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

Auditing Procedures Report

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Issued under Public Act 2 of 1968, as amended

Unit Name Stockbridge Township	County INGHAM	Type TOWNSHIP	MuniCode 33-1-120
Opinion Date-Use Calendar Jun 20, 2008	**Audit Submitted**-Use Calendar Jun 26, 2008	**Fiscal Year**-Use Drop List 2007	

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?
- [ ] 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.)
- [ ] 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?
- [ ] 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:	$ 377,174.00	General Fund Balance:	$ 507,946.00
General Fund Expenditure:	$ 333,097.00	Governmental Activities Long-Term Debt (see instructions):	$ 0.00
Major Fund Deficit Amount:	$ 0.00		

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) Mark	Last Name Perry	Ten Digit License Number 1101018885		
CPA Street Address 6639 Centurion Dr., Suite 170	City Lansing	State MI	Zip Code 48917	Telephone +1 (517) 323-9500
CPA Firm Name Yeo & Yeo, P.C.	Unit's Street Address 125 S. Clinton	City Stockbridge		LU Zip 49285

Township of Stockbridge

Ingham County, Michigan

Annual Financial Statements
and
Auditors' Report

March 31, 2007

YEO & YEO

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Township of Stockbridge
List of Elected and Appointed Officials
March 31, 2007

Township Board

Taylor Allen – Supervisor

Mary Wilson – Clerk

Diane Wilson – Treasurer

Terry Sommer – Trustee

Paul Risner – Trustee

YEO & YEO
CPAs & Business Consultants

6639 Centurion Drive, Suite 170
Lansing, MI 48917
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Independent Auditors' Report

To the Township Board
Township of Stockbridge
Stockbridge, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major funds of the Township of Stockbridge 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 an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the major funds of the Township of Stockbridge as of March 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents 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. 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.

Yeo & Yeo, P.C.

June 20, 2008
Lansing, Michigan

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Township's management's discussion and analysis of the financial results for the fiscal year ended March 31, 2007.

Overview of Financial Statements

The annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and other supplemental information. Generally Accepted Accounting Principles (GAAP) according to GASB 34 now requires the reporting of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

Government-wide Financial Statements:

The Government-wide statements provide a perspective of the Township as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two Government-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the primary government's financial resources (short-term spendable resources) with capital assets, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of the various Township's services.

When analyzed together, the two statements help the reader determine whether the Township is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into three categories: governmental funds, proprietary, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions 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 outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (fund balance).

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 funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township'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.

The Township maintains one governmental fund. 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, which is considered to be the major fund.

The Township adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided herein to demonstrate compliance with the budget.

Proprietary Funds

Proprietary funds are used in the determination of operating income, changes in net assets, financial position, and cash flows. The Township maintained one enterprise fund to account for the services provided by the fire department. The fire fund was reported as business-type activity in the primary government and was also considered a major fund. At April 1, 2006, the Township entered into a Fire protection agreement to have the Stockbridge Area Emergency Services Authority (SAESA) provide fire protection for the Township. As part of the agreement, all of the fire funds assets were transferred over to SAESA.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. 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.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*, and other supplemental information concerning budgetary information for the Township's major fund.

SUMMARY OF NET ASSETS:
Township's Net Assets

The following summarizes the Township's government-wide net assets at fiscal year ended March 31, 2007 and 2006.

	Governmental		Business-type		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	$ 514,749	$ 492,138	$ -	$ 1,775	$ 514,749	$ 493,913
Capital assets	130,000	130,000	-	1,161,390	130,000	1,291,390
Less accumulated depreciation	(46,200)	(43,800)	-	(859,234)	(46,200)	(903,034)
Total capital assets, net	83,800	86,200	-	302,156	83,800	388,356
Total assets	598,549	578,338	-	303,931	598,549	882,269
Liabilities						
Current liabilities	6,803	17,650	-	1,775	6,803	19,425
Net assets						
Investment in capital assets, net of related debt	83,800	86,200	-	302,156	83,800	388,356
Unrestricted	507,946	474,488	-	-	507,946	474,488
Total net assets	$ 591,746	$ 560,688	$ -	$ 302,156	$ 591,746	$ 862,844

During the fiscal year ended March 31, 2007, the Township's combined net assets decreased by $ 271,096, which is primarily due to the transfer of the Fire Fund assets to the Stockbridge Area Emergency Services Authority (SAESA). As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Township of Stockbridge, assets exceeded liabilities by $ 591,746.

A portion of the Township's net assets reflects its investment in capital assets (buildings and equipment), less any related debt used to acquire those assets that are still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are not available for future spending.

Township's Government-wide Changes in Net Assets

Revenues and Transfers:

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Program revenue						
Charges for services	$ 99,916	$ 100,295	$ -	$ 89,042	$ 99,916	$ 189,337
Grants and contributions	-	-	-	36,000	-	36,000
General revenue:						
Property taxes	101,664	93,620	-	-	101,664	93,620
State shared revenue	151,148	148,712	-	-	151,148	148,712
Interest and investment earnings	10,076	8,892	-	-	10,076	8,892
Miscellaneous	21,891	26,567	-	-	21,891	26,567
Transfers	(18,140)	(71,337)	18,140	71,337	-	-
Total revenues and transfers	$ 366,555	$ 306,749	$ 18,140	$ 196,379	$ 384,695	$ 503,128

Expenses:

	Governmental Activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
General government	206,579	215,388	-	-	206,579	215,388
Public safety	102,384	112,393	-	-	102,384	112,393
Public works	16,969	19,524	-	-	16,969	19,524
Community and Economic Development	7,552	14,716	-	-	7,552	14,716
Recreation and culture	2,013	3,167	-	-	2,013	3,167
Fire fund	-	-	320,296	171,569	320,296	171,569
Total expenses	335,497	365,188	320,296	171,569	655,793	536,757
Change in net assets	31,058	(58,439)	(302,156)	24,810	(271,098)	(33,629)
Net assets - beginning	560,688	619,127	302,156	277,346	862,844	896,473
Net assets - ending	$ 591,746	$ 560,688	$ -	$ 302,156	$ 591,746	$ 862,844

Governmental activities

The Township's total governmental revenue has increased by $ 59,806 from last fiscal year. This was primarily attributed to an increase in property tax revenues of $ 8,044, and state shared revenues of $ 2,436 and a decrease in the amount transferred to the fire fund of $ 53,197. Expenses decreased by $ 29,692. This is attributed to decreases in general government expenditures of $ 8,809, public safety of $ 10,009, public works of $ 2,556, recreation and culture of $ 1,154, and community and economic development of $ 7,164.

Business-type activities:

The decrease of $ 178,239 in the fire funds revenues and increase of $ 148,727 in expenses is due to the formation of the SAESA which began operations April 1, 2006. A millage was passed to fund the SAESA, beginning January 1, 2007. For the period April 1, 2006 through December 31, 2006 each Township in the authority was responsible for their expenses incurred in excess of reimbursements obtained by billing for fire runs.

The fire funds net capital assets, totaling $ 302,156 were transferred to the SAESA. A $ 18,140 transfer from the general fund offset the unrestricted deficit in fund balance and resulted in a net asset balance of $ 0 to close out the fire fund.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported ending fund balance of $ 507,946, an increase of $ 33,458. $ 488,592 of the $ 507,946 fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the Township's discretion.

The general fund is the main operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was $ 488,592. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 139% of total general fund expenditures.

Financial Analysis of the Business-type funds

As of the end of the current fiscal year, the Township's fire fund reported a decrease of $ 302,156 for the fiscal year. This is due to the SAESA handling the activities previously recorded in the fire fund.

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 not amended during the year.

Capital Assets:

Capital Assets
The Townships investment in capital assets as of March 31, 2007 and 2006 amounted to $ 83,800 and $ 388,356 (net of accumulated depreciation), respectively. Investment in capital assets included buildings, fire vehicles and equipment. The decrease in capital assets is attributed to the transfer of the fire funds assets to the SAESA at April 1, 2006.

	Governmental activities		Business-type activities		Total	
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
Capital assets being depreciated						
Buildings and improvements	$ 130,000	$ 130,000	$ -	$ 57,954	$ 130,000	$ 187,954
Vehicles and equipment	-	-	-	1,099,436	-	1,099,436
Capital assets	130,000	130,000	-	1,157,390	130,000	1,287,390
Less:						
Accumulated depreciation	(46,200)	(43,800)	-	(855,234)	(46,200)	(899,034)
Capital assets, net	$ 83,800	$ 86,200	$ -	$ 302,156	$ 83,800	$ 388,356

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Township's budget for the 2006-2007 fiscal year:

- The State of Michigan is facing economic uncertainty with the loss of jobs in the economy and its future impact on the operating budget. For 2006-2007 the Township received $ 151,148 in state shared revenue, representing 41% of the revenue in the General Fund. The amounts of the state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Request for Information

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township Clerk's office at (517)851-7530.

Township of Stockbridge
Statement of Net Assets
March 31, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 263,859	$ -	$ 263,859
Certificates of deposit	176,843	-	176,843
Receivables			
Taxes	29,774	-	29,774
Customers	243	-	243
Due from other units of government	24,290	-	24,290
Prepaid items	18,738	-	18,738
Restricted assets			
Cash and cash equivalents	1,001	-	1,001
Depreciable capital assets, net	83,800	-	83,800
Total assets	598,548	-	598,548
Liabilities			
Accounts payable	5,319	-	5,319
Accrued and other liabilities	1,483	-	1,483
Total liabilities	6,802	-	6,802
Net Assets			
Invested in capital assets	83,800	-	83,800
Unrestricted	507,946	-	507,946
Total net assets	$ 591,746	$ -	$ 591,746

See Accompanying Notes to Financial Statements

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Township of Stockbridge
Statement of Activities
For the Year Ended March 31, 2007

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets		
			Primary Government		
Functions/Programs	Expenses	Charges for Services	Governmental Activities	Business-type Activities	Total
Primary government					
Governmental activities					
General government	$ 206,579	$ 52,195	$ (154,384)	$ -	$ (154,384)
Public safety	102,385	44,199	(58,186)	-	(58,186)
Public works	16,968	-	(16,968)	-	(16,968)
Community and economic development	7,552	3,523	(4,029)	-	(4,029)
Recreation and culture	2,013	-	(2,013)	-	(2,013)
Total governmental activities	335,497	99,917	(235,580)	-	(235,580)
Business-type activities					
Fire	320,296	-	-	(320,296)	(320,296)
Total primary government	$ 655,793	$ 99,917	(235,580)	(320,296)	(555,876)
General revenues					
Property taxes			101,664	-	101,664
State shared revenue			151,148	-	151,148
Unrestricted investment earnings			10,076	-	10,076
Miscellaneous			21,890	-	21,890
Transfers			(18,140)	18,140	-
Total general revenues and transfers			266,638	18,140	284,778
Change in net assets			31,058	(302,156)	(271,098)
Net assets - beginning of year			560,688	302,156	862,844
Net assets - end of year			$ 591,746	$ -	$ 591,746

See Accompanying Notes to Financial Statements

YEO & YEO

Township of Stockbridge
Governmental Funds
Balance Sheet
March 31, 2007

	General Fund
Assets	
Cash and cash equivalents	$ 263,859
Certificate of deposit	176,843
Receivables	
Taxes	29,774
Customers	243
Due from other units of government	24,290
Prepaid items	18,738
Restricted assets	
Cash and cash equivalents	1,001
Total assets	$ 514,748
Liabilities	
Accounts payable	$ 5,319
Accrued and other liabilities	1,483
Total liabilities	6,802

See Accompanying Notes to Financial Statements

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Township of Stockbridge
Governmental Funds
Balance Sheet
March 31, 2007

	General Fund
Fund Balances	
Reserved for:	
Performance deposits	1,001
Unreserved	
Designated for:	
Repairs to Township Hall	18,353
Unreserved:	
Undesignated	488,592
Total fund balances	507,946
Total liabilities and fund balances	$ 514,748

See Accompanying Notes to Financial Statements

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Township of Stockbridge
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities
March 31, 2007

Total fund balances for governmental funds	$ 507,946
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	83,800
Net assets of governmental activities	$ 591,746

See Accompanying Notes to Financial Statements

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

	General Fund
Revenues	
Taxes	$ 101,664
Licenses and permits	28,470
State revenue sharing	151,148
Charges for services	64,266
Interest income	10,076
Rental income	1,881
Other revenue	19,669
Total revenues	377,174
Expenditures	
Current	
General government	204,179
Public safety	102,385
Public works	16,968
Community and economic development	7,552
Recreation and culture	2,013
Total expenditures	333,097
Excess (deficiency) of revenues over expenditures	44,077

See Accompanying Notes to Financial Statements

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

	General Fund
Other financing sources (uses)	
Transfers out	(18,140)
Insurance recoveries	7,521
Total other financing sources and (uses)	(10,619)
Net change in fund balance	33,458
Fund balance - beginning of year	474,488
Fund balance - end of year	$ 507,946

See Accompanying Notes to Financial Statements

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Township of Stockbridge
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	$	33,458
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense		(2,400)
Change in net assets of governmental activities	$	31,058

See Accompanying Notes to Financial Statements

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Township of Stockbridge
Proprietary Fund
Statement of Net Assets
March 31, 2007

	Fire Fund
Assets	
Current assets	
Cash and cash equivalents	$ -
Total current assets	-
Noncurrent assets	
Capital assets, net	-
Total noncurrent assets	-
Total assets	-
Liabilities	
Total liabilities	-
Net Assets	
Unrestricted	-
Total net assets	$ -

See Accompanying Notes to Financial Statements

YEO & YEO

Township of Stockbridge
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended March 31, 2007

	Fire Fund
Operating expenses	
Other expenses	18,140
Operating income (loss)	(18,140)
Nonoperating revenue (expenses)	
Transfer of capital assets to Stockbridge Area Emergency Services Authority	(302,156)
Income (loss) before transfers in	(320,296)
Transfers in from other funds	18,140
Change in net assets	(302,156)
Net assets - beginning of year	302,156
Net assets - end of year	$ -

See Accompanying Notes to Financial Statements

YEO & YEO

Township of Stockbridge
Proprietary Fund
Statement of Cash Flows
For the Year Ended March 31, 2007

	Fire Fund
Cash flows from operating activities	
Receipts from customers	$ 13,394
Receipts from interfund users	111,130
Payments to suppliers	(13,395)
Net cash provided (used) by operating activities	111,129
Cash flows from noncapital financing activities	
Transfers from other funds	18,140
Repayment of advances from other funds	(133,900)
Net cash provided (used) by noncapital financing activities	(115,760)
Net increase (decrease) in cash and cash equivalents	(4,631)
Cash and cash equivalents - beginning of year	4,631
Cash and cash equivalents - end of year	$ -

See Accompanying Notes to Financial Statements

YEO & YEO

Township of Stockbridge
Proprietary Fund
Statement of Cash Flows
For the Year Ended March 31, 2007

	Fire Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	$ (18,140)
Adjustments to reconcile operating income (loss) to net cash from operating activities	
Changes in assets and liabilities	
Due from other units of government	13,394
Due from other funds	111,130
Prepaid items	6,520
Accounts payable	(1,775)
Net cash provided (used) by operating activities	$ 111,129

See Accompanying Notes to Financial Statements

YEO & YEO

Township of Stockbridge
Fiduciary Funds
Statement of Net Assets
March 31, 2007

	Agency Funds
Assets	
Cash and cash equivalents	$ 17,703
Receivables	
Taxes	3,323
Total assets	$ 21,026
Liabilities	
Accrued and other liabilities	$ 16,181
Due to other units of government	4,845
Total liabilities	$ 21,026

See Accompanying Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Township of Stockbridge is governed by an elected five-member Board. The accompanying financial statements present the government.

The Township has implemented *GASB Statement No. 14, The Financial Reporting Entity and Statement of Michigan Governmental Accounting and Auditing No. 5*, which defines the reporting of primary government and component unit activities. The basis of criterion including a public authority in a government unit's financial report is the exercise of financial responsibility over such agency by the governmental unit's elected officials, the selection of the governing authority, the designation of management, the ability to exert significant influence on operations

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 and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The 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 revenues*.

Separate financial statements are provided for the governmental fund, and proprietary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are 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 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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The government reports the following major governmental fund:

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

The government reports the following major proprietary fund:

The Fire Fund accounts for the activities of the fire department.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's fire function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the fire fund are charges to customers for sales and services. Operating expenses for the fire fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

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

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

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

The 2006 taxable valuation of the government totaled $130,149,641, on which ad valorem taxes consisted of .7810 mills for operating purposes. This resulted in $101,647 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items- Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

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. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 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.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

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

Buildings and additions	40 to 50 years
Vehicles and equipment	10 years

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 purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP,COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

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

1. Prior to April 1, the budget is legally adopted on a departmental (activity) level for the General Fund through passage of a Board Resolution. After the budget is adopted all transfers of budgeted amounts between activities, or any revisions that alter the total expenditures of the fund or activity, must be approved by the Township Board.

2. Formal budgetary integration is employed as a management control device during the year.

3. The Township does not employ encumbrances accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.

4. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. The budget was not amended during the year.

Excess of expenditures over appropriations
Expenditures in violation of the Public Act 621 are disclosed as being over budget on the required supplemental information – budgetary comparison schedule of the general fund on pages 5-1 to 5-3.

Function	Final Budget	Amount of Expenditure	Budget Variances
General Fund			
Elections	$ 6,610	$ 8,311	$ 1,701
Building and grounds	35,350	62,218	26,868
Cemetery	1,080	1,467	387

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

The breakdown between deposits and short-investments is as follows:

	Primary Government
Bank deposits (checking and savings accounts)	$ 264,860
Certificates of deposit	176,843
	$ 441,703

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other 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 within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, $ 1,566,731 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Buildings, additions and improvements	$ 130,000	-	-	$ 130,000
Less accumulated depreciation for				
Buildings, additions and improvements	43,800	2,400	-	46,200
Governmental activities capital assets, net	$ 86,200	$ (2,400)	$ -	$ 83,800

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets being depreciated				
Buildings, additions and improvements	$ 57,954	-	$ 57,954	-
Machinery and equipment	40,000	-	40,000	-
Vehicles	1,063,436	-	1,063,436	-
Total capital assets being depreciated	1,161,390	-	1,161,390	-
Less accumulated depreciation for				
Buildings, additions and improvements	34,706	-	34,706	-
Machinery and equipment	12,000	-	12,000	-
Vehicles	812,527	-	812,527	-
Total accumulated depreciation	859,233	-	859,233	-
Net capital assets being depreciated	302,157	-	302,157	-
Business-type capital assets, net	$ 302,157	$ -	$ 302,157	$ -

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	$ 2,400
Total primary government	$ 2,400

NOTE 5 - INTERFUND TRANSFERS

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General fund	Fire fund	$ 18,140

A transfer from the general fund to the fire fund eliminated the deficit in the fire fund that was due to a shortfall in charges for past services.

NOTE 6 – FUND BALANCE RESERVE

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following fund balance reserve has been established as of March 31, 2007:

Fund Balance	
General Fund	
Performance deposits for driveway construction	$ 1,001

NOTE 7 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined benefit pension plan

Plan description – The Township of Stockbridge is the sponsor of a retirement plan for the sole benefit of its employees. To be eligible to participate, employees must be either elected officials or custodians of the Township. The Township of Stockbridge Pension Plan is a money purchase defined pension benefit plan (401a). Employees may elect to contribute additional amounts ranging from 1 to 10% of their compensation.

Funding policy – Contributions by the Township of Stockbridge is based on 8.8% of the base compensation for eligible employees.

Annual pension costs – For year ended March 31, 2007, the Township's annual pension cost of $6,667 for the plan was equal to the required and actual contribution. The annual required contribution was determined by the plan anniversary formula.

NOTE 9 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 10 – BUILDING DEPARTMENT FINANCIAL INFORMATION

The township elected to report the financial activities of the building department in the General Fund. The following information as it relates to this department for the activity for the period April 1, 2006 to March 31, 2007:

Revenues	
Building permits	$ 26,480
Expenditures	
Personal services and fringes	37,122
Other	7,956
Total expenditures	45,078
Deficiency of revenues over expenditures	$ (18,598)

NOTE 11 – DISCONTINUED FUNDS

The Township discontinued its fire protection service as of April 1, 2006, with service being provided by the Stockbridge Area Emergency Services Authority (SAESA). The net capital assets of the fire fund of $ 302,157 were transferred to the SAESA and a transfer of $ 18,140 was made from the general fund to eliminate a deficit in the fire fund.

Township of Stockbridge
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes				
Property taxes	$ 95,500	$ 95,500	$ 101,647	$ 6,147
Penalties and interest	2,400	2,400	17	(2,383)
Licenses and permits	54,960	54,960	28,470	(26,490)
State shared revenue	146,900	146,900	151,148	4,248
Charges for services	49,000	49,000	64,266	15,266
Interest income	6,000	6,000	10,076	4,076
Rental income	3,500	3,500	1,881	(1,619)
Other revenue	3,400	3,400	19,669	16,269
Insurance recoveries	-	-	7,521	7,521
Total revenues	361,660	361,660	384,695	23,035
Expenditures				
General government				
Township board	70,250	70,250	65,482	(4,768)
Supervisor	22,200	22,200	22,100	(100)
Clerk	22,160	22,160	21,054	(1,106)
Board of review	1,470	1,470	1,390	(80)
Treasurer	23,025	23,025	22,157	(868)
Elections	6,610	6,610	8,311	1,701
Buildings and grounds	35,350	35,350	62,218	26,868
Cemetery	1,080	1,080	1,467	387
Total general government	182,145	182,145	204,179	22,034

Township of Stockbridge
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Public safety				
Fire department and emergency services	82,905	82,905	57,307	(25,598)
Building inspection department	55,550	55,550	45,078	(10,472)
Total public safety	138,455	138,455	102,385	(36,070)
Public works				
Drains	4,100	4,100	-	(4,100)
Highways, streets and bridges	22,500	22,500	16,968	(5,532)
Total public works	26,600	26,600	16,968	(9,632)
Community and economic development				
Planning	10,975	10,975	7,290	(3,685)
Zoning	465	465	262	(203)
Total community and economic development	11,440	11,440	7,552	(3,888)
Recreation and culture				
Library	3,020	3,020	2,013	(1,007)

Township of Stockbridge
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Total expenditures	361,660	361,660	333,097	(28,563)
Excess (deficiency) of revenues over expenditures	-	-	51,598	51,598
Transfers out	-	-	18,140	18,140
Fund balance - beginning of year	474,488	474,488	474,488	-
Fund balance - end of year	$ 474,488	$ 474,488	$ 507,946	$ 33,458

YEO & YEO

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June 20, 2008

To the Management and
Board of Directors of
Township of Stockbridge

In planning and performing our audit of the financial statements of Township of Stockbridge 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 Township of Stockbridge's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 weakness. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A 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. We consider the following deficiencies to be significant deficiencies in internal control:

Documentation of Internal Controls

As part of our audit planning procedures, we are required to obtain an understanding of internal control of the Township. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that the Township completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in this procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

Property tax disbursements

During our analysis of property tax revenue, we noted that the Township had not disbursed certain property tax collections that were collected on behalf of other taxing units in a timely manner. State law requires the distribution of collected revenues within ten business days after the first and fifteenth day of each month of collection and account for and deliver the tax collections on hand on the first and fifteenth day of each month.

We recommend that the Township review their property tax disbursement procedures and remit future collections in a timely manner, as required by the State of Michigan.

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

Account Reconciliations

We noted that account reconciliations were not performed timely and that several cash accounts had not been reconciled for the last eight months of the fiscal year. In order to make the financial reports generated by the accounting system as meaningful as possible, the Township should reconcile the general ledger accounts for cash, accounts receivable, and accounts payable to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. In addition, we recommend that the monitoring program include a review of account reconciliations and a procedure for initialing and dating those items which were reviewed. This will allow Management to ensure that account reconciliations are being performed, thus helping to prevent or detect errors or fraud on a timely basis.

Cash Control

We noted a large amount of cash being stored in an unsecured location; the desk drawer in the treasurer's office. We recommend that the cash and blank checks be kept in a locked box or cabinet accessible only to those with proper authorization and that the cash periodically be accounted for.

Timeliness of Deposits

Cash receipts are not being deposited on a timely basis. We noted cash receipts were accumulated in a desk drawer and deposits were made irregularly. In some instances, we noted time lags of over a month between the receipt of funds and when they were deposited in the bank. As a result, not only is there risk of loss from burglary, misplacement, or misappropriation, but also the cash is not available for expenditures or investment. We recommend that deposits be made on a regular basis (daily during peak collection periods) both to improve cash flow and to reduce the risk of loss.

We have also noted various items we feel could improve your internal controls or operating efficiencies. These items are not considered significant deficiencies or material weaknesses but are presented for your consideration.

Accompany Checks Submitted for Signature with Supporting Documents

Checks submitted to the Township officials for signature are not accompanied by invoices or other supporting documents, nor are the supporting documents approved for payment or subsequently marked to prevent their re-use. We recommend that a stamp imprint, providing for check number, date paid, account charged, approval of prices, receipt of goods or services, approval of footings and extensions, and final approval for payment by a supervisor or board member be stamped on the supporting documents. The supporting documents bearing the appropriate approvals and other information should then accompany the checks submitted for signature. After the check is signed the underlying documents should be marked "Paid" or otherwise cancelled by a perforating machine or stamp.

Investigate Old Outstanding Checks and Other Old Uncleared Reconciling Items

We noted that many old outstanding checks and other old uncleared reconciling items, some over one year old, are being carried on monthly cash reconciliations. This causes additional time to be spent by personnel to reconcile the bank accounts each month. We recommend that checks and other uncleared reconciling items that are over one year old be investigated and removed from the bank reconciliation and that the original transaction be reversed. Research should be done periodically to eliminate large numbers of old items being carried from month to month.

Summary and status of prior year comments and recommendations

Title of Prior Year Comment	Summary of Comment	Current Status
Audit journal entries	Several prior year audit journal entries had not been posted or were partially posted to the Township's accounting records.	Issue appears to be resolved. No instances of unposted audit journal entries noted for the current year under audit.
Fund balance and account reconcilations	Account balance reconcilations should be prepared and supported by accurate detail.	Issue not resolved. Reported as a material weakness above.
Timeliness of deposits	Untimely bank deposits were made in the prior year. The Township should revise accounting procedures related to cash receipting and timeliness of deposits.	Issue not resolved. Reported as a material weakness above.

Fire run revenues	Due to the method of accounting for fire run revenues, the Township is left to fund the 2006 expenses.	Issue occured in the prior year. Fire fund closed in current year due to formation of SAESA, thus resolving issue for future years.
Construction cash accounts	The Township should be recording the receipts and expenditure of funds that flow through the construction account.	CPA firm contracted to perform bookkeeping services performed reconcilations of cash accounts under audit.
Performance deposit account	The performance deposit should be reconciled periodically to make sure the necessary cash transfers are made.	CPA firm contracted to perform bookkeeping services performed reconcilations of cash accounts under audit.
Property tax disbursements	Property tax disbursements collected on behalf of other taxing units are not being disbursed in a timely manner, as required by the State of Michigan.	Issue not resolved. Reported as a significant deficiency above.
Current tax collection account	The tax collection accounts should be reconciled and disbursed to the correct agency or individuals.	CPA firm contracted to perform bookkeeping services performed reconcilations of cash accounts under audit.
Grants	Grants should be accounted for in accordance with GAAP.	No grants receieved in current year.
Employee dishonesty bond	The Township should consider increasing its employee dishonesty coverage depending upon acces to the Township's funds.	Coverage for the year ended March 31, 2007 was not changed.

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

Sincerely,

Yeo & Yeo, P.C.

Lansing, Michigan