

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 RESORT TOWNSHIP	County EMMET
Fiscal Year End MARCH 31, 2007	Opinion Date JUNE 22, 2007	Date Audit Report Submitted to State SEPTEMBER, 7, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

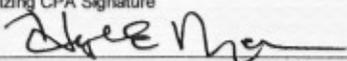
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) MASON & KAMMERMANN, PC		Telephone Number (231) 547-4911	
Street Address 110 PARK AVENUE		City CHARLEVOIX	State Zip MI 49720
Authorizing CPA Signature 	Printed Name HUGH E MASON, CPA	License Number 1101008161	

RESORT TOWNSHIP
EMMET COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
for the year ended March 31, 2007

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

Resort Township

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MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

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INDEPENDENT AUDITOR'S REPORT

June 22, 2007

Members of the Township Board
Resort Township
Petoskey, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Resort Township of Petoskey, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Resort Township as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Resort Township
Independent Auditor's Report

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 25 through 30, are not a required part of the basic financial statements but are supplementary information required by 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Resort Township's basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mason & Kammermann, P.C.
Certified Public Accountants

Resort Township

Management's Discussion & Analysis June 22, 2007

This section of Resort Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended March 31, 2007.

Overview of the Financial Statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are formatted to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Resort Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Resort Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Resort Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year, using the full accrual basis of accounting.

Fund Financial Statements

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Resort Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Resort Township uses two categories of funds, which are governmental and fiduciary funds.

Resort Township

Management's Discussion & Analysis June 22, 2007

Governmental funds

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Resort Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund and Public Improvements Fund, which are considered to be major funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Resort Township

Management's Discussion & Analysis June 22, 2007

Financial Analysis of the Township as a Whole

The table below summarizes the Township's net assets as of March 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 2,607,782	\$ 2,585,254
Capital assets, net acc. depreciation	<u>1,048,524</u>	<u>1,028,702</u>
Total assets	3,656,306	3,613,956
Liabilities		
Accounts payable	<u>38,832</u>	<u>17,306</u>
Net Assets		
Invested in capital assets	1,048,524	1,028,702
Restricted	280,097	225,232
Unrestricted	<u>2,288,853</u>	<u>2,342,716</u>
Total net assets	<u>\$ 3,617,474</u>	<u>\$ 3,596,650</u>

Net assets for the Township total \$3,617,474. Net assets totaling \$280,097 are restricted for fire protection. The township has \$2,288,853 of unrestricted net assets, which could be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Resort Township

Management's Discussion & Analysis June 22, 2007

The following table shows how activities affected changes in net assets during the fiscal year and the prior year.

Change in Net Assets For The Years Ended March 31, 2007 and 2006

	Governmental Activities	
	2007	2006
Revenues:		
Program Revenues		
Charges for services	\$ 9,180	\$ 11,955
Capital grants & contributions	82,500	-
General Revenues:		
Property taxes	228,723	216,424
Act 425 tax revenue	684,279	646,186
State shared revenues	177,360	178,563
Interest	71,958	43,622
Other	115	5,679
Total revenues	1,254,115	1,102,429
Expenses:		
Legislative	92,674	117,081
General government	151,698	136,572
Community & economic development	59,742	59,427
Public safety	94,342	88,836
Public works	684,718	563,242
Recreation and cultural	150,117	69,715
Total expenses	1,233,291	1,034,873
Change in net assets	\$ 20,824	\$ 67,556

Revenue sources and changes

Total revenue from all sources totaled \$1,254,115 for governmental activities. This revenue consists mainly of \$684,279 (55%) Act 425 tax revenue from their agreement with the City of Petoskey, \$228,723 (18%) from property tax collection and \$177,360 (14%) from state revenue sharing. The millage rate for general operations was .5000 and .4803 for the fire department.

Resort Township

Management's Discussion & Analysis June 22, 2007

Expenses

Using a full accrual basis of accounting, the Township spent \$1,233,291 on governmental activities. This equates to 55% on public works, 12% on general government, 12% on culture and recreation, 8% public safety, 8% on legislative activities and 5% on community and economic development.

Financial Analysis of the Township's Funds

At March 31, 2007, the Township's governmental funds reported a combined cash and cash equivalents balance of \$2,584,654, which is approximately \$18,637 more than last year.

Expenditures in the General Fund exceeded revenues by \$67,605, which was primarily due to expenditures for road improvements.

The Fire Fund had a \$54,865 increase in its fund balance this year. This was due to collecting more tax revenue and local contributions than anticipated.

The Capital Improvement Fund increased by \$13,742 due to interest earned on certificates of deposit.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Capital Assets

At fiscal year ended March 31, 2007, the Township had \$1,048,524 of capital assets, net of accumulated depreciation. During the year, the Township invested \$44,019 in equipment.

Capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land and land improvements, building and building improvements, equipment and furniture. The Township uses straight-line depreciation for all depreciable assets.

Resort Township

Management's Discussion & Analysis June 22, 2007

Long-Term Debt

The Township had no outstanding long-term debt as of March 31, 2007.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues.

Requests for Information

This financial report is designed to provide a general overview of Resort Township's finances for all those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Resort Township, 2232 Resort Pike Road, Petoskey, MI 49770.

Resort Township

Statement of Net Assets March 31, 2007

<u>Assets</u>	<u>Governmental Activities</u>
Current Assets	
Cash and cash equivalents	\$ 2,584,654
Inventory - books	6,722
Taxes receivable	16,406
	<hr/>
Total current assets	2,607,782
Noncurrent Assets	
Capital assets	1,383,035
Less: accumulated depreciation	(334,511)
	<hr/>
Total noncurrent assets	1,048,524
	<hr/>
Total assets	3,656,306
	<hr/>
<u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable	38,832
Net Assets	
Invested in capital assets	1,048,524
Restricted	280,097
Unrestricted	2,288,853
	<hr/>
Total net assets	<u>\$ 3,617,474</u>

The accompanying notes are a part of the financial statements.

Resort Township

Statement of Activities For The Year Ended March 31, 2007

	Program Revenues				Net Revenue (Expense) and Change in Net Assets
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total
Governmental Activities					
Legislative	\$ 92,674	\$ 2,401	\$ -	\$ -	\$ (90,273)
General government	151,698	-	-	-	(151,698)
Community and economic development	59,742	6,779	-	-	(52,963)
Public safety	94,342	-	-	82,500	(11,842)
Public works	684,718	-	-	-	(684,718)
Recreation and cultural	150,117	-	-	-	(150,117)
Total government activities	<u>\$ 1,233,291</u>	<u>\$ 9,180</u>	<u>\$ -</u>	<u>\$ 82,500</u>	<u>(1,141,611)</u>
General Revenues:					
Taxes:					
Property taxes					228,723
Act 425 tax revenue					684,279
State shared revenues					177,360
Interest					71,958
Other					115
Total general revenues					<u>1,162,435</u>
Change in Net Assets					20,824
Net Assets - April 1, 2006					<u>3,596,650</u>
Net Assets - March 31, 2007					<u>\$ 3,617,474</u>

The accompanying notes are a part of the financial statements.

Resort Township

Governmental Funds Balance Sheet March 31, 2007

<u>Assets</u>	<u>General</u>	<u>Fire</u>	<u>Capital Improvement</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,773,358	\$ 291,213	\$ 520,083	\$ 2,584,654
Inventory - books	6,722	-	-	6,722
Taxes receivable	8,835	7,571	-	16,406
 Total assets	 <u>\$ 1,788,915</u>	 <u>\$ 298,784</u>	 <u>\$ 520,083</u>	 <u>\$ 2,607,782</u>
 <u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	\$ 20,145	\$ 18,687	\$ -	\$ 38,832
Fund equity:				
Undesignated and unreserved	1,768,770	-	-	1,768,770
Designated for capital improvements	-	-	520,083	520,083
Restricted for fire protection	-	280,097	-	280,097
 Total fund equity	 <u>1,768,770</u>	 <u>280,097</u>	 <u>520,083</u>	 <u>2,568,950</u>
 Total liabilities & fund equity	 <u>\$ 1,788,915</u>	 <u>\$ 298,784</u>	 <u>\$ 520,083</u>	 <u>\$ 2,607,782</u>

The accompanying notes are a part of the financial statements.

Resort Township

Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2007

Total Fund Equity - Governmental Funds	\$ 2,568,950
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Cost of capital assets	1,383,035
Accumulated depreciation	<u>(334,511)</u>

Total Net Assets - Governmental Activities	<u><u>\$ 3,617,474</u></u>
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The accompanying notes are a part of the financial statements.

Resort Township

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances For The Year Ended March 31, 2007

	General	Fire	Capital Improvement	Total
Revenues:				
Taxes	\$ 121,963	\$ 106,760	\$ -	\$ 228,723
Act 425 tax revenue	684,279	-	-	684,279
State shared revenue	177,360	-	-	177,360
Local contributions	25,000	57,500	-	82,500
Licenses & permits	6,779	-	-	6,779
Charges for service	2,401	-	-	2,401
Interest	57,707	509	13,742	71,958
Other	115	-	-	115
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,075,604	164,769	13,742	1,254,115
Expenditures:				
Current:				
Legislative	92,674	-	-	92,674
General government	140,846	-	-	140,846
Community & economic development	59,742	-	-	59,742
Public safety	-	86,979	-	86,979
Public works	684,718	-	-	684,718
Recreation and cultural	144,135	-	-	144,135
Capital outlay	21,094	22,925	-	44,019
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,143,209	109,904	-	1,253,113
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	(67,605)	54,865	13,742	1,002
Fund Balances - April 1, 2006	<hr/>	<hr/>	<hr/>	<hr/>
	1,836,375	225,232	506,341	2,567,948
Fund Balances - March 31, 2007	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 1,768,770	\$ 280,097	\$ 520,083	\$ 2,568,950

The accompanying notes are a part of the financial statements.

Resort Township

Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For The Year Ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	1,002
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives		44,019
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Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements		<u>(24,197)</u>
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Changes in Net Assets - Governmental Activities	\$	<u><u>20,824</u></u>
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The accompanying notes are a part of the financial statements.

Resort Township

**Fiduciary Fund
Statement of Net Assets
March 31, 2007**

Assets	<u>\$ -</u>
Net Assets	<u>\$ -</u>

The accompanying notes are a part of the financial statements.

Resort Township

Fiduciary Fund Statement of Changes in Net Assets For The Year Ended March 31, 2007

Additions:

Property tax collections for primary government	\$ 199,532
Property tax collections for other governments	<u>6,336,754</u>
Total additions	<u>6,536,286</u>

Deductions:

Property tax distributions to primary government	200,067
Property tax distributions to other governments	<u>6,336,754</u>
Total distributions	<u>6,536,821</u>

Change in Net Assets (535)

Fiduciary Net Assets - April 1, 2006 535

Fiduciary Net Assets - March 31, 2007 \$ -

The accompanying notes are a part of the financial statements.

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Resort Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Resort Township.

A. Reporting Entity

The Township operates under a Board-Supervisor form of government and provides the following services: public safety (fire), public improvements, planning and zoning, and general administrative services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

Joint Operation

The Resort-Bear Creek Fire Department provides fire protection services to the Township. The Fire Department is a joint venture between Bear Creek Township and Resort Township. Resort Township has a pro rata share of 30 percent of operating expenditures and 50 percent of capital expenditures. The Township does not have oversight responsibility for the Resort-Bear Creek Fire Department. The Fire Department's financial statements are blended as part of Bear Creek's financial statements and may be obtained at Bear Creek Township, 373 N. Division Rd., Petoskey, Michigan 49770

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund 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.

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2007

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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.

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 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2007

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Included under this classification are the Capital Improvement and Fire Funds.

Agency Fund – The Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Cash is comprised of the amount of funds in bank accounts. Cash equivalents consisting of certificates of deposit are stated at cost or amortized cost, which approximates market.

Inventories

Inventories are stated at cost. Inventory recorded in the General Fund consists of Resort Township history books. Disbursements for inventory-type items are recorded as expenditures in the General Fund at the time of sale.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two 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.

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2007

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

Buildings	40 years
Equipment	5 years
Land Improvements	20 years
Building Improvements	25 years

Long-term Obligations

As of March 31, 2007, the Township has no outstanding long-term debt.

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.

Use of Estimates

The Township used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

1. Prior to April 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2007

2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance prior to April 1.
4. The budget is adopted at the total fund level on a basis consistent with generally accepted accounting principles. Budget amounts are as originally adopted, or as amended by the Township Board during the year.
5. Appropriations expire at the end of the fiscal year.

Excess of Expenditures over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Resort Township's budgeted and actual expenditures for the funds budgeted have been shown on a functional basis.

During the year, the Township incurred expenditures in the General and Fire Fund in excess of the amounts appropriated, as follows:

Fund/Function	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Fire Fund:				
Operating Expense	80,000	80,000	86,979	5,924
Capital Outlay	-	-	22,925	22,925

Accumulated Fund Deficits

The Resort Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2007.

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated 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. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Cash in banks – At March 31, 2007 the carrying amount of the Township's deposits was \$2,064,571.

Investments – At March 31, 2007 the Township's investments consisted of certificates of deposit totaling \$520,083.

Federal Depository Insurance – Of the above balances, \$738,934 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$1,845,720 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The township may experience significant fluctuations in deposit balances during the year.

NOTE 4 – PROPERTY TAXES

Property taxes attach as an enforceable lien (due and payable) on property upon levy. Taxes are levied in December and are payable from December through February 28. The Township bills and collects its own property taxes, as well as taxes for other governmental units. Collections of the other governmental units' taxes and remittances of them to the units are accounted for in the Agency Fund. Property tax revenues are recognized when levied.

The Township is permitted by state law, subject to the State Headlee and Truth-in-Taxation provision, to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and unlimited amounts for payment of principal and interest on general obligation long-term debt.

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2007

The tax rates are summarized as follows:

PURPOSE	RATE/ ASSESSED VALUATION
Operations:	
General governmental operations	.5000 per \$1000
Fire protection	.4803 per \$1000

NOTE 5 – ACT 425 AGREEMENT

The Township entered into a Public Act 425 agreement with the City of Petoskey in 1994. Under the terms of the agreement the Township conditionally transferred an economic development project to the City. The City will provide all municipal services to the project area, except planning and zoning which will continue to be administered by the Township. In exchange for the transfer, the City will share with the Township, tax revenues levied in the district. For the year ended March 31, 2007 the Township received \$684,279 in shared tax revenues.

NOTE 6 – CAPITAL ASSETS

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

	Balance of April 1, 2006	Additions	Disposal	Balance of March 31, 2007
Capital assets not depreciated				
Land	\$ 723,335	\$ -	\$ -	\$ 723,335
Capital assets being depreciated				
Buildings	496,193	-	-	496,193
Equipment and furniture	119,488	44,019	-	163,507
Total capital assets being depreciated	615,681	44,019	-	659,700
Less: accumulated depreciation	(310,314)	(24,197)	-	(334,511)
Total capital assets	<u>\$ 1,028,702</u>	<u>\$ 19,822</u>	<u>\$ -</u>	<u>\$ 1,048,524</u>

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

General Government	\$ 10,852
Public Safety	7,363
Recreation	5,982
	<u>\$ 24,197</u>

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2007

NOTE 7 – FUND EQUITY RESERVATIONS AND DESIGNATIONS

The Fire Fund has \$280,097 restricted for fire protection.

The Capital Improvements Fund has \$520,083 designated for public improvements and major equipment expenditures.

NOTE 8 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workers' compensation coverage. The Plan is self-sustaining through member premiums and 100% reinsures through commercial companies.

Resort Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Taxes:				
Property taxes	\$ 90,000	\$ 90,000	\$ 121,963	\$ 31,963
Act 425 tax revenue	625,000	625,000	684,279	59,279
State shared revenues	150,750	150,750	177,360	26,610
Local contributions	-	-	25,000	25,000
Charges for services	87	87	2,401	2,314
Licenses and permits	10,000	10,000	6,779	(3,221)
Interest	17,000	17,000	57,707	40,707
Other	2,300	2,300	115	(2,185)
Total Revenues	895,137	895,137	1,075,604	180,467
Expenditures:				
Legislative				
Township Board				
Salaries			12,384	
Fees and per diem			4,327	
Office supplies			2,116	
Printing and postage			3,271	
Professional services			44,586	
Dues & subscriptions			3,419	
Legal notices			1,036	
Utilities			570	
Education and training			3,040	
Insurance and unemployment			15,312	
Other expenses			2,613	
Total legislative	124,000	124,000	92,674	(31,326)
General Government				
Township Supervisor				
Salaries and wages			18,013	
Clerical			690	
Office supplies			861	
Total township supervisor	21,000	21,000	19,564	(1,436)

Resort Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Elections				
Wages and fees			5,272	
Supplies			840	
Other expenses			644	
Total elections	7,000	11,000	6,756	(4,244)
Township Assessor				
Salaries and wages			24,978	
Fees and per diem			592	
Professional services			445	
Supplies			1,376	
Other expenses			143	
Total township assessor	25,000	25,000	27,534	2,534
Township Clerk				
Salary, clerk			20,669	
Wages, deputy clerk			4,401	
Supplies			1,225	
Other expenses			432	
Total township clerk	24,000	24,000	26,727	2,727
Township Board of Review				
Fees and per diem			2,218	
Legal notices			767	
Education and training			275	
Other expenses			261	
Total board of review	3,500	3,500	3,521	21
Township Treasurer				
Salary, treasurer			21,939	
Wages, deputy treasurer			1,752	
Supplies			770	
Printing and postage			3,796	
Professional services			863	
Education and training			568	
Other expenses			639	
Total township treasurer	26,000	26,000	30,327	4,327

Resort Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Building and Grounds				
Wages			2,375	
Supplies			999	
Professional services			10,532	
Contracted services			2,905	
Utilities			6,161	
Equipment repair			1,567	
Other expenses			1,878	
			<u>26,417</u>	
Total building & grounds	<u>24,500</u>	<u>24,500</u>	<u>26,417</u>	<u>1,917</u>
Total General Government	<u>131,000</u>	<u>135,000</u>	<u>140,846</u>	<u>5,846</u>
Community & Economic Development				
Planning & Zoning				
Salaries and wages			23,107	
Fees and per diem			7,353	
Supplies			2,098	
Legal notices			811	
Contracted services			7,875	
Professional services			13,150	
Education and training			4,969	
Other expenses			379	
			<u>59,742</u>	
Total community & economic development	<u>57,000</u>	<u>57,000</u>	<u>59,742</u>	<u>2,742</u>
Public Works				
Fees & per diem			3,079	
Legal notices			1,101	
Street lighting	2,000	2,000	2,309	
Road improvements	620,000	690,000	614,771	
Spring cleanup			15,542	
Recycle program	63,500	63,500	47,916	
			<u>684,718</u>	
Total public works	<u>685,500</u>	<u>755,500</u>	<u>684,718</u>	<u>(70,782)</u>

Resort Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Recreation and Culture				
Recreation program	22,000	24,000	21,570	
Library	3,000	3,000	2,080	
Township parks:	135,000	230,000		
Contracted services			78,434	
Professional services			38,810	
Utilities			1,937	
Other expenses			1,304	
	<hr/>	<hr/>	<hr/>	<hr/>
Total recreation and culture	160,000	257,000	144,135	(112,865)
Capital Outlay	<hr/>	<hr/>	<hr/>	<hr/>
	100,000	100,000	21,094	(78,906)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	1,257,500	1,428,500	1,143,209	(285,291)
Net Change in Fund Balance	(362,363)	(533,363)	(67,605)	465,758
Fund Balance - April 1, 2006	<hr/>	<hr/>	<hr/>	<hr/>
	1,836,375	1,836,375	1,836,375	-
Fund Balance - March 31, 2007	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 1,474,012</u>	<u>\$ 1,303,012</u>	<u>\$ 1,768,770</u>	<u>\$ 465,758</u>

Resort Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Fire Fund For The Year Ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Taxes				
Property taxes	\$ 80,000	\$ 80,000	\$ 106,760	\$ 26,760
Local contributions	-	-	57,500	57,500
Interest income	-	-	509	509
Total revenues	80,000	80,000	164,769	84,769
Expenditures:				
Public Safety				
Operating expenses	80,000	80,000	86,979	6,979
Capital Outlay				
	-	-	22,925	22,925
Total expenditures	80,000	80,000	109,904	29,904
Net Change in Fund Balance	-	-	54,865	54,865
Fund Balance - April 1, 2006	225,232	225,232	225,232	-
Fund Balance - March 31, 2007	\$ 225,232	\$ 225,232	\$ 280,097	\$ 54,865

Resort Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Public Improvements Fund For The Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest income	\$ 19,831	\$ 19,831	\$ 13,742	\$ (6,089)
Fund Balance - April 1, 2006	<u>506,341</u>	<u>506,341</u>	<u>506,341</u>	<u>-</u>
Fund Balance - March 31, 2007	<u>\$ 526,172</u>	<u>\$ 526,172</u>	<u>\$ 520,083</u>	<u>\$ (6,089)</u>

Resort Township

Statement of Tax Levy and Collections March 31, 2007

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
Emmet County:				
Operational	4.8500	\$ 1,116,658	\$ 1,050,843	\$ 65,815
Senior Citizens	0.5000	115,114	106,890	8,224
Medical Care Facility	0.4802	110,553	102,655	7,898
EMS	0.1479	34,043	31,611	2,432
Petoskey Public Schools	21.1593	2,770,354	2,623,165	147,189
Char-Emmet Intermediate School District	2.5562	583,259	550,043	33,216
North Central Michigan College	2.2783	495,432	467,217	28,215
Greenwood Cemetery	0.4700	101,440	95,663	5,777
SET	6.0000	1,381,451	1,308,667	72,784
Township:				
General	0.4792	107,917	101,772	6,145
Fire Fund	0.4603	103,663	97,760	5,903
Total	<u>39.3814</u>	<u>\$ 6,919,884</u>	<u>\$ 6,536,286</u>	<u>\$ 383,598</u>
Percent of Levy Collected		<u>94.46%</u>		

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

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Charlevoix, Michigan 49720
Telephone (231) 547-4911
Facsimile (231) 547-5911

August 31, 2007

To the Township Board
Resort Township
Petoskey, Michigan

In planning and performing our audit of the financial statements of Resort Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Resort Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 a 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. We consider the following deficiencies to be significant deficiencies in internal control:

Segregation of Duties

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

Preparation of Financial Statements

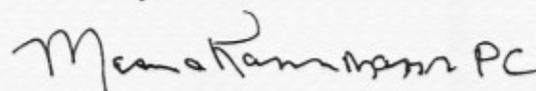
During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Township's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Township's financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements, in conforming with accounting principles generally accepted in the United States of America.

The Township, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and instead relies, in part, on its external auditors for assistance with this task.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

Sincerely,



Mason & Kammermann, P.C.
Certified Public Accountants