

Auditing Procedures Report

Issued under P.A. 2 of 1988, 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 TUSCARORA	County CHEBOYGAN
Fiscal Year End JUNE 30, 2007	Opinion Date October 30, 2007	Date Audit Report Submitted to State November 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ELLIOTT & SANGSTER, PC		Telephone Number (231) 627-4725	
Street Address 123 N. HURON STREET		City CHEBOYGAN	State Zip MI 49721
Authorizing CPA Signature 		Printed Name GREGORY J. ELLIOTT	License Number 21184

TUSCARORA TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2007

TUSCARORA TOWNSHIP

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Elliott & Sangster, PC

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Township Board
Tuscarora Township
Cheboygan County
Cheboygan, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Tuscarora Township, Cheboygan County, Michigan**, 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 basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **Tuscarora Township**, as of June 30, 2007, and the respective changes in financial position, thereof and 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 2 through 6 and 30 through 32, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



October 30, 2007

TUSCARORA TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities 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 tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Assets at June 30, 2007 totaled \$3,854,129 for governmental activities. Of the total, \$2,637,482 represents capital assets, net of depreciation.

Revenues derived from governmental activities were \$2,178,856 (\$112,185 from program revenues and \$1,965,688 from general revenues). Overall expenses for the Township's governmental activities were \$2,177,997. In addition, was a loss of \$100,983 from the recapture of Industrial Park property.

The Township had outstanding debt at year-end of \$981,386. The Township purchased capital assets in the amount of \$247,192 during the fiscal year. In addition, the Township had returned, through foreclosure, six (6) lots from the Industrial Park, with an original basis of \$194,017. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis, 2) the basic financial statements, and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year ended June 30, 2007.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personal changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General Fund, Special Revenue -- Police Fund, Debt Service Funds, and Capital Projects.

The government-wide financial statements include not only the Township itself (known as the *primary government*), but also the Downtown Development Authority and Library component units, which are legally, separate entities for which the Township is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Current and other assets	\$1,216,647	\$1,147,854
Capital assets (net)	<u>2,637,482</u>	<u>2,305,734</u>
Total assets	<u>3,854,129</u>	<u>\$3,453,588</u>
Long-term liabilities	\$ 981,386	\$ 590,515
Other liabilities	<u>68,489</u>	<u>59,678</u>
Total liabilities	<u>\$1,049,875</u>	<u>\$ 650,193</u>
Net assets:		
Invested in capital assets net of related debt	\$1,656,096	\$1,715,219
Unrestricted	<u>1,148,158</u>	<u>1,088,176</u>
Total	<u>\$2,804,254</u>	<u>\$2,803,395</u>

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
REVENUES:		
Program revenues:		
Charges for services	15,751	51,204
Operating grants and contributions	34,073	144,190
Capital grants and contributions	62,361	12,500
General revenues:		
Property taxes	1,912,240	1,071,353
State-shared revenues	211,948	216,476
Interest income	29,491	26,486
Other	13,975	52,576
Special item	<u>-</u>	<u>33,938</u>
Total revenues	<u>2,279,839</u>	<u>1,608,723</u>
EXPENSES:		
General government	382,852	402,578
Public safety	864,759	821,547
Public works	744,443	115,230
Recreation and culture	148,656	135,927
Interest on long-term debt	37,287	36,551
Loss on recapture of property	<u>100,983</u>	<u>-</u>
Total expenses	<u>2,278,980</u>	<u>1,511,833</u>
Increase in net assets	859	96,890
Beginning net assets, as restated	<u>2,803,395</u>	<u>2,727,535</u>
Ending net assets	<u>\$2,804,254</u>	<u>\$2,803,395</u>

Net assets increased by \$859 and liabilities increased by \$390,871. Property taxes have increased and state-shared revenues have decreased. Overall operating expenses have increased by \$666,164.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources. The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial

Governmental Funds (continued)

information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains six individual governmental funds: General Fund; Special Revenue - Police Fund; Debt Services Fund, consisting of the Road Project Fund and Capital Fund; Township Hall Bonds Fund; and the Highbanks Erosion Control Bonds Fund, which was completed in the fiscal year. The Township created two funds in the fiscal year. The first was the Road Project Fund, which is a Debt Services fund. It was created to monitor the pay back of funds used for the major road resurfacing done on many of the Township's streets. The second fund is a Capital Projects Fund created for the new Marina and Greendocks Project that the Township is progressing on. All of which we consider major funds. The Township funds are financed primarily by both property tax revenue and state shared revenues.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for ensuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for ensuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to which the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Activities

The General Fund decreased its fund balance by \$35,631, bringing the fund balance to \$285,031; the Special Revenue-Police Fund increased its fund balance by \$18,865, bringing the fund balance to \$354,913, the Township Hall Bonds Fund increased its fund balance by \$7,267, bringing its fund balance to \$74,514; the Highbanks Erosion Control Bonds Fund decreased its fund balance by \$1,899, bringing its fund balance to \$0. Of the Township's two new funds, the Road Project generated a fund balance of \$77,384 and the Capital Project created a fund balance of \$93,662. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, airport, recreation/park development, tax collection, street lighting, police, and fire protection.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year the Township Board amended its budget several times to take into account events during the year. Amendments resulted in a net increase in expenditures of \$39,096.

Capital Asset and Debt Administration

At June 30, 2007, the Township had \$3,814,433 in a broad range of assets, including buildings, parks, land for an industrial park (of which a portion was returned to the Township during the year), police, office and park equipment. Major additions to the Township were the improvements

Capital Asset and Debt Administration (continued)

to the Greendocks and the land purchased for the Capital Projects Fund. Also, in the Police Fund, were two snowmobiles.

At June 30, 2007 the Township had total debt outstanding of \$981,386. The Township reduced its debt by \$273,055 by making the required annual payments. Additional information on the Township's long-term debt can be found on pages 27 and 28 of this report.

FACTORS AFFECTING FUTURE OPERATIONS

Tax revenues continue to grow. We also consider state revenues as being an uncertain source of revenue. We believe that we need to continue to strive for a healthy fund balance.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability or revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Township Clerk at 231.238.0970 (Tuscarora Township Hall).

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TUSCARORA TOWNSHIP

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Primary Government	Component Units	
	Governmental Activities	Downtown Development Authority	Library
Assets			
Cash and cash equivalents	\$ 520,366	\$ 163,346	\$ 116,904
Investments	308,727	-	-
Receivables	387,554	-	36,665
Capital assets not being depreciated	1,324,660	-	-
Capital assets, net of depreciation	1,312,822	-	39,827
Total assets	\$ 3,854,129	\$ 163,346	\$193,396
Liabilities			
Accounts payable and accrued expenditures	\$ 68,489	\$ -	\$ 5,301
Noncurrent liabilities			
Due within one year	213,301	-	-
Due in more than one year	768,085	-	-
Total liabilities	1,049,875	-	5,301
Net assets			
Invested in capital assets, net of related debt	1,656,096	-	39,827
Unrestricted	1,148,158	163,346	148,268
Total net assets	2,804,254	163,346	188,095
Total Liabilities and Net assets	\$ 3,854,129	\$ 163,346	\$ 193,396

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

TUSCARORA TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities				
Legislative	\$ 132,034	\$ -	\$ -	\$ (132,034)
General government	288,105	-	7,095	(281,010)
Public safety	864,759	2,788	26,478	(822,891)
Public works	744,443	-	-	(744,443)
Recreation	141,535	12,963	500	(78,313)
Airport	7,121	-	-	(7,121)
Total governmental activities	\$ 2,177,997	\$ 15,751	\$ 34,073	\$ (2,065,812)
Component units				
Downtown Development Authority	\$ 30,985	\$ -	\$ -	\$ (30,985)
Library	97,637	6,284	13,217	(78,136)
Total component units	\$ 128,622	\$ 6,284	\$ 13,217	\$ (109,121)

Continued...

TUSCARORA TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Downtown Development Authority</u>	<u>Library</u>
Changes in net assets			
Net (expense) revenue	\$ (2,065,812)	\$ (30,985)	\$ (78,136)
General revenues			
Property taxes	1,912,240	63,354	93,402
State shared revenues	211,948	-	4,098
Unrestricted interest	29,491	3,797	2,521
Other	13,975	-	1,525
Special Item	(100,983)	-	-
Total general revenues	<u>2,066,671</u>	<u>67,151</u>	<u>101,546</u>
Other financing sources (uses)			
Transfers in	76,062	-	-
Transfers out	(76,062)	-	-
Change in net assets	<u>859</u>	<u>36,166</u>	<u>23,410</u>
Net assets, beginning of year	2,803,395	127,180	164,685
Net assets, end of year	<u>\$ 2,804,254</u>	<u>\$ 163,346</u>	<u>\$ 188,095</u>

Concluded

FUND FINANCIAL STATEMENTS

TUSCARORA TOWNSHIP

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2007

ASSETS	Special Revenue Fund		Debt Service Funds			Capital Projects	Total Governmental Funds
	General	Police	Township	H. B. Erosion	Road		
			Hall Bonds	Control Bonds	Project		
Cash and cash equivalents	\$ 94,943	\$ 179,557	\$ 74,514	\$ -	\$ 121,811	\$ 49,541	\$ 520,366
Investments	126,816	181,911	-	-	-	-	308,727
Accounts receivable	66,839	24,336	-	-	-	-	91,175
Due from other funds	44,427	-	-	-	-	45,179	89,606
Due from other governmental units	5,980	-	-	-	-	-	5,980
Special assessments receivable	6,355	-	-	-	250,702	-	257,057
Note receivable	33,342	-	-	-	-	-	33,342
Total assets	\$ 378,702	\$ 385,804	\$ 74,514	\$ -	\$ 372,513	\$ 94,720	\$ 1,306,253
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 4,059	\$ 1,180	\$ -	\$ -	\$ -	\$ 1,058	\$ 6,297
Accrued expenses	4,736	29,711	-	-	-	-	34,447
Due to other funds	45,179	-	-	-	44,427	-	89,606
Deferred revenue	39,697	-	-	-	250,702	-	290,399
Total liabilities	93,671	30,891	-	-	295,129	1,058	420,749
Fund balances							
Reserved	-	-	74,514	-	-	-	74,514
Unreserved							
Designated							
Lights	19,214	-	-	-	-	-	19,214
Fire protection	6,628	-	-	-	-	-	6,628
METRO Act	13,432	-	-	-	-	-	13,432
Parks	23,533	-	-	-	-	-	23,533
Marina Park	48,430	-	-	-	-	-	48,430
Undesignated	173,794	354,913	-	-	77,384	93,662	699,753
Total fund balances	285,031	354,913	74,514	-	77,384	93,662	885,504
Total liabilities and fund balances	\$ 378,702	\$ 385,804	\$ 74,514	\$ -	\$ 372,513	\$ 94,720	\$ 1,306,253

Continued...

TUSCARORA TOWNSHIP

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2007

Reconciliation of fund balances on the balance sheet for governmental funds to the statement of net assets

Fund balances - total governmental funds \$ 885,504

Amounts reported for governmental activities in the statement of net assets are different because:

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

Add - capital assets (net) 2,637,482

Certain assets, such as special assessments receivable, are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.

Add - deferred revenue on special assessments and Notes receivable 290,399

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds and notes payable (981,386)

Subtract - accrued interest on long-term liabilities (27,745)

Net assets of governmental activities \$ 2,804,254

Concluded

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

TUSCARORA TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2007

	General	Special Revenue Fund	Debt Service Funds			Capital Projects	Total Governmental Funds
		Police	Township Hall Bonds	H. B. Erosion Control Bonds	Road Project		
Revenues							
Taxes	411,453	684,972	\$ 74,553	\$ -	\$ 260,310	\$ 230,249	1,661,537
Special assessments	13,816	-	-	33,188	-	-	47,004
State sources	211,948	25,953	-	-	-	-	237,901
Charge for services	13,152	2,788	-	-	-	-	15,940
Donations	7,595	525	-	-	-	49,759	57,879
Interest	15,361	8,530	909	935	2,697	1,059	29,491
Miscellaneous	13,036	13,352	-	-	663,926	-	690,314
Total revenues	686,361	736,120	75,462	34,123	926,933	281,067	2,740,066
Expenditures							
Current							
Legislative	132,034	-	-	-	-	-	132,034
General government	197,198	-	-	-	-	-	197,198
Public safety	144,878	698,868	-	-	-	-	843,746
Public works	36,090	-	-	-	708,353	-	744,443
Recreation and culture	98,342	-	-	-	-	-	98,342
Airport	7,121	-	-	-	-	-	7,121
Capital outlay	3,050	18,387	-	-	-	225,755	247,192
Debt service							
Principal	56,055	-	60,000	12,000	145,000	-	273,055
Interest	17,586	-	8,195	810	10,696	-	37,287
Total expenditures	692,354	717,255	68,195	12,810	864,049	225,755	2,580,418
Other financing sources (uses)							
Transfers in	23,212	-	-	-	14,500	38,350	76,062
Transfers out	(52,850)	-	-	(23,212)	-	-	(76,062)
Net change in fund balances	(35,631)	18,865	7,267	(1,899)	77,384	93,662	159,648
Fund balances, beginning of year	320,662	336,048	67,247	1,899	-	-	725,856
Fund balances, end of year	\$ 285,031	\$ 354,913	\$ 74,514	\$ -	\$ 77,384	\$ 93,662	\$ 885,504

Continued...

TUSCARORA TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2007

**Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of
Governmental Funds to the Statement of Activities**

Net change in fund balances - total governmental funds	\$	159,648
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Add - capital outlay		247,192
Deduct - depreciation expense		(109,460)
<p>Special assessments receivable are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.</p>		
Deduct - special assessment receipts		(47,003)
Deduct: recapture of capital assets		194,017
Deduct - Foreclosure on Land Contract		(295,000)
Add - New special assessments		250,702
<p>Bond and Note proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds and note payables increases long-term liabilities in the statement of net assets. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment</p>		
Add - principal payments on long-term liabilities		273,055
Deduct - New proceeds from debt		(663,926)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>		
Deduct - Increase in accrued interest		(8,366)
Change in net assets of governmental activities		<u><u>\$ 859</u></u>
		Concluded

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

FIDUCIARY FUND FINANCIAL STATEMENTS

TUSCARORA TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - TAX COLLECTION FUND

JUNE 30, 2007

Assets	
Cash and cash equivalents	\$ <u>3,172</u>
Liabilities	
Due to other governmental units	\$ <u>3,172</u>

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

TUSCARORA TOWNSHIP

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - CURRENT TAX COLLECTION FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
ASSETS				
Cash and cash equivalents, unrestricted	<u>\$ 2,534</u>	<u>\$ 6,260,124</u>	<u>\$ 6,259,486</u>	<u>\$ 3,172</u>
LIABILITIES				
Due to other governmental units	<u>\$ 2,534</u>	<u>\$ 6,260,124</u>	<u>\$ 6,259,486</u>	<u>\$ 3,172</u>

COMPONENT UNITS

TUSCARORA TOWNSHIP

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2007

ASSETS	Downtown Development Authority	Library	Total Governmental Component Units
Cash and cash equivalents	\$ 163,346	\$ 116,904	\$ 280,250
Grants receivables	-	36,665	36,665
Total assets	\$ 163,346	\$ 153,569	\$ 316,915
LIABILITIES AND FUND BALANCES			
Liabilities			
Accrued expenses	\$ -	\$ 2,493	\$ 2,493
Due to other governmental units	-	2,808	2,808
Total liabilities	-	5,301	5,301
Fund balances			
Reserved	156,917	-	156,917
Unreserved, undesignated	6,429	148,268	154,697
Total fund balances	163,346	148,268	311,614
Total liabilities and fund balances	\$ 163,346	\$ 153,569	\$ 316,915
Reconciliation of Fund Balances on the Balance Sheet for Component Units to the Statement of Net Assets			
Fund Balances - component units	\$ 163,346	\$ 148,268	\$ 311,614
Amounts reported for component units in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			
Add - capital assets (net)	-	39,827	39,827
Net assets of component units	\$ 163,346	\$ 188,095	\$ 351,441

TUSCARORA TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL COMPONENT UNITS**

FOR THE YEAR ENDED JUNE 30, 2007

	Downtown Development Authority	Library	Total Governmental Component Units
Revenues			
Taxes	\$ 63,354	\$ 93,402	\$ 156,756
State sources	-	4,098	4,098
Charge for services	-	6,284	6,284
Donations	-	13,217	13,217
Interest	3,797	2,521	6,318
Miscellaneous	-	1,525	1,525
Total revenues	67,151	121,047	188,198
Expenditures			
Current			
General government	30,985	-	30,985
Recreation and culture	-	105,036	105,036
Total expenditures	30,985	105,036	136,021
Net change in fund balances	36,166	16,011	52,177
Fund balances, beginning of year	127,180	132,257	259,437
Fund balances, end of year	\$ 163,346	\$ 148,268	\$ 311,614

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of Component Units to the Statement of Activities

Net change in fund balances - component units	\$ 36,166	\$ 16,011	\$ 52,177
--	------------------	------------------	------------------

Amounts reported for component units in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	-	24,808	24,808
Deduct - depreciation expense	-	(17,407)	(17,407)
Change in net assets of component units	\$ 36,166	\$ 23,412	\$ 59,578

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Tuscarora Township, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity includes those of the Township and any component units. The basic criterion for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Library and Downtown Development Authority are presented as component units. Separate financial statements are not issued.

DISCRETELY PRESENTED COMPONENT UNITS

Library – The Township Library, which was established pursuant to the provisions of Public Act 164 of 1877, as amended, is governed by a six person Board of Directors elected through primary and general elections. The Library may issue debt subject to the limitations set forth in the Act and is funded by an annual property tax levy and state penal fines.

Downtown Development Authority – The Downtown Development Authority, which was established pursuant to the provisions of Act 197 of 1975, as amended, is governed by the Township Supervisor and an eight-member board. The Authority may issue debt subject to the limitations set forth in the Act and is funded by a specified annual property tax capture of a portion of the Township and County levies which may only be used for activities within the downtown district.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide 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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (the township does not have any business-type activities). Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, but are reported instead as general revenue.

Fund Financial Statements

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 enterprise funds are reported as separate columns in the fund financial statements. Major funds are generally those that represent 10% or more of the respective fund type assets, liabilities, revenues or expenditures. The township considers all funds to be major funds.

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 proprietary fund and fiduciary fund financial statements. Revenue is 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 in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

General Fund: The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Special Revenue – Police Fund: This fund accounts for revenues and expenditures directly attributable to police operations. Revenue is primarily obtained from property taxes for this purpose.

Debt Services Fund: This fund consists of the Road Project Fund and the Capital Projects Fund. The Road Project Fund was created to monitor the pay back of funds used for the major road resurfacing done on many of the Township's streets. The Capital Projects Fund was created for the new Marina and Greendocks Project that the Township is progressing on.

FUND TYPES AND MAJOR FUNDS (CONTINUED)

Governmental Funds (continued)

Township Hall Bonds Fund: This fund is used to account for the property taxes collected and the payments on bonds issued for the 1993 original construction of Township Hall.

Highbanks Erosion Control Bonds Fund: This fund accounts for the special assessment revenues and payments on the bonds issued for the 1997 Highbanks Erosion Control Project.

Road Project Fund: A Debt Services fund. It was created to monitor the pay back of funds used for the major road resurfacing done on many of the Township's streets.

Capital Projects Fund: Created for the new Marina and Greendocks Project that the Township is progressing on.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer and bank money market funds, which invest, solely in short-term fixed income securities of the U.S. Treasury and U.S. Agencies.

RECEIVABLES AND PAYABLES

All receivables are reported at gross value. Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values.

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are defined by the government as assets with an initial individual cost of \$1,000 and an estimated useful life in excess of one year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10 – 40 years
Land improvements	15 years
Equipment and vehicles	5 – 10 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Township has no debt.

FUND EQUITY

Reserved fund balances for governmental funds indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that a portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Township Board.

The Township Board's budgetary procedures are in compliance with P.A. 621 of 1978 (The Uniform Budgeting Act).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order of the applicable appropriations, is not employed by the Township because it is, at present, considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

PROPERTY TAX REVENUE RECOGNITION

Property tax revenues for the year ended June 30, 2007 reflected in the accompanying financial statements include property taxes levied December 1, 2006. These taxes are due by February 15, 2007, and are added to the County tax rolls after February 28, 2007. The Township receives 100% payment for the delinquent tax by June 2007. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental units' taxes and remittance of them to the units are accounted for in the Fiduciary – Tax Collection Fund.

The taxable value of the Township totaled \$192,566,247, on which ad valorem taxes consisted of .8904 mills for the Township's operating purposes, .1601 mills for lights, .773 mills for fire protection, 3.66 mills for police protection, .3876 mills for debt retirement, and .3 mills for the component unit library operations.

VACATION AND SICK LEAVE

Accrued vacation pay to police employees of \$21,223 has been accounted for in the Police Fund as a current liability under accrued compensated absences as it is not to be accumulated.

PENSION

The provision for pension cost is recorded on an accrual basis, and the Township's policy is to fund pension costs as they accrue.

DEFERRED REVENUE

Deferred revenue recorded in general and debt service funds consist of special assessments on taxpayers for various road and erosion control projects, and represents amounts to be collected in the future. Additionally, revenue is deferred in the governmental funds on the collection on a note from the sale of industrial park land.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Primary Government

The captions on the combined balance sheet relating to cash, cash equivalents and investments and the amounts in the Total (Memorandum Only) primary government column is as follows:

Cash and cash equivalents	\$523,538
Investments	<u>308,727</u>
	<u>\$832,265</u>

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

At year-end the carrying amount of the Township's primary government deposits were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$347,816	\$347,816
Uninsured – uncollateralized	<u>484,449</u>	<u>500,471</u>
	<u>\$832,265</u>	<u>\$848,287</u>

Component Units

The captions on the balance sheet relating to cash, cash equivalents and investments and the amounts in the Component Unit column are as follows:

Cash and cash equivalents	\$226,739
Investments	<u>53,511</u>
	<u>\$280,250</u>

At year-end the carrying amount of the deposits in the Component Unit column was classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$253,511	\$253,511
Uninsured – uncollateralized	<u>26,739</u>	<u>30,443</u>
	<u>\$280,250</u>	<u>\$283,954</u>

The GASB Statement No. 3 risk disclosures are as follows:

1. Insured or Registered, or Securities held by the Township or the Township's agent in the Township's name.
2. Uninsured and unregistered, with Securities held by the Counterparty's Trust Department or its agent in the Township's name.
3. Uninsured and unregistered, with Securities held by the Counterparty or the Counterparty's Trust Department or Agent, but not in the Township's name.

The Township's deposits and investments are in accordance with statutory authority.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest

NOTE 3: RECEIVABLES AND DEFERRED REVENUES

classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The composition of receivables at June 30, 2007 follows:

Special assessments		\$ 257,057
Notes – Industrial Park Land, current	\$ 1,600	
Notes – Industrial Park Land, long-term	<u>31,742</u>	
Total Industrial Park Land		33,342
Receivable from other governmental units		<u>91,175</u>
Total receivables		<u>\$381,574</u>

The notes receivable represents a land contract on the sale of a parcel of Township industrial park land.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, deferred revenue reported in the governmental funds was as follows:

Special assessments	\$ 257,057
Notes – Industrial Park Land	<u>33,342</u>
Total deferred revenue	<u>\$290,399</u>

NOTE 4: CAPITAL ASSETS

The composition of receivables at June 30, 2007 follows:

Capital asset activity of the primary governmental activities for the current year was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Not being depreciated:				
Land	\$1,104,098	\$220,562	\$ -	\$1,324,660
Being Depreciated:				
Land Improvements	9,146	199,210	-	208,356
Parks	567,954	3,050	-	571,004
Buildings	1,237,527	-	-	1,237,527
Equipment	313,997	18,387	-	332,384
Vehicles	<u>140,502</u>	<u>-</u>	<u>-</u>	<u>140,502</u>
Subtotal	3,373,224	441,209	-	3,814,433
Less accumulated Appreciation	<u>(1,067,491)</u>	<u>(109,460)</u>	<u>-</u>	<u>(1,176,951)</u>
Total	<u>\$2,305,733</u>	<u>\$331,749</u>	<u>\$ -</u>	<u>\$2,637,482</u>

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation was charged to the Township's functions as follows:

General government	\$ 45,254
Public Safety	21,013
Recreation and culture	<u>43,193</u>
	<u>\$109,460</u>

Capital asset activity of the component unit (Library) governmental activities for the current year was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Being depreciated:				
Equipment	\$115,189	\$ 6,174	\$ -	\$121,363
Books	<u>34,073</u>	<u>18,632</u>	<u>-</u>	<u>52,705</u>
Subtotal	149,262	24,806	-	174,068
Less accumulated Depreciation	<u>(116,834)</u>	<u>(17,407)</u>	<u>-</u>	<u>(134,241)</u>
Total	<u>\$ 32,428</u>	<u>\$ 7,399</u>	<u>\$ -</u>	<u>\$ 39,827</u>

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary government:		
General fund	\$50,407	\$45,179
Capital projects	45,179	0
Fiduciary fund	0	3,172
Road Project	<u>0</u>	<u>44,427</u>
Component unit:		
Library	<u>0</u>	<u>2,808</u>
Total	<u>\$95,586</u>	<u>\$95,586</u>

NOTE 6: PENSION PLANS

Plan description. The Township participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers the police department employees of the Township. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at Municipal Employees Retirement System, 1134 Municipal Way, Lansing, MI, 48917.

NOTE 6: PENSION PLANS (CONTINUED)

Funding Policy. The obligation to contribute to and maintain the system for these employees was established by the Township Board. There are no contribution requirements for the employees of the Township. The Township is required to contribute at an actuarially determined rate; the current rate is 15.77% of annual covered payroll. The contribution requirements of plan members and the Township are established and may be amended by the MERS board.

Annual Pension Cost. For the year ended December 31, 2006 the Township's annual pension cost of \$49,393 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0% investment rate of return, (b) projected salary increases of 4.5% per year, and (c) 4.5% percent per year cost of living adjustments. Both use techniques that smooth the effects of short-term volatility over a four-year period. The positive unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over 30 years and the negative unfunded actuarial liability is being amortized over 10 years.

Three-year trend information:

	<u>Fiscal year ended December 31:</u>		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost (APC)	\$ 40,320	\$ 40,240	\$ 49,393
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ 0	\$ 0	\$ 0
Actuarial value of assets	\$429,074	\$466,416	\$537,122
Actuarial Accrued Liability (AAL)	\$772,498	\$820,196	\$905,129
Unfunded AAL	\$343,424	\$353,780	\$368,007
Funded ratio	56%	57%	59%
Covered payroll	\$352,326	\$357,333	\$365,060
UAAL as a percentage of covered payroll	97%	99%	101%

The Township also provides pension benefits to some of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 7.5% of employees' gross earnings and the employees are not required to make any contribution. In accordance with these requirements, the Township contributed \$2,174 during the current year. Fees and contract charges were \$180.

NOTE 7: DEFERRED COMPENSATION PLAN

The Township offers participation to certain employees in a deferred compensation plan created in accordance with Internal Revenue Code Section 457, which is administered by Prudential Financial. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Tuscarora Township's financial statements.

NOTE 8: DEBT

A summary of general long-term debt at June 30, 2007, and transactions related thereto for the year then ended is as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
\$700,000 1993 general obligation unlimited tax bonds for construction of community building, payable in annual installments of \$30,000 to \$65,000, bearing interest semi-annually from 2.9% to 5.2%, through October, 2008.	\$190,000	-	(\$60,000)	\$130,000	\$65,000
\$390,000 1997 general obligation limited tax special assessment bonds for Highbanks Erosion Control Project, payable in annual installments from \$25,000 to \$45,000, bearing interest semi-annually from 4.05% to 4.95%, through April, 2007.	12,000	-	(12,000)	0	0
\$75,000 1996 note for Sturgeon River Bridge Project, payable in monthly installments of \$722 including interest at 4.36% through December, 2006.	5,129	-	(5,129)	0	0
\$259,000 1998 land purchase note due in monthly installments of \$2,663 including interest at 4.33% through December, 2008.	75,590	-	(29,261)	46,329	30,552
\$417,763 1999 Promissory Note for contracted services due in annual installments of \$37,055, including interest at 5% through July 1, 2017.	307,796	-	(21,665)	286,131	22,749
\$505,000 2006 general obligation limited tax bonds for the construction of certain road improvements, payable in annual installments of \$95,000 to \$110,000, bearing interest of 4.6% through July, 2011.	0	505,000	-	505,000	95,000

NOTE 8: DEBT (CONTINUED)

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
\$158,926 2006 note for additional proceeds to complete road improvement project with five (5) annual installment payments from \$29,785 to \$33,785 at 4.6% through July 2011. Advance payment was made in January 2007.	<u>0</u>	<u>158,926</u>	<u>(145,000)</u>	<u>13,926</u>	<u>0</u>
	<u>\$590,515</u>	<u>\$663,926</u>	<u>(\$273,055)</u>	<u>\$981,386</u>	<u>\$213,301</u>

The annual principal and interest requirements for the years ending June 30, 2008 and thereafter, including \$153,311 in interest, are as follows:

<u>Year Ended June 30,</u>	
2008	\$255,095
2009	245,965
2010	149,245
2011	149,530
2012	149,585
Thereafter	<u>185,277</u>
Total	<u>\$1,134,697</u>

NOTE 9: RESERVES AND DESIGNATIONS

Township Hall Bonds – Township Hall Bonds Fund has \$74,514 reserved for payment of long-term debt principal, interest and related costs.

Lights – The General Fund has \$19,214 reserved from a special millage for street lighting within the Township.

Fire Protection – The General Fund has \$6,628 reserved from a special millage for fire protection within the Township.

METRO Act – The General Fund has \$13,432 reserved from the State of Michigan to be used for road right-of-way maintenance within the Township.

Marina Park – The General Fund has \$48,430 reserved for development of the so-called Marina Park within the Township.

Designation for Parks – The General Fund has \$23,533 designated for park operations.

NOTE 10: CONTINGENCIES

In the normal course of operations the Township receives grant funds from state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

NOTE 11: SPECIAL ITEM

During the year the Township was returned, through foreclosure, six lots located in the industrial park land located within the Township. The loss was a significant item infrequent in occurrence that was not subject to management's control. The transaction resulted in the loss of \$295,000 deferred revenues and the recapture of land in the amount of \$194,017 for a net loss of \$100,983.

In accordance with Government Accounting Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments*, this item is included in the Statement of Activities as a separate line item.

NOTE 12: RISK MANAGEMENT

The Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan. The Township carries coverage for general liability, wrongful acts, law enforcement, automobile, crime, inland marine liability and bonding for public official's errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits. Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

TUSCARORA TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	Budget		Actual	Variance
	Original	Amended		With Amended Budget Positive (Negative)
Revenues				
Taxes	\$ 411,385	\$ 411,385	\$ 411,453	\$ 68
Special assessments	12,000	12,000	13,816	1,816
State sources	214,200	214,200	211,948	(2,252)
Charge for services	14,060	14,060	13,152	(908)
Donations	5,000	5,000	7,595	2,595
Interest	10,000	10,000	15,361	5,361
Miscellaneous	41,100	41,100	13,036	(28,064)
Total revenues	707,745	707,744	686,361	(21,384)
Expenditures				
Legislative				
Township board	138,440	141,973	132,034	9,939
General government				
Supervisor	23,026	24,175	22,261	1,914
Elections	4,700	4,751	3,551	1,200
Professional services	7,000	5,945	2,675	3,270
Assessor	52,641	52,641	48,910	3,731
Clerk	26,226	26,226	26,002	224
Board of Review	1,600	1,600	1,320	280
Treasurer	35,398	35,397	33,330	2,067
Township property	51,850	54,662	49,978	4,684
Cemetery	10,400	10,402	9,171	1,231
Total general government	212,841	215,798	197,198	18,600
Public safety				
Planning	1,560	1,560	60	1,500
Fire department	144,818	144,818	144,818	-
Total public safety	146,378	146,378	144,878	1,500
Public works				
Road repair and maintenance	33,100	26,800	7,438	19,362
Street lighting	30,000	30,000	28,007	1,993
Refuse collection	7,000	7,000	645	6,355
Total public works	70,100	63,800	36,090	27,710
Recreation and culture	84,656	105,756	98,342	7,414
Airport	6,500	7,955	7,121	834

Continued....

TUSCARORA TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	Budget		Actual	Variance With Amended Budget Positive (Negative)
	Original	Amended		
Capital outlay	1,000	5,550	3,050	2,500
Debt service				
Principal	\$ 60,755	\$ 60,155	\$ 56,055	\$ 4,100
Interest	17,600	17,600	17,586	14
Total debt service	78,355	77,755	73,641	4,114
Total expenditures	738,270	764,966	692,354	72,611
Other financing sources (uses)				
Transfers in	23,212	23,212	23,212	
Transfers out	(52,850)	(52,850)	(52,850)	
Net change in fund balances	(30,525)	(57,221)	(35,631)	51,227
Fund balances, beginning of year	320,662	320,662	320,662	-
Fund balances, beginning of year, as restated	320,662	320,662	320,662	-
Fund balances, end of year	\$ 290,137	\$ 263,440	\$ 285,031	\$ 51,227

Concluded

The accompanying notes are an integral part of these financial statements

TUSCARORA TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - POLICE FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Amended Budget Positive (Negative)</u>
	<u>Original</u>	<u>Amended</u>		
Revenues				
Taxes	\$ 685,326	\$ 685,326	\$ 684,972	\$ (354)
State sources	1,000	1,000	25,953	24,953
Charge for services	3,000	3,000	2,788	(212)
Donations	500	500	525	25
Interest	5,500	5,500	8,530	3,030
Miscellaneous	10,000	10,000	13,352	3,352
Total revenue	\$ 705,326	\$ 705,326	\$ 736,120	\$ 30,794
Expenditures				
Public safety	\$ 691,326	\$ 696,097	\$ 698,868	\$ (2,771)
Capital outlay	14,000	20,629	18,387	2,242
Total expenditures	\$ 705,326	\$ 716,726	\$ 717,255	\$ (529)
Net change in fund balances	-	(11,401)	18,865	30,265
Fund balances, beginning of year	336,048	336,048	336,048	-
Fund balances, end of year	\$ 336,048	\$ 324,647	\$ 354,913	\$ 30,265

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

Elliott & Sangster, PC

CERTIFIED PUBLIC ACCOUNTANTS

PROFESSIONAL CORPORATION

123 N. HURON ST.

CHEBOYGAN, MI 49721

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Gregory J. Elliott, CPA, CFP website: www.elliott-sangster.com

MEMBER

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

November 13, 2007

Township Board
Tuscarora Township
Cheboygan County
Indian River, MI 49749

Comments and Recommendations

In planning and performing our audit of the general purpose financial statements of the Township of Tuscarora for the year ended June 30, 2007, we consider the Township's internal structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

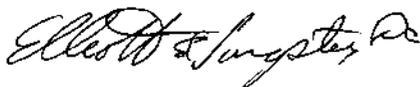
Because of the nature in general of the control environment of small townships, we limit our study and evaluation of internal control to the preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because we are not relying on the entity's internal accounting control procedures to restrict our substantive tests, the study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole. However, our examination disclosed no conditions that we believe to be a material weakness.

This report and accompanying recommendations are intended for the use of the Township and should not be used for other purpose.

1. Township officials in general are doing a good job monitoring budgeted expenditures and making adjustments as needed during the year. At year end the individual line item budgets versus actual are being adjusted to the exact amount of expenditure. As can be seen in the Police Special Revenue fund there is an over budget amount of \$(529) because of audit adjustments at year end to the annual calculation of accrued vacation pay. We recommend that a line item for contingencies be included in the budget for all funds to avoid any under budgeting issues for just such an occurrence or in case of a missed payable.

We would like to thank Mrs. Hahn, Mrs. Fisher and Mr. Jacobson for their assistance during the audit and for the fine job they did with the accounting of the Township records. If there are any questions regarding this comment or the audited statements, please feel free to contact us.

Sincerely,



Elliott & Sangster, PC