CENTER TOWNSHIP
EMMET COUNTY, MICHIGAN

Financial Statements
For the Year Ended
March 31, 2008

Prepared By:
Richard E. Mahlmeister, C.P.A., P.C.
580 South Nicolet, P.O.Box 996
Mackinaw City, MI 49701

Michigan Department of Treasury
496 (Rev.06/08)

Auditing Procedures Report

Instructions and MuniCodes | *=Required Fields | Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

Unit Name* Center Township	County* EMMET	Type* TOWNSHIP	MuniCode* 24-1-040
Opinion Date-Use Calendar* Sep 24, 2008	Audit Submitted-Use Calendar* Sep 26, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

- [x] 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- [x] 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- [x] 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- [x] 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- [x] 5. Did the local unit adopt a budget for all required funds?
- [x] 6. Was a public hearing on the budget held in accordance with State statute?
- [x] 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- [x] 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- [x] 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- [x] 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- [x] 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- [x] 12. Is the local unit free of repeated reported deficiencies from previous years?
- [x] 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- [x] 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- [x] 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- [x] 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- [x] 18. Are there reported deficiencies? [x] 19. If so, was it attached to the audit report?

General Fund Revenue:	$ 78,697.00
General Fund Expenditure:	$ 74,358.00
Major Fund Deficit Amount:	$ 0.00

General Fund Balance:	$ 19,902.00
Governmental Activities Long-Term Debt (see instructions):	$ 11,000.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Richard E.	Last Name* Mahlmeister	Ten Digit License Number* 1101017351		
CPA Street Address* P.O. Box 996	City* Mackinaw City	State* MI	Zip Code* 49701	Telephone* +1 (231) 436-5223
CPA Firm Name* Richard E. Mahlmeister, CPA	Unit's Street Address* 3800 Canby Road	Unit's City* Pellston	Unit's Zip* 49769	

CENTER TOWNSHIP

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RICHARD E. MAHLMEISTER
CERTIFIED PUBLIC ACCOUNTANT, P.C.

Member:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

September 24, 2008

Township Board
Center Township
Emmet County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Center Township, Emmet County, Michigan,*** as of and for the year ended March 31, 2008, which collectively comprise ***Center Township's*** basic financial statements as listed in the table of contents. These financial statements are the responsibility of ***Center Township's*** management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of ***Center Township, Emmet County, Michigan,*** as of March 31, 2008, 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 1 through 5 and 21 through 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Richard E. Mahlmeister, CPA
Richard E. Mahlmeister, CPA, PC

P.O. Box 996 • Mackinaw City, MI 49701 • **phone: (231) 436-5223 • fax: (231) 436-5938**

CENTER 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 March 31, 2008. 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

Government-Wide Highlights

Net assets at March 31, 2008 totaled $170,563, representing an increase of $26,668 from the previous fiscal year.

Governmental Fund Highlights

The governmental activities of the Township reported combined ending fund balances of $81,911, which represents an increase of $26,403 from the previous fiscal year.

Long-term Debt

The Township's long-term debt was decreased by $6,000, to $11,000. 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 March 31, 2008.

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 personnel changes.

Most of the activities are reported as governmental activities. These would include the operations recorded in the General, Road, and Park Funds.

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

Center Township
Net Assets
March 31,

	GOVERNMENTAL ACTIVITIES	
Assets:	**2008**	**2007**
Current assets	$83,032	$60,354
Capital assets (net)	99,888	101,988
Total assets	182,920	162,342
Liabilities:		
Current liabilities	1,357	1,447
Noncurrent liabilities	11,000	17,000
Total liabilities	12,357	18,447
Net assets:		
Invested in capital assets, net of related debt	88,888	84,988
Unrestricted	81,675	58,907
Total net assets	$170,563	$143,895

The most significant portion of the Township's Net Assets is the investment in capital assets (e.g. land and land improvements, buildings and improvements, and equipment), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has $81,675 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The following table summarizes the results of the changes in Net Assets of the Township:

Center Township
Change in Net Assets
March 31,

	GOVERNMENTAL ACTIVITIES	
REVENUES:	**2008**	**2007**
Program revenues:		
Charges for services	$3,208	$7,206
Capital grants and contributions	-	5,000
General revenues:		
Property taxes	54,904	43,180
State-shared revenues	41,269	39,655
Interest income	1,380	278
Total Revenues	100,761	95,319
EXPENSES:		
Legislative	2,470	2,665
General government	58,090	58,078
Public safety	5,463	5,279
Public works	3,141	3,954
Recreation and culture	425	500
Other	3,301	3,197
Interest on long-term debt	1,203	1,589
Total Expenses	74,093	75,262
NET ASSETS:		
Increase in net assets	26,668	20,057
Beginning Net Assets	143,895	123,838
Ending Net Assets	$170,563	$143,895

Governmental Activities

The Township's net assets increased $26,668 during the fiscal year.

Revenue remained stable from the prior year, with the exception of property taxes which increased $11,724. This increase is due to the continuing rise of property tax values and the recovery of unclaimed prior year's tax collection fees for the summer tax collection.

Expenses have remained stable as compared to the prior year,

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. The Township Board may also create them. 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 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 three individual governmental funds; General Fund, Road Fund and Park Fund; of which the General and Road Funds are considered 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 insuring 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 insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to which the funds belongs. 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

All of the governmental funds had increases in their fund balance over the prior year, except for the Parks, which had no activity. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, fire protection, and tax collection. The General Fund increased its fund balance by $4,339, bringing the fund balance to $19,902; the Special Revenue-Road Fund increased its fund balance by $22,064, bringing the fund balance to $61,057; and the Special Revenue-Park Fund had no activity, leaving the fund balance at $952.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2008, the Township's governmental activities had $99,888 in net capital assets (land, land improvements, buildings and improvements, and equipment). We purchased $2,598 in new office equipment during the year.

Capital Asset and Debt Administration (Continued)

Long-Term Debt
No new debt was incurred during the year. We decreased our debt by $6,000. Our remaining debt consists of $11,000 for the construction of the Township Hall.

BUDGETARY HIGHLIGHTS

Overall, there are no significant differences between the original and actual budget.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township expects financial aspects of governing to be generally the same as in the current year. However, one area of continuing potential revenue reduction is in state-shared revenues. These monies come from the State of Michigan and are contingent on various economic and political considerations. We plan on using the additional road millage levied to continue improving various county roads within the Township.

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 for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any township official at 231.539.8592 (Center Township Hall).

Ed Jurek, Jr.
Center Township Supervisor

Bonnie Godzik
Center Township Clerk

Michelle Zmikly
Center Township Treasurer

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CENTER TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2008

ASSETS	GOVERNMENTAL ACTIVITIES
Cash and cash equivalents	$44,043
Investments	27,244
Receivables:	
Property taxes	5,379
Due from other governmental units	5,361
Due from fiduciary fund	1,005
Capital assets (net of accumulated depreciation)	99,888
TOTAL ASSETS	182,920
LIABILITIES	
Accounts payable	1,008
Accrued payroll taxes	113
Accrued interest	236
Long-term liabilities:	
Due within one year	6,000
Due in more than one year	5,000
TOTAL LIABILITIES	12,357
NET ASSETS	
Invested in capital assets, net of related debt	88,888
Unrestricted	81,675
TOTAL NET ASSETS	$170,563

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

CENTER TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary government			
Governmental activities			
Legislative	$2,470	$ -	$ -
General government	58,090	3,208	-
Public safety	5,463	-	-
Public works	3,141	-	-
Recreation and culture	425	-	-
Other	3,301	-	-
Interest on long-term debt	1,203	-	-
Total governmental activities	$74,093	$3,208	$ -

General Revenues	
Property taxes	
State-shared revenues	
Unrestricted interest income	
Total general revenues	
Change in net assets	
Net assets, beginning of year	
Net assets, end of year	

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

	Net (Expense) Revenue and Changes in Net Assets
	Governmental Activities
Capital Grants and Contributions	TOTAL
$ -	($2,470)
-	(54,882)
-	(5,463)
-	(3,141)
-	(425)
-	(3,301)
-	(1,203)
$ -	(70,885)
	54,904
	41,269
	1,380
	97,553
	26,668
	143,895
	$170,563

FUND FINANCIAL STATEMENTS

CENTER TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2008

ASSETS	GENERAL FUND	ROAD FUND	NON-MAJOR FUND PARK FUND	TOTAL GOVERNMENTAL FUNDS
Cash and cash equivalents	$11,716	$31,375	$952	$44,043
Investments	-	27,244	-	27,244
Taxes receivable	2,941	2,438	-	5,379
Due from other governmental units	5,361	-	-	5,361
Due from tax collection fund	1,005	-	-	1,005
TOTAL ASSETS	$21,023	$61,057	$952	$83,032
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$1,008	$ -	$ -	$1,008
Accrued payroll taxes payable	113	-	-	113
TOTAL LIABILITIES	1,121	-	-	1,121
FUND BALANCES:				
Unreserved:				
Designated for:				
Subsequent years' expenditures	11,697	58,670	-	70,367
Unreserved, undesignated	8,205	2,387	952	11,544
TOTAL FUND BALANCES	19,902	61,057	952	81,911
TOTAL LIABILITIES AND FUND BALANCES	$21,023	$61,057	$952	$83,032

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

CENTER TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2008

Reconciliation of fund balances on the balance sheets for governmental activities to the statement of net assets	
FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$81,911
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	155,902
Subtract: accumulated depreciation	(56,014)
Certain liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds, and consist of:	
Subtract: bonds and note payable	(11,000)
Subtract: accrued interest on long-term liabilities	(236)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$170,563

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

CENTER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

	GENERAL FUND	ROAD FUND	NON-MAJOR FUND PARK FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	$34,015	$20,889	$ -	$54,904
State shared revenues	41,269	-	-	41,269
Charges for services	3,208	-	-	3,208
Interest	205	1,175	-	1,380
TOTAL REVENUES	78,697	22,064	-	100,761
EXPENDITURES				
Current:				
Legislative	2,470	-	-	2,470
General government	49,628	-	-	49,628
Public safety	5,463	-	-	5,463
Public works	3,141	-	-	3,141
Recreation and culture	425	-	-	425
Other functions	3,301	-	-	3,301
Capital outlay	2,598	-	-	2,598
Debt service	7,332	-	-	7,332
TOTAL EXPENDITURES	74,358	-	-	74,358
NET CHANGE IN FUND BALANCES	4,339	22,064	-	26,403
FUND BALANCES, BEGINNING OF YEAR	15,563	38,993	952	55,508
FUND BALANCES, END OF YEAR	$19,902	$61,057	$952	$81,911

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

CENTER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities	
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$26,403
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.	
Add: capital outlay capitalized during the current year	2,598
Subtract: depreciation expense	(4,698)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Add: principal payments on long-term liabilities	6,000
Some expenses in the statement of activities do not require the use of current finanical resources and therefore are not reported as expenditures in governmental funds.	
Add: prior year accrued interest on loan	365
Subtract: current year accrued interest on loan	(236)
Add: current year prepaid expense	-
Subtract: prior year prepaid expense	(3,764)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$26,668

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

CENTER TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
MARCH 31, 2008

ASSETS	AGENCY FUND
Cash	$1,005
LIABILITIES	
Due to other funds	1,005
NET ASSETS	
Fiduciary Net Assets	$ -

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Center Township, Emmet County, Michigan conform to accounting principles generally accepted in the United States of America 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 including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. GASB Statement No. 34 sets forth-minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of 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 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. 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 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 in the current fiscal year. All other revenue items are considered to be available when the government receives cash.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major 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.

Road Fund - This fund accounts for revenues and expenditures attributable to improvement of various roads located within the Township. Revenue is primarily obtained from property taxes for this purpose.

The Township reports the following special revenue - nonmajor funds:

Park Fund – This fund accounts for park operations and maintenance.

Fiduciary Funds

Trust and Agency Fund - The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

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.

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values. Interfund transfers reflect the use of unrestricted revenues collected in the General Fund used to finance programs accounted for in other funds in accordance with budgetary provisions.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

CAPITAL ASSETS

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are generally defined by the government as assets with an initial individual cost of $500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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	15 – 40 years
Equipment	5 – 15 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.

FUND EQUITY

Reserved fund balances for governmental funds indicate that 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 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.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. 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 Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. 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 3: PROPERTY TAX

Property tax revenues for the year ended March 31, 2008, reflected in the accompanying financial statements include property taxes levied December 31, 2007. These taxes are due by February 28, 2008, and are added to the County tax rolls after February 28, 2008. The Township will receive 100% payment for the delinquent tax by June, 2008.

The taxable value of the Township totaled $20,813,178, on which ad valorem taxes consisted of .9632 mills for the Township's operating purposes and .9632 mills for roads, raising $20,113 for operating purposes and $20,889 for roads.

NOTE 4: CASH AND CASH EQUIVALENTS

The caption on the statements of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	$45,048
Investments (certificates of deposit)	27,244
	$72,292

NOTE 4: CASH AND CASH EQUIVALENTS (CONTINUED)

The Township uses a common bank account. The equity of each fund in the common account is as follows:

General Fund	$11,716
Special Revenue – Road Fund	31,375
Special Revenue – Park Fund	952
	$44,043

The total deposits in each individual financial institution do not exceed $100,000 and therefore, are covered by the Federal Deposit Insurance Corporation (F.D.I.C.). The Township may experience significant fluctuations in deposit balances through the year.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township 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 rated by two standard rating agencies 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 investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy is in accordance with statutory authority.

NOTE 5: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivables and payables for the year ended March 31, 2008 are as follows:

Fund	Interfund Receivable	Interfund Payable
General	$1,005	$ -
Tax Collection	-	1,005
Total	$1,005	$1,005

There were no operating transfers for the year ended March 31, 2008.

NOTE 6: CAPITAL ASSETS

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

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
Not being depreciated:				
Land and Land improvements	$9,850	$ -	$ -	$9,850
Being Depreciated:				
Building and Improvements	124,046	-	-	124,046
Equipment	19,408	2,598	-	22,006
Subtotal	153,304	2,598	-	155,902
Less accumulated depreciation	(51,316)	(4,698)	-	(56,014)
Total	$101,988	($2,100	$ -	$99,888

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

General government	$4,698

NOTE 7: LONG-TERM DEBT

A summary of long term obligations at March 31, 2008, and transactions related thereto for the year then ended is as follows:

	April 1, 2007	Additions	(Reductions)	Balance March31,2008	Due Within One Year
Installment contract payable-town hall. Annual payments of $6,000, plus interest at the variable rate of .25% under prime, through 2010.	$ 17,000	$ -	($6,000)	$11,000	$6,000

The annual requirements for five years ending March 31, 2008 and thereafter, including $1,254 in interest, are as follows:

Year Ended March 31,	Amount
2009	$6,862
2010	5,392
	$12,254

Interest expense for the year in the statement of activities, governmental activities, was $1,203.

NOTE 8: PENSION PLAN

The Township provides pension benefits to all 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 10.0% of employees' gross earnings and employees contribute 10.0% percent of earnings. In accordance with these requirements, the Township contributed $2,199 during the current year, and the employees contributed $2,199. Contract fees were $561.

NOTE 9: RISK MANAGEMENT

Center 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 plan has a maximum liability for property of $337,200, general liability of $3,000,000, wrongful acts of $2,000,000, crime of $10,000, automobile of $1,000,000, inland marine liability of $5,000, EDP of $1,800 and bonding for public officials 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.

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REQUIRED SUPPLEMENTARY INFORMATION

CENTER TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes:				
Property tax	$17,500	$17,500	$20,113	$2,613
Property taxes - administrative fee	9,700	9,700	13,902	4,202
Total taxes	27,200	27,200	34,015	6,815
State shared revenues:				
State shared revenues	34,500	34,500	34,120	(380)
State shared revenues-METRO Act	-	-	1,348	1,348
Swampland and payment in lieu of tax	7,108	7,108	5,801	(1,307)
Total state shared revenues	41,608	41,608	41,269	(339)
Charges for services:				
Land division fees	300	300	100	(200)
Rentals aud other	6,500	6,500	3,108	(3,392)
Total charges for serviees	6,800	6,800	3,208	(3,592)
Interest	150	150	205	55
TOTAL REVENUES	75,758	75,758	78,697	2,939

CENTER TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
LEGISLATIVE				
Township board	$2,942	$2,942	$2,470	$472
GENERAL GOVERNMENT				
Supervisor	6,000	6,000	5,620	380
Assessor	12,400	12,400	12,350	50
Elections	600	1,659	992	667
Board of Review	1,000	1,000	960	40
Clerk	7,580	7,580	7,380	200
Treasurer	9,220	9,220	8,343	877
Township property	15,359	15,359	13,604	1,755
Cemetery	600	600	379	221
TOTAL GENERAL GOVERNMENT	52,759	53,818	49,628	4,190
PUBLIC SAFETY				
Fire protection	5,500	5,500	5,463	37
PUBLIC WORKS				
Highways and streets	4,200	3,141	3,141	-
RECREATION AND CULTURE				
Park	1,500	1,500	425	1,075
OTHER FUNCTIONS				
Pension and other benefits	4,200	4,200	3,301	899
Contingency	1,000	1,000	-	1,000
TOTAL OTHER FUNCTIONS	5,200	5,200	3,301	1,899
CAPITAL OUTLAY	2,600	2,600	2,598	2
DEBT SERVICE				
Principal	6,000	6,000	6,000	-
Interest	2,000	2,000	1,332	668
TOTAL DEBT SERVICE	8,000	8,000	7,332	668
TOTAL EXPENDITURES	82,701	82,701	74,358	8,343
NET CHANGE IN FUND BALANCE	(6,943)	(6,943)	4,339	11,282
FUND BALANCE - BEGINNING OF YEAR	15,563	15,563	15,563	-
FUND BALANCE - END OF YEAR	$8,620	$8,620	$19,902	$11,282

CENTER TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - ROAD FUND
FOR THE YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property tax	$17,500	$17,500	$20,889	$3,389
Interest income	-	-	1,175	1,175
TOTAL REVENUES	17,500	17,500	22,064	4,564
EXPENDITURES:				
Public works	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	17,500	17,500	22,064	4,564
FUND BALANCE, BEGINNING OF YEAR	38,993	38,993	38,993	-
FUND BALANCE, END OF YEAR	$56,493	$56,493	$61,057	$4,564

RICHARD E. MAHLMEISTER
CERTIFIED PUBLIC ACCOUNTANT, P.C.

Member:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

September 24, 2008

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES IN INTERNAL CONTROL AND OTHER MATTERS

Township Board
Center Township
Emmet County, Michigan

In planning and performing my audit of the financial statements of ***Center Township*** as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered Center Township's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center Township's internal control. My consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, I do not express an opinion on the effectiveness of Center Township's internal control.

My 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, I identified certain deficiencies in internal control that I consider to be significant deficiencies and a deficiency that I consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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I consider the following deficiencies to be significant deficiencies in internal control:

Lack of Segregation of Duties
Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

This condition is generally inherent in organizations the size of Center Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

I believe the following deficiency constitutes a material weakness:

Financial Statement Preparation
Center Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures.

However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

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

Thank you for the opportunity to serve ***Center Township.*** Best wishes in the next year.

Sincerely,

Richard E. Mahlmeister, C.P.A.
Richard E. Mahlmeister, C.P.A., P.C.

RICHARD E. MAHLMEISTER
CERTIFIED PUBLIC ACCOUNTANT, P.C.

Member:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

September 24, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Township Board
Center Township
Emmet County, Michigan

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of Center Township, and have issued my report thereon dated September 24, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards
As stated in my engagement letter dated April 18, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit
I performed the audit according to the planned scope and timing previously communicated to you on April 18, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Center Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was determining depreciation expense. I evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit
I encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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

Management Representations
I have requested certain representations from management that are included in the management representation letter dated September 24, 2008.

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

Other Audit Findings or Issues

Auditing standards require me to report to you significant audit findings or issues. Following are the significant findings I noted during my audit:

- There is a lack of segregation of duties in the accounting function due to the limited number of accounting personnel. This condition is generally inherent in organizations the size of Center Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

- Center Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures. However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

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

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

Sincerely,

Richard E. Mahlmeister, C.P.A.
Richard E. Mahlmeister, C.P.A., P.C.