.

#### 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.

# Tobin & Co.

Eveline Township  
Notes to Financial Statements  
June 30, 2007

## 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 is 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 include 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.

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

Buildings	40 years
Equipment	5 years

# Tobin & Co.

Eveline Township  
Notes to Financial Statements  
June 30, 2007

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 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:

	<u>SEV</u>	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating	\$350,461,200	\$222,086,735	.9432
Road	\$350,461,200	\$222,086,735	1.0000

### G. Use of Estimates

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

## NOTE 2 - 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 June 30, 2007.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2007, the following cost centers overexpended their budgets without formal Board amendment.

General Fund:		
Supervisor	\$	2,614
Township Hall and Grounds	\$	7,494
Annual Cleanup	\$	5,007

## 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).

# Tobin & Co.

Eveline Township  
Notes to Financial Statements  
June 30, 2007

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

A. Legal Provisions for Deposits and Investments (Continued)

- (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 \$940,193 deposited with a local financial institution at June 30, 2007 with a carrying value of \$927,367. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$544,434 of uninsured deposits at June 30, 2007.

NOTE 4 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following at June 30,

	<u>6/30/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/07</u>
Land	\$ 500	\$ -	\$ -	\$ 500
Buildings and Improvements	50,409	-	-	50,409
Equipment	80,195	-	-	80,195
	131,104	-	-	131,104
Less Accumulated Depreciation	(92,359)	(3,064)	-	(95,423)
	\$ 38,745	\$ (3,064)	\$ -	\$ 35,681

Intangible assets of governmental activities consisted of the following at June 30,

	<u>6/30/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/07</u>
Road Improvements	\$ -	\$ 380,530	\$ -	\$ 380,530
Less Accumulated Amortization	-	(17,260)	-	(17,260)
	\$ -	\$ 363,270	\$ -	\$ 363,270

NOTE 5 - INVENTORIES

Eveline 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.

# Tobin & Co.

Eveline Township  
Notes to Financial Statements  
June 30, 2007

NOTE 6- 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 7- COMPENSATED ABSENCES

The Township provides no compensated absences for its employees.

NOTE 8- INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 32,859	\$ -
Road Fund	-	40,725
Tax Collection Fund	<u>7,866</u>	<u>-</u>
	<u>\$ 40,725</u>	<u>\$ 40,725</u>

NOTE 9- CASH RESTRICTED FOR SEWER SYSTEM

In accordance with Act 451, the Township entered into an agreement to assume responsibility for the operation and maintenance of a privately owned public sewer system, if the owners' association should fail to do so. Cash totaling \$8,152 has been restricted for this purpose.

SUPPLEMENTAL DATA SECTION

# Tobin & Co.

Eveline Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended June 30, 2007

Schedule 1  
Page 1

<u>Revenues</u>	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Property Taxes	\$ 215,254	\$ 215,254	\$ 209,834	\$ (5,420)
Penalties and Interest on Taxes	-	-	965	965
Property Tax Administration Fees	45,200	45,200	72,075	26,875
Swamp Tax and Commercial Forest	-	-	42	42
Licenses and Permits:				
Zoning Permits	8,000	8,000	11,286	3,286
State Grants:				
State Shared Revenues	75,000	75,000	106,954	31,954
Metro Act	-	-	7,676	7,676
Charges for Services:				
Summer Tax Collection Fees	4,700	4,700	6,217	1,517
Cemetery Fees	500	500	800	300
Fines and Forfeits:				
Fines	-	-	100	100
Interest and Rents:				
Interest	10,000	10,000	35,238	25,238
Rent	-	-	50	50
Other:				
Refunds and Reimbursements	-	-	283	283
Sale of Assets	-	-	30	30
Other	-	-	2,444	2,444
<b>Total Revenues</b>	<b>358,654</b>	<b>358,654</b>	<b>453,994</b>	<b>95,340</b>
 <u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	12,584	-
Supplies	-	-	618	-
Postage	-	-	624	-
Legal	-	-	11,846	-
Dues	-	-	307	-
Printing and Publication	-	-	861	-
Other	-	-	18	-
<b>Total</b>	<b>38,300</b>	<b>38,300</b>	<b>26,858</b>	<b>11,442</b>
<b>Total Legislative</b>	<b>38,300</b>	<b>38,300</b>	<b>26,858</b>	<b>11,442</b>

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

# Tobin & Co.

Eveline Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended June 30, 2007

Schedule 1  
Page 2

Expenditures (Continued)	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>General Government:</b>				
Township Supervisor:				
Salaries and Wages	-	-	15,560	-
Supplies	-	-	972	-
Postage	-	-	119	-
Professional Services	-	-	156	-
Telephone	-	-	382	-
Mileage and Travel	-	-	1,082	-
Printing and Publication	-	-	243	-
Total	15,900	15,900	18,514	(2,614)
Elections:				
Salaries and Wages	-	-	1,767	-
Supplies	-	-	235	-
Postage	-	-	104	-
Mileage and Travel	-	-	1,106	-
Printing and Publication	-	-	310	-
Other	-	-	75	-
Total	5,600	5,600	3,597	2,003
Assessor:				
Salaries and Wages	-	-	23,190	-
Supplies	-	-	67	-
Telephone	-	-	221	-
Professional Services	-	-	7,148	-
Mileage and Travel	-	-	1,000	-
Printing and Publication	-	-	681	-
Other	-	-	100	-
Total	32,650	32,650	32,407	243
Clerk:				
Salaries and Wages	-	-	15,745	-
Supplies	-	-	1,354	-
Postage	-	-	130	-
Telephone	-	-	877	-
Professional Services	-	-	2,460	-
Mileage and Travel	-	-	297	-
Printing and Publication	-	-	149	-
Maintenance and Repairs	-	-	89	-
Total	22,650	22,650	21,101	1,549
Board of Review:				
Salaries and Wages	-	-	1,090	-
Printing and Publication	-	-	518	-
Other	-	-	250	-
Total	3,250	3,250	1,858	1,392

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

# Tobin & Co.

Eveline Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended June 30, 2007

Schedule 1  
Page 3

Expenditures (Continued)	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>General Government (Continued):</b>				
Treasurer:				
Salaries and Wages	-	-	17,405	-
Supplies	-	-	291	-
Postage	-	-	3,437	-
Telephone	-	-	796	-
Mileage and Travel	-	-	299	-
Printing and Publication	-	-	1,527	-
Maintenance and Repairs	-	-	103	-
Other	-	-	250	-
Total	<u>25,250</u>	<u>25,250</u>	<u>24,108</u>	<u>1,142</u>
Township Hall and Grounds:				
Supplies	-	-	87	-
Telephone	-	-	324	-
Professional Services	-	-	6,927	-
Printing and Publication	-	-	306	-
Public Utilities	-	-	1,806	-
Maintenance and Repairs	-	-	247	-
Other	-	-	122	-
Total	<u>2,325</u>	<u>2,325</u>	<u>9,819</u>	<u>(7,494)</u>
Cemetery:				
Total	<u>1,350</u>	<u>1,350</u>	<u>-</u>	<u>1,350</u>
<b>Total General Government</b>	<u>108,975</u>	<u>108,975</u>	<u>111,404</u>	<u>(2,429)</u>
Public Safety:				
Fire Protection:				
Contractual Services	-	-	25,787	-
Total	<u>80,000</u>	<u>80,000</u>	<u>25,787</u>	<u>54,213</u>
Ambulance Service:				
Contractual Services	-	-	10,460	-
Total	<u>13,000</u>	<u>13,000</u>	<u>10,460</u>	<u>2,540</u>
<b>Total Public Safety</b>	<u>93,000</u>	<u>93,000</u>	<u>36,247</u>	<u>56,753</u>
Public Works:				
Road Maintenance and Repairs	100,000	100,000	44,529	55,471
Street Lights	1,700	1,700	1,093	607
Annual Cleanup	18,000	18,000	23,007	(5,007)
Total	<u>119,700</u>	<u>119,700</u>	<u>68,629</u>	<u>51,071</u>

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

# Tobin & Co.

Eveline Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended June 30, 2007

Schedule 1  
Page 4

	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>Expenditures (Continued)</u>				
Community and Economic Development				
Planning and Zoning:				
Salaries and Wages	-	-	18,640	-
Supplies	-	-	149	-
Postage	-	-	69	-
Telephone	-	-	441	-
Professional Services	-	-	7,808	-
Mileage and Travel	-	-	647	-
Printing and Publication	-	-	1,879	-
Other	-	-	94	-
Total	35,900	35,900	29,727	6,173
Total Community and Economic Development	35,900	35,900	29,727	6,173
Other:				
Employee Benefits and Insurance	6,000	6,000	13,293	(7,293)
Total Other	6,000	6,000	13,293	(7,293)
Capital Outlay	8,650	8,650	1,318	7,332
Total Expenditures	410,525	410,525	287,476	123,049
Excess Revenues (Expenditures)	(1) \$ (51,871)	\$ (51,871)	166,518	\$ 218,389
Fund Balance – Beginning of Year			454,280	
Fund Balance – End of Year			\$ 620,798	

(1) Budgeted from fund balance.

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

# Tobin & Co.

Eveline Township  
 Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
 Road Fund  
 For the Year Ended June 30, 2007

Schedule 2

	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>Revenues</u>				
Taxes:				
Property Taxes	\$ 221,611	\$ 221,611	\$ 221,967	\$ 356
Interest and Rents:				
Interest	-	-	11,270	11,270
Total	221,611	221,611	233,237	11,626
<u>Expenditures</u>	350,000	350,000	336,950	13,050
Total	350,000	350,000	336,950	13,050
Excess Revenues (Expenditures)	(1) \$ (128,389)	\$ (128,389)	(103,713)	\$ 24,676
Fund Balance – Beginning of Year			419,081	
Fund Balance – End of Year			\$ 315,368	
(1) Budgeted from Fund Balance				

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

December 10, 2007

To the Township Board  
Eveline Township

We have audited the financial statements of Eveline Township for the year ended June 30, 2007, and have issued our report thereon dated December 10, 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

As stated in our engagement letter dated May 7, 2007, 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 and not be detected by us.

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

### Significant Accounting Policies

Management 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 Eveline Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2007. We noted no transactions entered into by Eveline Township 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.

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# **Tobin & Co.**

## Disagreements with Management

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

## Consultations with Other Independent Accountants

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

## Issues Discussed Prior to Retention of Independent Auditors

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

## Difficulties Encountered in Performing the Audit

We did encounter the following difficulties in performing our audit, none of which we considered a reportable condition.

First, we wish to congratulate the Township Board and officers on the much improved condition of the Township records as compared to the previous audit year, and upon the implementation of changes recommended in the previous management letter.

- 1) As in the previous audit, one of our audit adjustments was deemed necessary because of a breach in entity integrity. Let me explain. Each fund of the Township is, according to the State accounting procedures, a separate entity. If an adjustment is made or a revenue or expenditure recorded for any fund, then both halves of that entry in the prescribed double entry bookkeeping system must take place within the same fund. We noted one instance, though not material, where a revenue was recorded in one fund and cash increased in another fund. Both parts of these revenue entries must be within the same fund in order to maintain fund or entity integrity.
- 2) Considerable auditor time was spent sorting out various categories of General Fund revenues which were lumped into a single revenue category. These revenues should be separated and recorded in separate accounts prescribed by the Department of Treasury Uniform Chart of

## **Tobin & Co.**

Accounts. While the Treasurer supplied the Clerk with a spread sheet of monthly revenues, we believe the revenue distinction would be enhanced if the Treasurer used the State prescribed three-part receipting system.

- 3) While the Township appropriately prepared budgets for its funds, presented these at a public hearing, and approved the budget at a Board meeting, we did not see where an appropriation resolution was passed authorizing spending of the budgeted amounts. This appropriation is required by the State. A sample resolution can be found on the Michigan Townships Association website.
- 4) While a portion of the 2005 delinquent real property taxes paid to the Township by the County Treasurer were levied for road improvements, the total payment was receipted into the General Fund. An audit adjustment was recommended to record a receivable and payable in the appropriate funds.

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

Very truly yours,



Tobin & Co., P.C.