

## 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 Lincoln Township	County Clare
Fiscal Year End 6-30-07	Opinion Date 12.6.07	Date Audit Report Submitted to State 12.12.07	

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.)

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 checked="" type="checkbox"/>	SAS 61 Letter	
Certified Public Accountant (Firm Name) Weinlander Fitzhugh	Telephone Number 989-386-3481		
Street Address 601 Beech Street	City Clare	State MI	Zip 48617
Authorizing CPA Signature <i>Shannon Wilson CPA</i>	Printed Name Shannon Wilson	License Number 1101027042	



# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

ROBERT E. LIST, CPA  
STEWART J. REID, CPA  
MICHAEL L. HANISKO, CPA  
DAVID D. QUIMBY, CPA  
KATHLYN M. ENGELHARDT, CPA  
RENAE M. CLEVINGER, CPA  
AMY L. RODRIGUEZ, CPA  
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA  
ROY A. SCHAIRER, CPA  
JAMES L. WHALEY, CPA  
JEROME L. YANTZ, CPA  
PHILIP T. SOUTHGATE, CPA  
ROBERT J. DUYCK, CPA

LINCOLN TOWNSHIP  
CLARE COUNTY, MICHIGAN

FINANCIAL STATEMENTS  
JUNE 30, 2007

601 BEECH STREET  
POST OFFICE BOX 297  
CLARE, MI 48617  
989-386-3481  
FAX 989-386-3462  
[www.wf-cpas.com](http://www.wf-cpas.com)  
[wf@wf-cpas.com](mailto:wf@wf-cpas.com)

OFFICES: BAY CITY, CLARE,  
GLADWIN AND WEST BRANCH

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## Independent Auditors' Report

December 6, 2007

To the Township Board  
Lincoln Township  
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln Township as of and for the year ended June 30, 2007, which collectively comprise the Lincoln Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lincoln Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 opinions.

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 Lincoln Township as of June 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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# WEINLANDER FITZHUGH

To the Township Board  
Lincoln Township  
December 6, 2007

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Weinlander Fitzhugh*

**LINCOLN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

Our discussion and analysis of the Lincoln Township's (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2007.

**Financial Highlights**

The Township's net assets decreased by \$70,480 or 7%. Program revenues were \$323,143 or 31% of total revenues, and general revenues were \$720,680 or 69%.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lincoln Township financially as a whole. The Government-wide Financial Statements provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant funds – the General, Fire and Police Funds, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the Major Funds (Required Supplemental Information)

LINCOLN TOWNSHIP  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

**Reporting the Township as a Whole**

*The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of the Township.

**Reporting the Township's Most Significant Funds**

*Fund Financial Statements*

The Township's fund financial statements provide detail information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue. The Township's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

*Governmental Funds*

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

**LINCOLN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

*Fiduciary Funds*

The Township is the trustee, or fiduciary, for tax collections. All of the Township's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

**Township-wide Financial Analysis**

The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of June 30, 2007 and 2006.

<b>Exhibit A</b>	<b>Governmental Activities</b>	
	2007	2006
<b>Assets</b>		
Current and other assets	\$ 961,041	\$ 999,893
Capital assets - net of accumulated depreciation	354,869	383,048
Total assets	1,315,910	1,382,941
<b>Liabilities</b>		
Current liabilities	277,254	58,670
Long-term liabilities	59,995	39,704
Total liabilities	337,249	98,374
<b>Net Assets</b>		
Invested in property and equipment	354,869	323,980
Restricted	361,638	400,771
Unrestricted	262,154	559,816
Total net assets	\$ 978,661	\$ 1,284,567

LINCOLN TOWNSHIP  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

This analysis focuses on net assets. The Township's net assets were \$978,661 at June 30, 2007. Capital assets totaling \$345,869 compares the original costs, less depreciation of the Township's capital assets.

The \$262,154 in unrestricted net assets of governmental type activities represents the *accumulated* results of all past years' operations. The operating results of the General and Special Revenue Funds will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities, summarized in Exhibit B below, which shows the changes in net assets for the year ended June 30, 2007.

**LINCOLN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

<b>Exhibit B</b>	Governmental Activities	
	2007	2006
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 323,143	\$ 255,738
Grants and contributions	0	26,791
General revenue:		
Property taxes	537,965	538,027
State shared revenues	119,594	120,617
Other	63,121	70,874
Total revenue	1,043,823	1,012,047
<b>Function/Program Expenses</b>		
General government	236,868	252,954
Public safety	268,121	267,634
Public works	190,156	178,069
Highways and streets	353,839	280,426
Recreation and culture	39,160	33,077
Planning, zoning and inspector	16,122	17,213
Interest on long-term debt	6,675	3,252
Loss on sale of assets	3,362	0
Total expenses	1,114,303	1,032,625
<b>Change in Net Assets</b>	<b>\$ (70,480)</b>	<b>\$ (20,578)</b>

**LINCOLN TOWNSHIP**  
 Management's Discussion and Analysis  
For the Year Ended June 30, 2007

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$1,114,303. Certain activities were partially funded from those who benefited from the programs or by the other Townships and organizations that subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$537,965 in taxes, \$119,594 in State shared revenues and with our other revenues, such as administration fees, interest and miscellaneous revenues.

The Township experienced a decrease in net assets of \$70,480. Key reason for the change in net assets was an increase in the spending on roads, rubbish removal and police services. These increases in expenses were partially off set by an increase in revenue from property taxes and charges for rubbish removal. The change in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

**The Township's Funds**

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

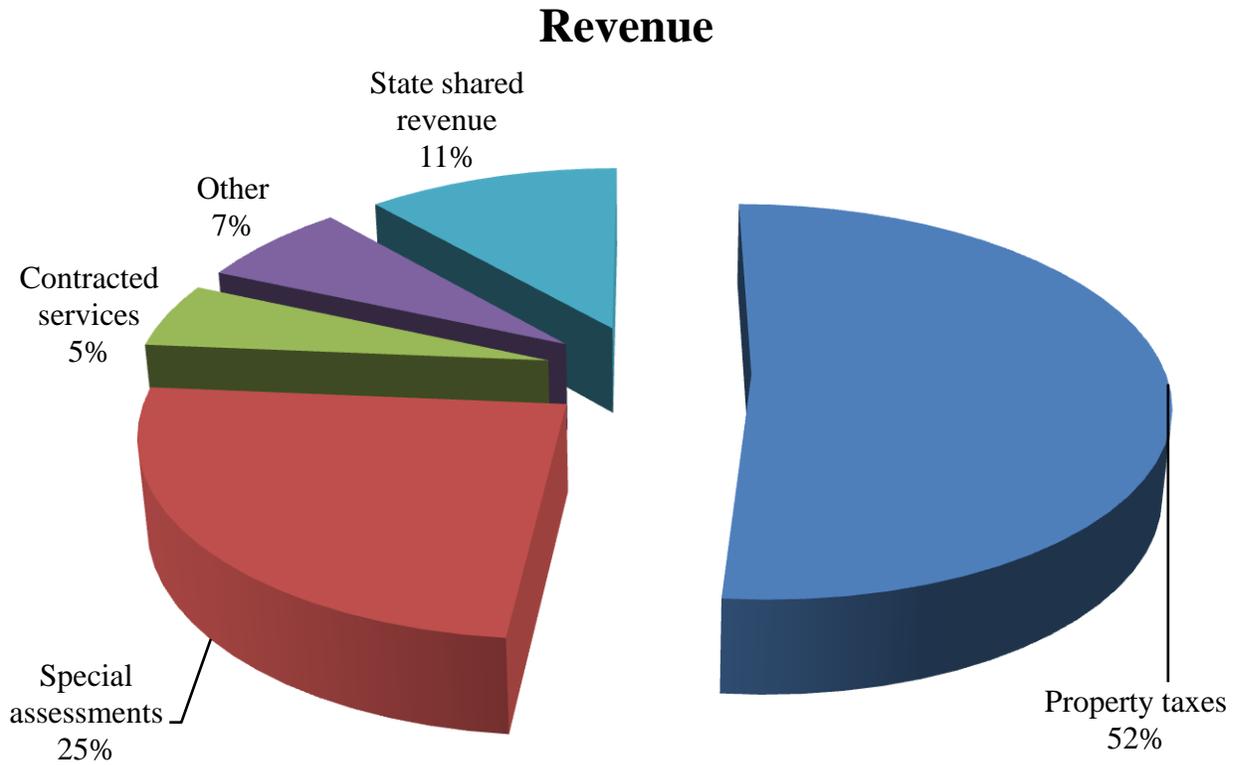
The Township's governmental funds reported a combined fund balance of \$769,529, which is below last year's total of \$960,587. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2007 and 2006.

	<u>Fund Balance June 30, 2007</u>	<u>Fund Balance June 30, 2006</u>	<u>Change</u>
General	\$ 490,928	\$ 658,703	\$ (167,775)
Special Revenue	<u>278,601</u>	<u>301,884</u>	<u>(23,283)</u>
Total	<u>\$ 769,529</u>	<u>\$ 960,587</u>	<u>\$ (191,058)</u>

- Our General Fund decreased \$167,775. The decrease is mainly due to a increase in the road improvements, rubbish removal expenditures and scheduled increases in bond payments.
- Our Fire Fund decreased \$25,068. The decrease was due to early pay off of an installment purchase on the Pierce Custom Contender
- Our Police Fund increased \$1,785. The increase is mainly due to increased property tax revenue.
- The Liquor Law Fund did not have any activity during the fiscal year.

**LINCOLN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

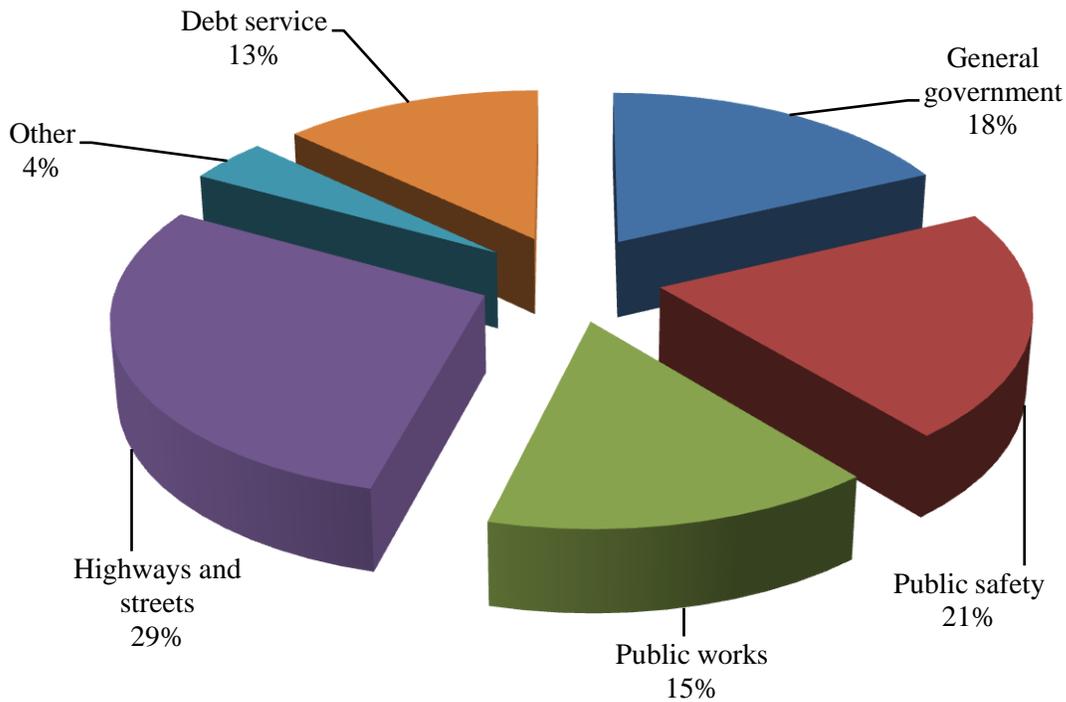
As the graph below illustrates, the largest portion of the Township's revenue comes from property taxes.



**LINCOLN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

The graph below illustrates, 18% of the Townships' resources are spent on general government expenses such as administrative costs and hall and grounds, including utilities. Another 29% is spent on highways and streets, while 21% is spent on fire and police services. The remaining 32% is spent on other services provided to the residents of the Township as shown below.

**Expenditures**



**LINCOLN TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

The chart below compares current year expenditures with prior year.

	2007	2006
<i>Expenditures by Function</i>		
General government	\$ 220,068	\$ 239,276
Public safety	260,104	237,440
Public works	190,156	178,069
Highways and streets	353,839	175,922
Recreation and culture	39,160	33,077
Planning, zoning and inspector	16,122	17,213
Debt service	155,432	126,289
Total	\$ 1,234,881	\$ 1,007,286

Expenditures are up \$227,595 or 23% over the prior year mostly due to increased spending on road repair and maintenance, rubbish removal costs, scheduled increases in road debt payments and the early pay-off of the fire vehicle. The Township also experienced increases in expenditures in the costs for fire and police services.

**General Fund Budgetary Highlights**

Over the course of the year, the Township revises its budgets to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund budget were as follows.

- There were no changes to the revenue original budget.
- Budgeted expenditures increased due to an increase in road construction projects and debt service payments.
- Actual revenues exceeded budgeted revenue by \$53,966. The difference is primarily due to an increase in property tax collections, special assessments and administrative fees.
- Actual expenditures were more than budgeted expenditures by \$100,855. The difference is due to higher than expected costs on road repairs and maintenance and due to debt service payments being higher than the budgeted amount.

**LINCOLN TOWNSHIP**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

**Capital Assets**

At June 30, 2007, the Township had \$354,869 invested in a broad range of capital assets, including land, buildings, furniture and equipment, net of accumulated depreciation. This amount represents a net decrease (including additions and disposals) of \$29,109, or 8%, from last year.

	2007	2006
Land	\$ 35,207	\$ 35,207
Buildings and building improvements	113,342	113,342
Equipment	193,424	189,576
Vehicles	414,900	414,900
Total capital assets	756,873	753,025
Less accumulated depreciation	402,004	369,047
Net capital assets	\$ 354,869	\$ 383,978

This year's additions of \$35,044 included the purchase of a thermal imaging camera and a compressed air foam system for the Fire Fund. No debt was issued for these additions.

We do not anticipate any major capital additions in the next fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

**Debt**

At the end of this year, the Township had \$141,667 in long-term debt outstanding versus \$288,397 in the previous year – a change of 51%. The long-term debt consisted of the following:

	2007	2006
Installment purchase agreements	\$ 0	\$ 54,753
Bonds	141,667	233,644
	\$ 141,667	\$ 288,397

LINCOLN TOWNSHIP  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

The Township's outstanding general obligation debt of \$141,667 is significantly below the statutorily imposed limit.

**Factors Expected to Have an Effect on Future Operations**

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. We will need to adjust Township expenditures in response to any revenue shortfall.

**Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in Lincoln Township. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Lincoln Township  
P.O. Box 239  
Lake George, MI 48633

LINCOLN TOWNSHIP  
Statement of Net Assets  
June 30, 2007

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 865,260
Receivables:	
Accounts	6,671
Special assessments	82,249
Prepaid expenses	2,596
Internal balances	4,265
Capital assets - net of accumulated depreciation of \$402,004	<u>354,869</u>
 Total Assets	 <u>1,315,910</u>
<u>Liabilities</u>	
Accounts payable	109,263
Deferred revenue	82,249
Accrued interest	4,070
Noncurrent liabilities:	
Due within one year	81,672
Due in more than one year	<u>59,995</u>
 Total Liabilities	 <u>337,249</u>
<u>Net Assets</u>	
Invested in capital assets	354,869
Restricted for:	
Streets and highways	212,662
Lake weed control	101,003
Rubbish removal	47,973
Unrestricted	<u>262,154</u>
 Total Net Assets	 <u><u>\$ 978,661</u></u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP  
Statement of Activities  
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Governmental Activities Net (Expense) Revenue and Change in Net Assets</u>
		Charges for Services	
Governmental activities:			
General government	\$ 236,868	\$ 8,790	\$ (228,078)
Public safety	268,121	55,537	(212,584)
Public works	190,156	192,921	2,765
Highways and streets	353,839	65,895	(287,944)
Recreation and culture	39,160	0	(39,160)
Planning, zoning and inspector	16,122	0	(16,122)
Interest on long-term debt	6,675	0	(6,675)
Loss on sale of assets	3,362	0	(3,362)
	<hr/>	<hr/>	<hr/>
Total governmental activities	\$ 1,114,303	\$ 323,143	(791,160)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
General revenues:			
Property taxes			537,965
Administration fees			50,061
State shared revenues			119,594
Investment earnings			6,364
Miscellaneous			6,696
			<hr/>
Total general revenues			720,680
			<hr/>
Change in net assets			(70,480)
Net assets at beginning of year, as previously stated			1,284,567
Prior period adjustment			(235,426)
			<hr/>
Net assets - beginning of year, restated			1,049,141
			<hr/>
Net assets - end of year			\$ 978,661
			<hr/> <hr/>

See accompanying notes to financial statements

LINCOLN TOWNSHIP  
Governmental Funds  
Balance Sheet  
June 30, 2007

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Police Fund</u>	<u>Other Nonmajor Governmental Fund (Liquor Fund)</u>	<u>Total</u>
<u>Assets</u>					
Cash and cash equivalents	\$586,458	\$143,661	\$134,463	\$ 678	\$ 865,260
Receivables:					
Accounts	0	6,671	0	0	6,671
Special assessments	82,249	0	0	0	82,249
Prepaid expenditures	0	2,596	0	0	2,596
Due from other funds	3,483	391	1,069	0	4,943
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$672,190</u>	<u>\$153,319</u>	<u>\$135,532</u>	<u>\$ 678</u>	<u>\$ 961,719</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 99,013	\$ 5	\$ 10,245	\$ 0	\$ 109,263
Deferred revenue	82,249	0	0	0	82,249
Due to other funds	0	0	0	678	678
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>181,262</u>	<u>5</u>	<u>10,245</u>	<u>678</u>	<u>192,190</u>
<u>Fund Balance</u>					
Reserved for streets and highways	212,662	0	0	0	212,662
Reserved for lake weed control	101,003	0	0	0	101,003
Reserved for rubbish removal	47,973	0	0	0	47,973
Unreserved	129,290	153,314	125,287	0	407,891
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	<u>490,928</u>	<u>153,314</u>	<u>125,287</u>	<u>0</u>	<u>769,529</u>
Total Liabilities and Fund Balance	<u>\$672,190</u>	<u>\$153,319</u>	<u>\$135,532</u>	<u>\$ 678</u>	<u>\$ 961,719</u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP  
 Reconciliation of Balance Sheet of Governmental Funds  
 to the Statement of Net Assets  
June 30, 2007

Total fund balance - governmental funds	\$ 769,529
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 are not reported in the funds	
Cost of the capital assets	756,873
Accumulated depreciation	(402,004)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(141,667)
Accrued interest payable is not included as a liability in governmental activities	<u>(4,070)</u>
Total net assets - governmental activities	<u><u>\$ 978,661</u></u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP  
Governmental Funds  
Statement of Revenues, Expenditures and  
Change in Fund Balance  
For the Year Ended June 30, 2007

	General Fund	Fire Fund	Police Fund	Other Nonmajor Governmental Fund (Liquor Fund)	Total
<u>Revenues</u>					
Property taxes	\$ 302,459	\$ 117,753	\$ 117,753	\$ 0	\$ 537,965
Special assessments	258,816	0	0	0	258,816
Contracted services	0	55,492	0	0	55,492
Administration fees	50,061	0	0	0	50,061
Licenses, fees and permits	8,790	45	0	0	8,835
State shared revenues	119,594	0	0	0	119,594
Interest and rentals	6,277	48	39	0	6,364
Other revenues	6,111	585	0	0	6,696
Total revenues	<u>752,108</u>	<u>173,923</u>	<u>117,792</u>	<u>0</u>	<u>1,043,823</u>
<u>Expenditures</u>					
Current:					
General government	220,068	0	0	0	220,068
Public safety	0	144,097	116,007	0	260,104
Public works	190,156	0	0	0	190,156
Highways and streets	353,839	0	0	0	353,839
Recreation and culture	39,160	0	0	0	39,160
Planning, zoning and inspector	16,122	0	0	0	16,122
Debt service:					
Principal	91,836	54,894	0	0	146,730
Interest	8,702	0	0	0	8,702
Total expenditures	<u>919,883</u>	<u>198,991</u>	<u>116,007</u>	<u>0</u>	<u>1,234,881</u>
Excess (deficiency) of revenues over expenditures	(167,775)	(25,068)	1,785	0	(191,058)
Fund balance - beginning of year	<u>658,703</u>	<u>178,382</u>	<u>123,502</u>	<u>0</u>	<u>960,587</u>
Fund balance - end of year	<u><u>\$ 490,928</u></u>	<u><u>\$ 153,314</u></u>	<u><u>\$ 125,287</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 769,529</u></u>

See accompanying notes to financial statements

**LINCOLN TOWNSHIP**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2007**

Net change in fund balance - total governmental funds	\$ (191,058)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>In the statement of activities, only the loss on the sale or disposal of equipment is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources.</p>	
	(3,362)
<p>Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation</p>	
Capital outlay	35,044
Depreciation expense	(59,861)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Other costs related to debt issuance and retirement use governmental fund resources but recognize them as expenses through amortization on the statement of net assets:</p>	
Repayment of bonds	91,977
<p>Repayment of loan principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)</p>	
	54,753
<p>Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid</p>	
	<u>2,027</u>
Change in net assets of governmental activities	<u><u>\$ (70,480)</u></u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP  
Statement of Fiduciary Net Assets  
June 30, 2007

	<u>Current Tax Fund</u>
<u>Assets</u>	
Cash	\$ 12,948
<u>Liabilities</u>	
Due to other funds	\$ 4,265
Due to other governments	8,683
	<u>\$ 12,948</u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Lincoln Township (Township) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Lincoln Township.

**Reporting Entity**

Lincoln Township is governed by an elected five member council (Board). The accompanying financial statements present the government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

**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 is the 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 revenue in the year for 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.

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Governmental fund financial statements are reported using the current financial resources 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

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

The Township reports the following major governmental funds.

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

The Fire Fund accounts for Township fire protection service activities.

The Police Fund accounts for activities associated with law enforcement within the Township.

Additionally, the Township reports the following fund types.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Liquor enforcement services are accounted for in the Special Revenue Funds as a non major governmental fund.

**Assets, Liabilities, and Net Assets or Equity**

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, machinery and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. 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. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Building, vehicles and equipment are being depreciated using the straight-line method over the following useful lives.

Buildings	40 Years
Building improvements	15 to 25 Years
Vehicles	5 to 15 Years
Fire equipment	5 to 15 Years
Office equipment	5 to 15 Years
Computer equipment	3 to 5 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

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

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Lincoln Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's supervisor submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

During the year ended June 30, 2007, the Township incurred variances in certain budgetary funds which were in excess of the amounts appropriated as follows.

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 2 – BUDGETS (CONTINUED)**

<u>Fund/Function</u>	<u>Total Appropriation</u>	<u>Actual Amount</u>	<u>Budget Variance</u>
General Fund			
Highways and streets	\$ 317,398	\$ 353,839	\$ 36,441
Debt service	46,286	100,538	54,252
Police Fund	112,000	116,007	4,007

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General, Fire and Police Funds are presented as Required Supplemental Information.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest 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 as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

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

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 865,260</u>	<u>\$ 12,948</u>	<u>\$ 878,208</u>

**Custodial credit risk – deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2007, \$660,326 of the Township's bank balance of \$875,286 was exposed to custodial credit risk because it was uninsured and uncollateralized.

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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

As of June 30, 2007, the Township had no investments.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity of the Township for the current year was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 35,207	\$ 0	\$ 0	\$ 35,207
Capital assets being depreciated:				
Buildings	51,827	0	0	51,827
Building improvements	61,515	0	0	61,515
Equipment	189,576	35,044	31,196	193,424
Vehicles	414,900	0	0	414,900
Subtotal	717,818	35,044	31,196	721,666
Less accumulated depreciation for:				
Buildings	38,598	0	0	38,598
Building improvements	21,842	4,066	0	25,908
Equipment	99,907	35,462	26,904	108,465
Vehicles	208,700	20,333	0	229,033
Subtotal	369,047	59,861	26,904	402,004
Net capital assets being depreciated	348,771	(24,817)	(4,292)	319,662
Governmental Activities, Total				
Capital Assets - Net of Depreciation	<u>\$ 383,978</u>	<u>\$ (24,817)</u>	<u>\$ (4,292)</u>	<u>\$ 354,869</u>

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to programs of the Township as follows:

Governmental Activities:	
General government	\$ 16,800
Public safety	43,061
	43,061
Total Governmental Activities	\$ 59,861
	59,861

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

A summary of inter-fund receivable and payable balances at June 30, 2007, is shown below. There were no transfers during the year.

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 3,483	\$ 0
Fire Fund	391	0
Police Fund	1,069	0
Liquor Law Fund	0	678
Tax Fund	0	4,265
	0	4,265
	\$ 4,943	\$ 4,943

The primary purpose of the receivables/payables is to reflect amounts due from the tax fund that were not distributed to the funds as of June 30, 2007. The receivables/payables balance also reflects the reimbursement to the Police Fund from the Liquor Law Fund for liquor law enforcement services.

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 6 – LONG-TERM DEBT**

Long-term debt obligation activity can be summarized as follows:

	Balance July 1, 2006	Additions	Retirements and Adjustments	Balance June 30, 2007	Amount Due Within One Year
Installment purchase agreements	\$ 54,753	\$ 0	\$ 54,753	\$ 0	\$ 0
Bonds	233,644	0	91,977	141,667	81,672
	<u>\$ 288,397</u>	<u>\$ 0</u>	<u>\$ 146,730</u>	<u>\$ 141,667</u>	<u>\$ 81,672</u>

Lincoln Township entered into an installment purchase agreement on April 8, 2002, in the amount of \$129,400 at an interest rate of 4.70% for seven years. The installment purchase agreement was used to purchase 2002 Pierce Custom Contender.

Bonds payable at June 30, 2007 is comprised of the following issues:

\$267,000 Special Assessment Bonds for Hemlock Road improvements due in annual installments of \$52,714 to \$53,840 through August 12, 2007; interest at 3.7577%

\$ 53,840

\$248,292 Special Assessment Bonds for Forest, Bungo and Ojibway Road improvements due in annual installments of \$19,648 to \$30,743 through August 31, 2009; interest at 5.1%

87,827

\$ 141,667

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

Annual debt service requirements to maturity for the above obligation are as follows.

<u>Year End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 81,672	\$ 5,491	\$ 87,163
2009	29,252	3,060	32,312
2010	30,743	1,568	32,311
Total	<u>\$ 141,667</u>	<u>\$ 10,119</u>	<u>\$ 151,786</u>

**NOTE 7 - RISK MANAGEMENT**

Lincoln Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Lincoln Township participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with Lincoln Township.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 7 - RISK MANAGEMENT (CONTINUED)**

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

**NOTE 8 - PENSION PLAN**

The Township provides pension benefits to certain qualified employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 15% percent of employees' gross earnings and employee contributions for each employee plus interest allocated to the employee's account are immediately fully vested.

The Township's total payroll during the current year was \$148,929. The current year contribution was calculated based on covered payroll of \$135,763, resulting in an employer contribution of \$22,113.

**NOTE 9 – PRIOR PERIOD ADJUSTMENT**

The net assets of Lincoln Township at July 1, 2006, have been decreased by \$235,426.

Recording of Special Assessment Bonds for Hemlock Road, Arbor Drive and Forest, Bungo and Ojibway Road improvement projects resulted in a decrease of \$233,644. Net assets were also decreased by \$6,097 to record accrued interest on these bonds.

The net assets were increased by \$4,315 to reflect an adjustment in the beginning balance of the installment purchase of the Pierce pumper truck.

**LINCOLN TOWNSHIP**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - Major Governmental Funds**  
**For the Year Ended June 30, 2007**

	General Fund		
	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Property taxes	\$ 277,300	\$ 277,300	\$ 302,459
Special assessments	232,567	232,567	258,816
Contracted services	0	0	0
Administration fees	44,500	44,500	50,061
Licenses, fees and permits	12,925	12,925	8,790
State shared revenues	119,000	119,000	119,594
Interest and rentals	5,000	5,000	6,277
Other revenues	6,850	6,850	6,111
Total revenues	<u>698,142</u>	<u>698,142</u>	<u>752,108</u>
<u>Expenditures</u>			
Current:			
General government	242,436	249,067	220,068
Public safety	0	0	0
Public works	188,096	190,192	190,156
Highways and steets	265,400	317,398	353,839
Recreation and culture	42,304	42,304	39,160
Planning, zoning and inspector	19,950	20,067	16,122
Debt service	33,000	46,286	100,538
Total expenditures	<u>758,186</u>	<u>819,028</u>	<u>919,883</u>
Excess (deficiency) of revenues over expenditures	(60,044)	(120,886)	(167,775)
Fund balance - beginning of year	<u>658,703</u>	<u>658,703</u>	<u>658,703</u>
Fund balance - end of year	<u><u>\$ 598,659</u></u>	<u><u>\$ 537,817</u></u>	<u><u>\$ 490,928</u></u>

Fire Fund			Police Fund		
Original Budget	Final Amended Budget	Actual	Original Budget	Final Amended Budget	Actual
\$ 112,000	\$ 112,000	\$ 117,753	\$ 107,200	\$ 112,000	\$ 117,753
0	0	0	0	0	0
52,000	52,000	55,492	0	0	0
0	0	0	0	0	0
0	0	45	0	0	0
0	0	0	0	0	0
125	125	48	50	95	39
2,200	2,200	585	900	913	0
<u>166,325</u>	<u>166,325</u>	<u>173,923</u>	<u>108,150</u>	<u>113,008</u>	<u>117,792</u>
0	0	0	0	0	0
216,862	216,862	144,097	117,000	112,000	116,007
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
55,000	55,000	54,894	0	0	0
<u>271,862</u>	<u>271,862</u>	<u>198,991</u>	<u>117,000</u>	<u>112,000</u>	<u>116,007</u>
(105,537)	(105,537)	(25,068)	(8,850)	1,008	1,785
<u>178,382</u>	<u>178,382</u>	<u>178,382</u>	<u>123,502</u>	<u>123,502</u>	<u>123,502</u>
<u>\$ 72,845</u>	<u>\$ 72,845</u>	<u>\$ 153,314</u>	<u>\$ 114,652</u>	<u>\$ 124,510</u>	<u>\$ 125,287</u>



# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

ROBERT E. LIST, CPA  
STEWART J. REID, CPA  
MICHAEL L. HANISKO, CPA  
DAVID D. QUIMBY, CPA  
KATHLYN M. ENGELHARDT, CPA  
RENAE M. CLEVINGER, CPA  
AMY L. RODRIGUEZ, CPA  
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA  
ROY A. SCHAIRER, CPA  
JAMES L. WHALEY, CPA  
JEROME L. YANTZ, CPA  
PHILIP T. SOUTHGATE, CPA  
ROBERT J. DUYCK, CPA

December 6, 2007

Township Board  
Lincoln Township  
Clare County, Michigan

In planning and performing our audit of the financial statements of Lincoln Township (Township) as of and for the year ended June 30, 2007, in accordance with U.S. generally accepted auditing standards. We considered Lincoln Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

601 BEECH STREET  
POST OFFICE BOX 297  
CLARE, MI 48617  
989-386-3481  
FAX 989-386-3462  
www.wf-cpas.com  
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,  
GLADWIN AND WEST BRANCH

**RSM** McGladrey Network

An Independently Owned Member



# WEINLANDER FITZHUGH

Township Board  
Lincoln Township  
December 6, 2007  
Page 2

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. We consider the following significant deficiencies to be material weaknesses:

## **Financial Reporting**

As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of Lincoln Township's internal controls. In taking this required position, we must consider whether the Township has the ability, on its own, to monitor and report financial activity in accordance with our professional standards without auditor intervention.

The Township uses accounting software as a management tool to monitor the financial status of the Township, to facilitate the preparation and amendment of budgets and to compare budgeted amounts to actual results. In addition, the Township demonstrates the ability to report fund level activities, monitor fiduciary fund activities (including tax collections and disbursements) and report on certain fund level note disclosures. Due to the complexity of the required government wide financial statements and related note disclosures in accordance with GASB 34, the Township does not maintain personnel who can report in accordance with U.S. generally accepted accounting principles without auditor intervention.

## **Property Tax Disbursements**

Public Act 211, of 1979 mandates that governmental units with a taxable value greater than \$15,000,000 must remit to the schools and the county total taxes collected through the 1<sup>st</sup> and the 15<sup>th</sup> day of each month within ten business days after the 1<sup>st</sup> and 15<sup>th</sup> each month. It appears that disbursements are made timely though out the year. However, the amounts collected after county settlement were not disbursed as of June 30, 2007. This is more than the 10 business day rule as mandated.



# WEINLANDER FITZHUGH

Township Board  
Lincoln Township  
December 6, 2007  
Page 3

It was also noted that the Township made only three tax transfers during the winter 2006 tax collection period to the other Township funds for the funds share of property taxes. We recommend that amounts be disbursed in a timely manner upon receipt regardless of the entity to which they are being disbursed for cash flow purposes.

## **Property Tax Receipts**

During property tax receipt testing, it was noted that deposits were regularly being made several days after the taxes were collected. Deposits should be made at least weekly and more frequently when the amounts collected are material in amount.

## **Monthly Reconciliations**

The Treasurer must keep track of the total cash and cash equivalents allocable to each fund and must reconcile these amounts to each month's bank statements. A listing of all cash and cash equivalents, along with a copy of the bank reconciliations, must be provided to the clerk each month. The clerk must reconcile the cash and cash equivalents recorded in the general ledger to either the treasurer's reconciliation or to the bank statements directly.

The preceding comments are not intended to reflect on the performance or capability of any employee.

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

*Weinlander Fitzhugh*



# WEINLANDER FITZHUGH

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December 6, 2007

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ROY A. SCHAIRER, CPA  
JAMES L. WHALEY, CPA  
JEROME L. YANTZ, CPA  
PHILIP T. SOUTHGATE, CPA  
ROBERT J. DUYCK, CPA

Township Board  
Township of Lincoln  
Clare County, Michigan

This letter is intended to inform the Township Board about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Township Board.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

## **The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards**

Our audit of the financial statements of the Township of Lincoln for the year ended June 30, 2007, was conducted in accordance with U.S. generally accepted auditing standards. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. 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. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

## **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

601 BEECH STREET  
POST OFFICE BOX 297  
CLARE, MI 48617  
989-386-3481  
FAX 989-386-3462  
www.wf-cpas.com  
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,  
GLADWIN AND WEST BRANCH

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## **Audit Adjustments**

There were several audit adjustments made to the original trial balance presented to us to begin our audit. Of the adjustments that were recorded, the adjustments to accounts payable, fund balance and special assessments receivable/deferred could, in our judgment, either individually or in the aggregate, have a significant effect on the Township's financial reporting process.

## **Uncorrected Misstatements**

We also accumulated one uncorrected misstatement, which was discussed with management and were determined by management to be immaterial, both individually and in the aggregate, to the opinion units of the financial statements. Therefore, the adjustment to correct this misstatement was not made to the financial statements. This uncorrected misstatement is summarized in the accompanying schedule.

## **Accounting Policies and Alternative Treatments**

Management and the Township Board have the ultimate responsibility for the appropriateness of the accounting policies used by the Township. The significant accounting policies adopted by the Township are described in Footnote 1 to the financial statements.

## **Disagreements with Management**

We encountered no disagreements with management over the application of significant principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

## **Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

## **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.



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## **Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

## **Other Comments**

### Risk Based Auditing Standards

In early 2006, the AICPA's Auditing Standards Board (ASB) issued eight Statements on Auditing Standards (SAS) relating to the assessment of risk and performance of procedures in an audit of financial statements:

- SAS No. 104, Amendment to Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures.
- SAS No. 105, Amendment to Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards
- SAS No. 106, Audit Evidence
- SAS No. 107, Audit Risk and Materiality in Conducting an Audit
- SAS No. 108, Planning and Supervision
- SAS No. 109, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement
- SAS No. 110, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained
- SAS No. 111, Amendment to Statement on Auditing Standards No. 39, Audit Sampling

These Statements establish standards and provide guidance concerning the auditor's assessment of the risks of material misstatement (whether caused by error or fraud) in a financial statement audit, and the design and performance of audit procedures whose nature, timing and extent are responsive to the assessed risks. Additionally, the Statements establish standards and provide guidance on planning and supervision, the nature of audit evidence, and evaluating whether the audit evidence obtained affords a reasonable basis for an opinion regarding the financial statements under audit.



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Because these new standards demand a higher level of performance, there will be mandatory changes to the way we perform audits commencing with audit periods ending September 30, 2008. The new standards require us to perform more extensive procedures than in the past, resulting in an additional time commitment from both your personnel and our audit team.

## **Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Lincoln Township.

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

*Weinlander Fitzhugh*