

### 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 <b>EASTON TOWNSHIP</b>	County <b>IONIA</b>
Fiscal Year End <b>MARCH 31, 2007</b>	Opinion Date <b>SEPTEMBER 13, 2007</b>	Date Audit Report Submitted to State <b>SEPTEMBER 26, 2007</b>	

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) <b>LAWRENCE TIEJEMA, PC</b>		Telephone Number <b>616-642-0384</b>	
Street Address <b>31 EAST MAIN STREET</b>		City <b>SARANAC</b>	State Zip <b>MI 48881</b>
Authorizing CPA Signature <i>Lawrence Tiejema</i>		Printed Name <b>LAWRENCE TIEJEMA</b>	License Number <b>A 256739</b>

# EASTON TOWNSHIP

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MARCH 31, 2007

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INDEPENDENT AUDITOR'S REPORT

September 13, 2007

The Township Board  
Easton Township  
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Easton Township, Ionia County, 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. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, and the aggregate remaining fund information of Easton Township, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated September 13, 2007, on my consideration of Easton Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 to 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Easton Township's basic financial statements. The governmental, enterprise, and component unit's financial statements and schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Lawrence Tiejema, PC

September 13, 2007

## Management Discussion and Analysis

During the year ended March 31, 2007, Easton Township maintained its paved and gravel roads, completed payment for the Haynor Road upgrade, and planned for future road projects. In addition, the township's legal costs dropped, and its fund balance grew so that the township should be able to handle any foreseeable emergency.

### Financial Highlights

- (1) Governmental fund revenues the General Fund and Special Revenue Fund exceeded expenditures by \$91,647 in the year ended March 31, 2007. This raised unrestricted net assets from \$1,078,552 to \$1,170,199.
- (2) Legal expenses dropped from \$18,126 to \$12,640 in the year ended March 31, 2007. In the prior year, a developer had challenged the township's minimum lot size ordinance. The township prevailed in court, but it incurred legal expenses in excess of the normal \$5,000 per year.
- (3) The township shared in the cost of upgrading Haynor Road for a total cost of \$41,094. The township paid the remaining cost of \$34,056 in May 2006.
- (4) Revenue sharing income fell from \$306,765 to \$286,111 in the year ended March 31, 2006. The City of Ionia paid Easton Township \$94,959 of revenue sharing income as a result of a PA 425 agreement between the township and the city.
- (5) Easton Township made a \$5,000 contribution the County of Ionia for the Central Michigan Enforcement Team (CMET). The CMET conducts undercover drug enforcement activity.
- (6) The township received new voting machines through a federal grant. The Township received three regular M-100 voting machines and one AutoMARK voter assist terminal with a total value of \$21,604.
- (7) The township's expenditures on township roads dropped from \$99,993 in the prior year to \$94,167 for the year ended March 31, 2007. Although new projects were considered on the Potters Road bridge and chip sealing on other roads, no new projects were initiated and developed.
- (8) Interest income increased from \$25,903 to \$32,741 for the year ended March 31, 2007. Interest income represented 7.6% of the governmental funds revenue.

## **Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the 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 the 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. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the government-wide statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, recreation and cultural, and cemetery. The business-type activity of the Township is the sewer fund. The government-wide financial statements may be found on pages 10-12.

**Fund financial statements.** A *fund* is a group 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. (All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, 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 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 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 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*.

The Township adopts an annual appropriated budget. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets. The basic governmental fund financial statements can be found on pages 15 and 16 of this report.

**Proprietary funds.** The township maintains one type of proprietary or enterprise fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer system operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 17 - 19 of this report.

**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. The accounting used for fiduciary funds is much like that used for proprietary funds. Easton Township has one fiduciary fund, the tax agency fund. The basic fiduciary fund statements for the tax agency fund can be found on page 20 of this report.

**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 statements. The notes to the financial statements can be found on pages 21 - 35 of this report.

### Easton Township's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 1,124,163	\$ 480,650	\$ 1,604,813
Capital assets	69,491	241,421	310,912
Total assets	<u>1,193,654</u>	<u>722,071</u>	<u>1,915,725</u>
Long-term liabilities outstanding		-	0
Other liabilities	23,455	1,393	24,848
Total liabilities	<u>23,455</u>	<u>1,393</u>	<u>24,848</u>
Net assets:			
Invested in capital assets, net of related debt	69,491	241,421	310,912
Restricted		479,257	479,257
Unrestricted	<u>1,100,708</u>		<u>1,100,708</u>
Total net assets	<u>\$ 1,170,199</u>	<u>\$ 720,678</u>	<u>\$ 1,890,877</u>

Governmental activities above are made up of the General Fund and Special Revenue Fund. The business-type activities represents the Sewer Fund. For the year ended March 31, 2007, governmental activities net assets increased by \$91,647 and business-type activities increased by \$7,880. The current assets of all funds are made up of cash deposits, receivables, and prepaid expenses. The cash deposits of all funds increased during the year ended March 31, 2007. Governmental activities cash deposits increased \$45,803 while the business-type activity rose by \$29,443. The receivables of the governmental activities is made up mostly of a receivable from the Tax Agency Fund. The liabilities of the governmental activities represent expenses that were purchased before April 1, 2007 and were paid after March 31, 2007. The liability of the business-type fund represents capital charge payments on the sewer hook-up assessment that were paid in advance.

### Easton Township's Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Revenue:			
Program revenue:			
Charges for services	\$ 22,313		\$ 22,313
General revenue:			
Property taxes	67,888		67,888
State Sources	286,111		286,111
Investment earnings	32,741	17,492	50,233
Other	21,891		21,891
Total revenue	430,944	17,492	448,436
Expenses:			
General government	145,677		145,677
Legislative	6,857		6,857
Public safety	47,311		47,311
Public works	102,135		102,135
Community support	17,541		17,541
Cemetery	19,776		19,776
Sewer		9,612	9,612
Total expenses	339,297	9,612	348,909
Increase (decrease) in net assets	91,647	7,880	99,527
Net assets - beginning of year	1,078,552	712,798	1,791,350
Net assets - end of year	<u>\$ 1,170,199</u>	<u>\$ 720,678</u>	<u>\$ 1,890,877</u>

For governmental activities, revenue increased by \$14,745 and expenses increased by \$4,507 compared to the year before. Property tax revenue increased by \$7,833, interest earnings rose by \$6,838, charges for services went up by \$2,475, and a federal grant of voting machines was valued at \$21,604. At the same time, revenue sharing dropped by \$20,654, but most of this decrease was due to the timing of revenue sharing payments coming from the City of Ionia through a PA 425 agreement. Expense increases for governmental activities came from elections, assessing, and townhall maintenance. The biggest increase came from elections, which rose from \$1,753 to \$7,102, due to the holding of three elections. Public school systems, however, provided a \$1,756 reimbursement for the school election held in May 2006

The sewer fund which makes up the business-type activities receives two types of income: (1) interest that residents paid with the sewer assessment hook-up payments; (2) investment interest on the Sewer Fund deposits. In the year ended March 31, 2007, the township received \$7,305 from sewer assessment interest and \$10,186 in investment interest. The Sewer Fund had administrative expenses of \$1,659 and recorded depreciation expense of \$7,953. The Sewer Fund deposit accounts increased \$29,443 since the township has no debt on the portion of the sewer lines that it owns.

**Easton Township's Capital Assets  
(net of depreciation)**

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Land	\$ 7,325	-	\$ 7,325
Buildings and Improvements	37,277	-	37,277
Machinery and Equipment	24,889	-	24,889
Utility Systems	-	241,421	241,421
<b>Total</b>	<b>\$ 69,491</b>	<b>\$ 241,421</b>	<b>\$ 310,912</b>

The governmental activities' capital assets increased by \$19,400 while business-type activity capital assets decreased by \$7,953. The General Fund acquired two laptop computers for the clerk and treasurer at a total cost of \$2,109. In addition, a federal grant provided four voting machines having a value of \$21,604.

Business type capital assets consist of the sewer lines that serve some Easton Township residents. The cost of these sewer lines was \$397,654 and depreciation expense of \$156,233 has been charged in prior years. This leaves a book value of \$241,421. The sewer lines are a 50-year asset, and each year an additional \$7,953 depreciation expense is taken on these sewer lines.

### **Future Challenges and Plans**

The governmental and enterprise funds of Easton Township have the needed reserves to meet future needs. The governmental funds cash balance of \$978,399 is sufficient to pay for nearly three years of operating expenditures. The net assets of the Sewer Enterprise Fund of \$479,257 are designed to cover any necessary repair to sewer lines built in Easton Township before August 2001. These assets will continue to grow in the coming year and should be adequate for any foreseeable expenses to the system.

In the fiscal year just ended, the Township reduced its legal costs by \$5,486 compared to the prior year. Of the \$12,460 of legal expenses, slightly more than \$5,000 was devoted to defending the township against a local resident's lawsuit. The Circuit Court ruled that the lawsuit was frivolous and directed the local resident to reimburse the township for its legal expenses. The collection of this debt is uncertain at the present time.

The biggest challenge to Easton Township continues to be road development and maintenance. Easton Township's population and number of residents is growing more rapidly than the roads are developing. Many residents would like their roads improved and paved. However, the cost of paving just four miles could eat up most of the financial reserves of the General Fund. The establishment of special assessment districts is being explored as a way for residents on a road and/or subdivision to pave their roads that serve their properties. During the fiscal year ended March 31, 2007, the township paid \$4,423 for a design study for Parmeter Road development. This might lead to paving part or all of this road in the future. The township has also agreed to work with the Ionia County Road Commission on a chip and seal project for North Bellamy and Parmeter Roads and the replacing of the Potters Road bridge.

The sales of lots in Easton Cemetery have been increasing in recent years. In the early 1990's, the township purchased a 1 ½ acre plot next to the present cemetery. If cemetery lot sales continue to increase, the township will develop a coordinated plan to build roads and extend water lines so that a cemetery expansion may take place.

The Township is managing its resources carefully in case of contingencies such as road/bridge failures and the need to defend township ordinances in court. A relatively high fund balance is a part of the township's plan to remain solvent while assisting township residents with necessary infrastructure improvements.

**EASTON TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**MARCH 31, 2007**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>Assets</b>			
Cash and deposits	\$ 978,399	\$ 341,078	\$ 1,319,477
Receivables			
Due from other funds	24,159	4,932	29,091
Due from other governments	116,818	607	117,425
Capital charges receivable		134,033	134,033
Prepaid expenses	4,787		4,787
Capital assets, net of accumulated depreciation	69,491	241,421	310,912
<b>Total Assets</b>	<b>1,193,654</b>	<b>722,071</b>	<b>1,915,725</b>
<b>Liabilities</b>			
Accounts payable	18,523		18,523
Due to other funds	4,932		4,932
Deferred revenue		1,393	1,393
<b>Total Liabilities</b>	<b>23,455</b>	<b>1,393</b>	<b>24,848</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	69,491	241,421	310,912
Restricted for:			
Sewer maintenance		479,257	479,257
Unrestricted	1,100,708		1,100,708
<b>Total net assets</b>	<b>\$ 1,170,199</b>	<b>\$ 720,678</b>	<b>\$ 1,890,877</b>

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

**EASTON TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2007**

Functions/ Programs	Expenses	Program Revenues Charges for Services	Capital Grants	Net (Expense) Revenues
<b>Primary government</b>				
Governmental activities:				
General government	\$ 145,677	\$ 14,868	\$ 21,604	\$ (109,205)
Legislative	6,857			(6,857)
Public safety	47,311	1,495		(45,816)
Public works	102,135			(102,135)
Community support	17,541			(17,541)
Cemetery	19,776	5,950		(13,826)
Total government activities	<u>339,297</u>	<u>22,313</u>	<u>21,604</u>	<u>\$ (295,380)</u>
Business-type activity:				
Sewer	9,612			(9,612)
Total primary government	<u>\$ 348,909</u>	<u>\$ 22,313</u>	<u>\$ 21,604</u>	<u>\$ (304,992)</u>

(Continued)

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

**EASTON TOWNSHIP**  
**STATEMENT OF ACTIVITIES (CONCLUDED)**  
**FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Changes in net assets			
Net (expense) revenue	\$ (295,380)	\$ (9,612)	\$ (304,992)
General revenues:			
Property taxes	67,888	-	67,888
State revenue sharing	286,111	-	286,111
Investment earnings	32,741	17,492	50,233
Other revenue	287	-	287
Total general revenues	<u>387,027</u>	<u>17,492</u>	<u>404,519</u>
Change in net assets	91,647	7,880	99,527
Net assets, beginning of year	<u>1,078,552</u>	<u>712,798</u>	<u>1,791,350</u>
Net assets, end of year	<u>\$ 1,170,199</u>	<u>\$ 720,678</u>	<u>\$ 1,890,877</u>

(Concluded)

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

**EASTON TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2007**

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL</u>
Cash and deposits	\$ 892,210	\$ 86,189	\$ 978,399
Receivables:			
Due from other governments	116,818	-	116,818
Due from other funds	24,159	-	24,159
Prepaid expenses	4,787	-	4,787
<b>TOTAL ASSETS</b>	<b>1,037,974</b>	<b>86,189</b>	<b>1,124,163</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
LIABILITIES:			
Accounts payable	18,523	-	18,523
Due to other funds	4,932	-	4,932
<b>TOTAL LIABILITIES</b>	<b>23,455</b>	<b>-</b>	<b>23,455</b>
FUND BALANCE			
Undesignated	1,014,519	86,189	1,100,708
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,037,974</b>	<b>\$ 86,189</b>	<b>\$ 1,124,163</b>

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF THE GOVERNMENTAL  
ACTIVITIES ON THE STATEMENT OF NET ASSETS

Fund balance -- total governmental funds..... \$ 1,100,708

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

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

Add -- land.....	7,325
Add -- capital assets.....	100,544
Deduct -- accumulated depreciation.....	(38,378)
Net assets of governmental activities.....	\$ 1,170,199

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

**EASTON TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2007**

	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS
<b>REVENUES:</b>			
Property taxes	\$ 67,888	-	\$ 67,888
Licenses & permits	6,724	-	6,724
State sources	289,659	-	289,659
Charges for services	10,546	-	10,546
Fines and forfeitures	1,495	-	1,495
Interest	30,435	2,306	32,741
Federal grant	21,604	-	21,604
Other	287	-	287
<b>TOTAL REVENUES</b>	<b>428,638</b>	<b>2,306</b>	<b>430,944</b>
<b>EXPENDITURES:</b>			
General government	166,757	-	166,757
Legislative	5,897	-	5,897
Public safety	47,311	-	47,311
Public works	102,135	-	102,135
Community support	17,541	-	17,541
Cemetery	19,056	-	19,056
<b>TOTAL EXPENDITURES</b>	<b>358,697</b>	<b>-</b>	<b>358,697</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>69,941</b>	<b>2,306</b>	<b>72,247</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>69,941</b>	<b>2,306</b>	<b>72,247</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>944,578</b>	<b>83,883</b>	<b>1,028,461</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,014,519</b>	<b>\$ 86,189</b>	<b>\$ 1,100,708</b>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES**

Net change in fund balances -- total government funds.....	\$ 72,247
Government funds expense capital outlays in the current year while the Statement of Net Assets allocates them over useful life:	
Add capital outlay.....	23,713
Deduct - depreciation expense.....	(4,313)
Change in net assets of government activities.....	<u>\$ 91,647</u>

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

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

**FOR THE YEAR ENDED MARCH 31, 2007**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Property taxes	\$ 59,468	\$ 59,468	\$ 67,888	\$ 8,420
Licenses and permits	7,050	7,050	6,724	(326)
State sources	303,500	303,500	289,659	(13,841)
Charges for services	7,000	7,000	10,546	3,546
Fines and forfeitures	2,000	2,000	1,495	(505)
Interest	11,225	11,225	30,435	19,210
Other	-	21,604	21,891	287
<b>TOTAL REVENUES</b>	<b>390,243</b>	<b>411,847</b>	<b>428,638</b>	<b>16,791</b>
<b>EXPENDITURES</b>				
General government	177,500	199,104	166,757	32,347
Legislative	8,000	8,000	5,897	2,103
Public safety	65,000	65,000	47,311	17,689
Public works	338,500	338,500	102,135	236,365
Community support	26,550	26,550	17,541	9,009
Cemetery	25,750	25,750	19,056	6,694
<b>TOTAL EXPENDITURES</b>	<b>641,300</b>	<b>662,904</b>	<b>358,697</b>	<b>304,207</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(251,057)</b>	<b>(251,057)</b>	<b>69,941</b>	<b>320,998</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(251,057)</b>	<b>(251,057)</b>	<b>69,941</b>	<b>320,998</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>944,578</b>	<b>944,578</b>	<b>944,578</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 693,521</b>	<b>\$ 693,521</b>	<b>\$ 1,014,519</b>	<b>-</b>

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

**EASTON TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED MARCH 31, 2007**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Interest	\$ 1,000	\$ 1,000	\$ 2,306	\$ 1,306
<b>TOTAL REVENUES</b>	<b>1,000</b>	<b>1,000</b>	<b>2,306</b>	<b>1,306</b>
<b>EXPENDITURES:</b>				
Transfer to General Fund	10,000	10,000	-	10,000
<b>TOTAL EXPENDITURES</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>	<b>10,000</b>
REVENUES OVER (UNDER) EXPENDITURES	(9,000)	(9,000)	2,306	11,306
<b>NET CHANGE IN FUND BALANCES</b>	<b>(9,000)</b>	<b>(9,000)</b>	<b>2,306</b>	<b>11,306</b>
FUND BALANCE, BEGINNING OF YEAR	83,883	83,883	83,883	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 74,883</b>	<b>\$ 74,883</b>	<b>\$ 86,189</b>	<b>-</b>

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

**EASTON TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**SEWER ENTERPRISE FUND**

**March 31, 2007**

**Assets**

**Current Assets**

Cash and deposits	\$	341,078
Due from other governments	\$	607
Due from other funds		4,932
		<hr/>
<b>Total current assets</b>		<b>346,617</b>

**Noncurrent Assets**

Capital charges receivable		134,033
Property, plant, and equipment, net of accumulated depreciation		241,421
		<hr/>
<b>Total noncurrent assets</b>		<b>375,454</b>

<b>Total Assets</b>		<hr/> <b>722,071</b>
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**Liabilities**

Deferred revenue		1,393
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**Net assets**

Invested in capital assets, net or related debt		241,421
Restricted for sewer maintenance		479,257
Unrestricted		-
		<hr/>
<b>Total net assets</b>	<b>\$</b>	<b>720,678</b>
		<hr/> <hr/>

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

**EASTON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**SEWER ENTERPRISE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2007**

**Operating revenues**

Hook-up fees	<u>0</u>
<b>Total operating revenues</b>	<b>0</b>

**Operating expenses**

Professional fees	450
Administration	1,209
Depreciation	<u>7,953</u>
<b>Total operating expenses</b>	<b><u>9,612</u></b>

<b>Operating income</b>	<b><u>(9,612)</u></b>
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**Nonoperating revenue (expenses)**

Interest from capital charges	7,306
Interest from investments	<u>10,186</u>
<b>Total non-operating revenues (expenses)</b>	<b><u>17,492</u></b>

Change in net assets	7,880
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Net assets, beginning of year	<u>712,798</u>
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<b>Net assets, end of year</b>	<b><u>\$ 720,678</u></b>
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The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP**

**STATEMENT OF CASH FLOWS  
SEWER FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2007**

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**Cash from operating activities**

Cash paid for professional services	\$	450
Cash paid for administration	\$	1,209
		<u>1,659</u>

**Net cash provided by operating activities** (1,659)

**Cash flows from capital and related financing activities**

Interest received on capital charges		7,305
Principal payments on capital charges		<u>13,611</u>

**Net cash (used in) capital and relating financing activities** 20,916

**Cash flows from investing activities**

Interest received on deposits and investments		<u>10,186</u>
-----------------------------------------------	--	---------------

Net increase (decrease) in cash and cash equivalents 29,443

Cash and cash equivalents at the beginning of the year 311,635

**Cash and cash equivalents at the end of the year** \$ 341,078

**Reconciliation of net income to net cash provided by operations**

Net income	\$	7,880
Adjustments to reconcile net income to cash provided		
Depreciation expense		7,953
Changes in assets and liabilities which provided (used) cash		
Accounts receivable		13,072
Deferred revenue		<u>538</u>

**Net cash provided by operations** \$ 29,443

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

**EASTON TOWNSHIP**  
**FIDUCIARY FUND**  
**TAX AGENCY FUND**

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**STATEMENT OF NET ASSETS**

**MARCH 31, 2007**

**Assets**

Cash in bank	\$	33,861
Due from other funds		-
Due from other governments		6,683
<b>Total Assets</b>		<u>40,544</u>

**Liabilities**

Due to other funds		24,159
Due to other governments		16,385
<b>Total Liabilities</b>	\$	<u>40,544</u>

**STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2007**

**Receipts**

Tax Collections	\$	1,504,495
Interest income		2,092
		<u>1,506,587</u>

**Disbursements**

Payments to governments		1,484,120
Interest transferred to other funds		62
Fees		51
		<u>1,484,233</u>

**Total receipts over (under) disbursements** 22,354

Cash balance at the beginning of the year 11,507

**Cash balance at the end of the year** \$ 33,861

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

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Easton Township was organized on March 29, 1843, under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (police, fire, ambulance), road maintenance, sewer, parks and recreation, cemetery, public improvements, and general administrative services.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below:

**The Reporting Entity**

As required by generally accepted accounting principles, these financial statements present a financial report of all funds of Easton Township.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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, 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.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

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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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide 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 accrual basis of accounting, as are the proprietary funds. Agency funds follow the accrual basis of accounting, and they do not follow a measurement focus because they do not report the results of operations (assets equal liabilities). Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township. 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.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

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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. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 sewer enterprise funds are charges for services. Operating expenses for the enterprise fund include wages, supplies, utilities, charges for services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Fund Accounting**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Township reports the following major government funds:

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

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

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**Special Revenue Fund** – These funds are used to account for revenue from specific revenue sources and related expenditures which are restricted for specific purposes by administrative action or law.

The Township reports the following major proprietary fund:

**Sewer** – This fund is used to account for the operations of the Township's sewer department that provides sewer services to township residents on a user charge basis.

Additionally, the Township reports the following fund type:

**Tax Agency Fund** – This fund is used to account for property tax collections from Easton Township real and personal property owners and its disbursement to applicable government entities and agencies.

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 and other charges between the government's sewer 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.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

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**Budgets and Budgetary Accounting**

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data that is reflected in the financial statements:

1. The budgets are generated with input from the clerk, treasurer, supervisor, and township trustees.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.
3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations at the functional level for all funds (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditure budgets by function. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any department must be approved by the Township Board.
7. Budgeted amounts are as originally adopted, or as amended by the Township Board. Supplemental budget appropriations were made during the year.
8. Encumbrance accounting is not utilized.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

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**Investments**

Investments are stated at fair value.

**Restricted Assets**

Certain proceeds of the Sewer Fund, as well as certain resources set aside for their maintenance, are classified as restricted assets on the statement of net assets because their use is limited by applicable agreements with the City of Ionia.

**Due To and Due From Other Funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental and business activities column in the government-wide financial statements. Capital assets are also presented in the proprietary fund statements. The Township does not currently own infrastructure (roads, tunnels, bridges, etc.) except for roads constructed in the Easton Township Cemetery. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

**EASTON TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2007**

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Land and historical artifacts are not subject to depreciation. Depreciation on the other capital assets of the primary government is computed using the straight-line method over the following useful lives:

	<u>Depreciable Life-Years</u>
Sanitary sewer systems.....	50
Furniture and equipment.....	5 – 15
Building and structures.....	10 – 40
Building improvements.....	15
Machinery and equipment.....	7 - 20

**Property Taxes**

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as a revenue during the current fiscal year, and is intended to fund expenditures of the current year. Taxes are levied December 1 and are due without penalty on or before February 14. These winter tax bills include the Township’s own property taxes and taxes billed on behalf of the school districts and other governmental entities; summer taxes are collected for school districts and the County of Ionia.

Real property taxes not collected are returned to the County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

**Deferred Revenue**

Government funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and for resources that have been received, but not yet earned. For the year ended March 31, 2007, Easton Township had deferred revenue in the Sewer Fund of \$1,393.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

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**Fund Equity**

In the fund 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. Proprietary funds report restricted net assets equal to restricted assets less related liabilities. The governmental funds of Easton Township have no reservation or designations of their \$1,028,461 fund equity.

**Interfund Transactions**

During the course of normal operations, the Township has transactions between funds, including transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operations subsidies are also recorded as transfers. For the year ended March 31, 2007, Easton Township did not have any interfund transfers.

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2007, the Township was covered by a liability and property insurance policy in the Michigan Township Participating Plan through Burnham & Flowers Insurance group. The insurance limitations are: Property, \$276,000; Liability, \$5,000,000; Wrongful acts, \$5,000,000; Automobile, \$5,000,000. The township also carries insurance for crime and inland marine.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

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**2. CASH AND DEPOSITS, INVESTMENTS, AND RESTRICTED ASSETS**

The cash deposits and investments for the Township are as follows:

	Governmental Activities	Business-type Activities	Agency Fund	Total
Deposits:				
Cash and deposits	\$ 518,751	\$ 220,507	\$ 33,861	\$ 773,119
Investments	459,648	120,571		580,219
	<u>\$ 978,399</u>	<u>\$ 341,078</u>	<u>\$ 33,861</u>	<u>\$ 1,353,338</u>

The carrying amount of the Township's governmental funds and business-type fund deposits at March 31, 2007, was \$1,319,477. All of these deposits are insured by the Federal Deposit Insurance Corporation. These deposits are in three (3) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at fair value.

**Statutory Authority**

State statutes authorize the Township to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

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3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after the date of purchase.
4. Bankers acceptances of United States banks.
5. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
6. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
7. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

Township investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Investments held by the Township are reported at fair value.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

All deposit accounts of Easton Township are in Category 1, registered and insured to the FDIC limit of \$100,000 for each bank, and are listed as follows:

Depository	Account	Amount @ March 31, 2007
General Fund:		
Firstbank West Michigan	Checking Account	\$ 301,707
Fifth Third Bank	Business 53 Maxsaver	130,855
Portland Federal Credit Union	Savings Account	19
Portland Federal Credit Union	Certificate of Deposit	37,201
Portland Federal Credit Union	Certificate of Deposit	110,891
Portland Federal Credit Union	Certificate of Deposit	83,463
Portland Federal Credit Union	Certificate of Deposit	133,574
Fifth Third Bank	Certificate of Deposit	94,500
<b>TOTAL GENERAL FUND</b>		<b>892,210</b>
Special Revenue Fund:		
Fifth Third Bank	Business 53 Maxsaver	86,189
<b>TOTAL SPECIAL REVENUE FUND</b>		<b>86,189</b>
Sewer Fund:		
Firstbank West Michigan	Checking Account	220,507
Portland Federal Credit Union	Certificate of Deposit	15,746
Portland Federal Credit Union	Certificate of Deposit	104,825
<b>TOTAL SEWER FUND</b>		<b>341,078</b>
<b>TOTAL -- ALL GOVERNMENTAL &amp; BUSINESS-TYPE FUNDS</b>		<b>\$ 1,319,477</b>

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

**3. CAPITAL ASSETS**

A summary of changes in Capital Assets follows:

	<u>Balance</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>March 31, 2007</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 7,325			\$ 7,325
Historical artifacts	1,000			1,000
Capital assets, being depreciated				
Buildings	16,598	-		16,598
Building and grounds improvements	45,668	-		45,668
Machinery and equipment	13,565	23,713		37,278
	<u>75,831</u>			<u>99,544</u>
Less accumulated depreciation for:				
Buildings	13,133	373		13,506
Building and grounds improvement	10,242	1,241		11,483
Machinery and equipment	10,690	2,699		13,389
Total capital assets being depreciated, net	34,065	4,313		38,378
<b>Governmental activities capital assets, net</b>	<b>50,091</b>			<b>69,491</b>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Sewer system	397,654	-		397,654
Less accumulated depreciation:				
Sewer system	148,280	7,953		156,233
<b>Business-type activities capital assets, net</b>	<b>\$ 249,374</b>			<b>\$ 241,421</b>

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

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

	March 31, 2007
Governmental activities:	
General government.....	\$ 2,699
Cemetery.....	720
Townhall and grounds.....	<u>894</u>
Total depreciation expense – government activities.....	<u>\$ 4,313</u>
Business-type activities:	
Sewer.....	<u>\$ 7,953</u>

**4. CONTRIBUTORY PENSION PLAN**

Easton Township contributes to a group pension plan through John Hancock Life Insurance Company. The eligible participants are elected officials and appointed individuals. The Township contributes 15% of the participant’s compensation, and a participant may also make voluntary contributions. During the year ended March 31, 2007, the Township made a cash contribution of \$12,870 for the prior year, and accrued a pension obligation of \$13,080 for the current year.

**5. EASTON SEWER SYSTEM**

The original sewage disposal system was jointly owned by the Townships of Easton and Ionia and the City of Ionia. Bonds to construct the system were sold in 1976, 1990, 2001, 2004, and 2005. Until June 30, 1991, the City of Ionia, Easton Township, and Ionia Township made debt payments related to the cost of the sewer facilities and lines laid within their borders.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

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As of June 30, 1991, the allocation of debt payments was changed to reflect annual flow from each of the three entities with the heaviest users paying a larger portion of the debt payments.

Easton Township entered into an agreement with the City of Ionia that took effect on August 1, 2001. According to this agreement, the City of Ionia took over the operation of the portion of the sewer system within Easton Township. The City began billing Township customers directly based on the current rate structure. The City is now responsible for all operational costs of the system. In this agreement, Easton Township retained all rights and title to the sewer facilities installed in the township before August 1, 2001. The allocated value of these sewer lines is \$397,654 less accumulated depreciation of \$156,233, for a net book value of \$241,421 as of March 31, 2007.

On October 22, 2002, Easton Township chose to pay off its portion of the existing sewer debt based on its percentage of ownership at a cost of \$203,270. This payoff did include the balance on the capital charges owed by residents who had hooked up to the sewer system. When residents hooked up to the system, they had the option of paying the hook-up charges in advance or paying for them with quarterly payments. These payments represent principal and interest payments on the hook-up charge. The balance on these hook-up or capital charges is shown as a receivable to the township sewer fund and has a balance of \$134,033 as of March 31, 2007.

**6. LITIGATION**

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

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**7. DUE FROM (TO) OTHER FUNDS**

Amounts due from (to) others funds representing interfund receivable and payable balances at March 31, 2007, are detailed as follows:

<u>Due From</u>	<u>Due to</u>			<u>TOTAL</u>
	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Tax Agency Fund</u>	
General Fund	-	4,932		4,932
Tax Agency Fund	24,159		-	24,159
<b>TOTALS</b>	<b>24,159</b>	<b>4,932</b>		<b>29,091</b>

During the year ended March 31, 2007, \$4,932 was deposited in the general fund checking account that belonged to the sewer fund. This amount included the following: (1) Capital charge Sewer Fund payment from the City of Ionia, \$4,321; (2) 2005 Sewer fund delinquent assessment, \$611.

## **GENERAL FUND**

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The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grants and intergovernmental revenues. General operating expenditures of the Township are accounted for in this fund, including Township Administration, Public Safety, Public Works, Recreation and Culture, Cemetery and Other.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

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**EASTON TOWNSHIP**

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

**GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2007**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
<b>PROPERTY TAXES</b>				
Current property taxes	\$ 46,668	\$ 46,668	\$ 47,282	\$ 614
Tax administration fees	12,800	12,800	15,913	3,113
Delinquent property taxes	-	-	4,693	4,693
<b>TOTAL PROPERTY TAXES</b>	<b>59,468</b>	<b>59,468</b>	<b>67,888</b>	<b>8,420</b>
<b>LICENSES AND PERMITS</b>				
Land division act fees	1,000	1,000	800	(200)
Cable franchise fees	6,000	6,000	5,924	(76)
Licenses and permits	50	50		(50)
<b>TOTAL LICENSES AND PERMITS</b>	<b>7,050</b>	<b>7,050</b>	<b>6,724</b>	<b>(326)</b>
<b>STATE SOURCES</b>				
State revenue sharing	300,000	300,000	286,111	(13,889)
Telecom revenue share	3,500	3,500	3,548	48
	<b>303,500</b>	<b>303,500</b>	<b>289,659</b>	<b>(13,841)</b>
<b>CHARGES FOR SERVICES</b>				
Cemetery lot sales	3,500	3,500	5,950	2,450
Rents and royalties	2,000	2,000	2,840	840
Special elections	1,500	1,500	1,756	256
<b>TOTAL CHARGES FOR SERVICES</b>	<b>7,000</b>	<b>7,000</b>	<b>10,546</b>	<b>3,546</b>
<b>FINES AND FORFEITURES</b>				
Ordinance violation fines	2,000	2,000	1,495	(505)
<b>INVESTMENT EARNINGS</b>				
Interest on deposits	11,225	11,225	30,435	19,210
<b>OTHER REVENUE</b>				
Refunds and rebates			287	287
Federal grants	-	21,604	21,604	
Other revenue				-
<b>TOTAL OTHER REVENUE</b>	<b>-</b>	<b>21,604</b>	<b>21,891</b>	<b>287</b>
<b>TOTAL REVENUES</b>	<b>390,243</b>	<b>411,847</b>	<b>428,638</b>	<b>16,791</b>

**EASTON TOWNSHIP**

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

**GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2007**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>EXPENDITURES</b>				
<b>LEGISLATIVE</b>				
Township board	\$ 8,000	\$ 8,000	\$ 5,897	\$ 2,103
<b>GENERAL GOVERNMENT</b>				
Supervisor	19,800	19,800	19,305	495
Elections	8,500	30,104	28,706	1,398
Assessor	21,650	21,650	21,026	624
Clerk	23,100	23,100	22,884	216
Board of review	2,400	2,400	1,696	704
Treasurer	30,700	30,700	28,463	2,237
Townhall	6,950	6,950	6,291	659
Insurance	10,100	10,100	8,637	1,463
Pension plan	10,000	10,000	14,505	(4,505)
Employment taxes	1,200	1,200	1,234	(34)
Accounting and legal	43,100	43,100	14,010	29,090
Total general government	177,500	199,104	166,757	32,347
<b>PUBLIC SAFETY</b>				
Township deputy	32,000	32,000	27,781	4,219
Fire department	13,000	13,000	3,134	9,866
Ambulance	20,000	20,000	16,396	3,604
Total public safety	65,000	65,000	47,311	17,689
<b>PUBLIC WORKS</b>				
Road work	70,000	70,000	56,832	13,168
New projects	250,000	250,000	37,335	212,665
Drains	10,000	10,000	-	10,000
Street lighting	8,500	8,500	7,968	532
Total public works	338,500	338,500	102,135	236,365

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

**GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2007**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
COMMUNITY SUPPORT				
CMET donation	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
County Parks	5,000	5,000	-	5,000
Spring clean-up	5,000	5,000	2,568	2,432
ICEA	1,350	1,350	1,348	2
Dial-a-ride	10,000	10,000	8,625	1,375
Miscellaneous	200	200	-	200
Total community support	<u>26,550</u>	<u>26,550</u>	<u>17,541</u>	<u>9,009</u>
CEMETERY				
Cemetery	<u>25,750</u>	<u>25,750</u>	<u>19,056</u>	<u>6,694</u>
TOTAL EXPENDITURES	<u>641,300</u>	<u>662,904</u>	<u>358,697</u>	<u>304,207</u>
REVENUE OVER (UNDER) EXPENDITURE	(251,057)	(251,057)	69,941	320,998
NET CHANGE IN FUND BALANCE	(251,057)	(251,057)	69,941	320,998
FUND BALANCE, BEGINNING OF YEAR	<u>944,578</u>	<u>944,578</u>	<u>944,578</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 693,521</u>	<u>\$ 693,521</u>	<u>\$ 1,014,519</u>	<u>-</u>

**Lawrence Tiejema, PC**  
**Certified Public Accountant**  
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

September 13, 2007

The Township Board  
Easton Township  
Ionia County, Michigan

I have audited the financial statements of the governmental activities, the business-type activity, and the aggregate remaining fund information of the Township of Easton, State of Michigan, as of and for the year ended March 31, 2007, which collectively comprise Easton Township's basic financial statements and have issued a report thereon dated September 13, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Easton Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

However as discussed below, I did not identify any deficiencies in internal control over financial reporting that I 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 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. I noted no significant deficiencies involving internal control over financial reporting and its operation that I consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Easton Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board officers, bond and credit holders, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lawrence Tiejema, PC.

September 13, 2007

**Lawrence Tiejema, PC**  
Certified Public Accountant  
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Saranac, MI 48881  
Phone: 616-642-0384  
Fax: 616-642-0610  
Email: [tiej@iserv.net](mailto:tiej@iserv.net)

September 24, 2007

Easton Township Board  
% Betty Rowley, Clerk  
3886 Dildine Road  
Ionia, MI 48846

To the Board of Easton Township:

You may refer to my report on internal control over financial reporting and compliance with laws and established accounting procedures. The report states that I noted no matters involving internal control of financial reporting that would be considered significant deficiencies. The following comments are not made to express an opinion on internal control but to point out some controls and procedures that are serving Easton Township well.

- (1) The Treasurer keeps the bank records on Quickbooks so that revenue accounts entries can easily be traced to bank statements. The Treasurer also prepares periodic cash and investment reports so that the Board can review its assets.
- (2) The Clerk's record of expense transactions is very complete and allows her to locate the support documents for all transactions in an efficient manner. Also, the Clerk keeps on file the authorized pay levels of all employees and uses this information to record payroll records on an electronic spreadsheet for the preparation of federal forms 941.
- (3) The supervisor and other members of the board are active in monitoring the budget to actual expenditures.

In addition, I noted the following three issues regarding financial record-keeping that can be addressed to improve internal control and financial reporting:

- (1) I observed that several deposits of checks from the City of Ionia were placed in an incorrect bank account and/or assigned to the incorrect account numbers. Upon examining the documentation that is given to the township by the City of Ionia, I can conclude that this documentation can be confusing. It is my suggestion that the township work with the City of Ionia to develop a reporting format for the Township so that it is clear which accounts and funds are affected by the cash receipts from the City of Ionia.
- (2) The clerk enters the deposits and expenditures of the general fund and special revenue fund in an accounting software package. On several occasions during the fiscal year ended March 31, 2007, deposits were placed in miscellaneous revenue since the Clerk could not determine the proper revenue account. I would recommend that the Treasurer provide the account numbers on the receipts that are given to the Clerk so that she may always assign these deposits to the correct accounts.
- (3) The Township has a Special Revenue Fund that earns interest and provides resources to the General Fund. Since this special revenue fund does not have an outside revenue source or specific expenditure purpose, it is my recommendation that the special revenue fund be transferred to the General Fund. The Township Board may then designate a purpose for this special revenue if it so desires.

If you have any questions regarding these comments and suggestions, please contact me.

Sincerely,



Larry Tiejema, CPA