

# 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 Township of Brady	County Kalamazoo
Fiscal Year End 3/31/07	Opinion Date July 17, 2007	Date Audit Report Submitted to State September 5, 2007	

We affirm that:

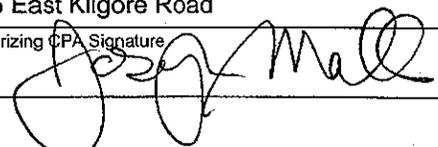
We are certified public accountants licensed to practice in Michigan.

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

- YES NO Check each applicable box below.** (See instructions for further detail.)
- 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.
  - 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.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - 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.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - 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).
  - 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.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - 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"/>	SAS 112
Other (Describe)	<input type="checkbox"/>	No further communication required
Certified Public Accountant (Firm Name) Siegfried Crandall PC	Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road	City Kalamazoo	State MI
		Zip 49002
Authorizing CPA Signature 	Printed Name Joseph M Walls	License Number 1101013696

*Township of Brady*  
*Kalamazoo County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2007*

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## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Brady, Michigan**

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Brady, Michigan, as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 16 through 18, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Brady, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the financial statements.

*Siegfried Crandall P.C.*

July 17, 2007

## **BASIC FINANCIAL STATEMENTS**

**Township of Brady**  
**STATEMENT OF NET ASSETS**  
*March 31, 2007*

	<u><b>Governmental activities</b></u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 535,678
Receivables, net	<u>303,313</u>
Total current assets	<u>838,991</u>
Noncurrent assets:	
Receivables, net	1,242,106
Capital assets, net of accumulated depreciation	<u>149,458</u>
Total noncurrent assets	<u>1,391,564</u>
Total assets	<u>2,230,555</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	108,483
Contract payable	<u>157,560</u>
Total current liabilities	266,043
Noncurrent liability - contract payable	<u>1,242,106</u>
Total liabilities	<u>1,508,149</u>
<b>NET ASSETS</b>	
Invested in capital assets	149,458
Restricted for public works	49,169
Unrestricted	<u>523,779</u>
Total net assets	<u>\$ 722,406</u>

*See notes to financial statements*

**Township of Brady**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program revenues</u>		<u>Net (expenses) revenues and changes in net assets</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
<b>Functions/Programs</b>				
Governmental activities:				
Legislative	\$ 1,710	\$ -	\$ -	\$ (1,710)
General government	216,227	24,795	-	(191,432)
Public safety	103,268	10,597	-	(92,671)
Public works	132,913	37,413	3,543	(91,957)
Community and economic development	14,637	4,600	-	(10,037)
Culture and recreation	9,700	-	-	(9,700)
Debt service:				
Interest	<u>84,811</u>	<u>84,811</u>	<u>-</u>	<u>-</u>
 Total governmental activities	 <u>\$ 563,266</u>	 <u>\$ 162,216</u>	 <u>\$ 3,543</u>	 <u>(397,507)</u>
General revenues:				
				149,043
Taxes				8,312
Permits				241,800
State grants				<u>26,130</u>
Interest				
 Total general revenues				 <u>425,285</u>
 Change in net assets				 27,778
 Net assets - beginning				 <u>694,628</u>
 Net assets - ending				 <u>\$ 722,406</u>

See notes to financial statements

**Township of Brady**  
**BALANCE SHEET - governmental funds**  
 March 31, 2007

	<u>General</u>	<u>Weed Control</u>	<u>Sewer Debt</u>	<u>Total governmental funds</u>
<b>ASSETS</b>				
Cash	\$ 486,709	\$ 48,969	\$ -	\$ 535,678
Receivables	<u>48,465</u>	<u>200</u>	<u>1,496,755</u>	<u>1,545,420</u>
Total assets	<u>\$ 535,174</u>	<u>\$ 49,169</u>	<u>\$ 1,496,755</u>	<u>2,081,098</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables	\$ 11,395	\$ -	\$ 97,089	108,484
Deferred revenue	<u>-</u>	<u>-</u>	<u>1,399,666</u>	<u>1,399,666</u>
Total liabilities	11,395	-	1,496,755	1,508,150
Fund balances - unreserved, undesignated	<u>523,779</u>	<u>49,169</u>	<u>-</u>	<u>572,948</u>
Total liabilities and fund balances	<u>\$ 535,174</u>	<u>\$ 49,169</u>	<u>\$ 1,496,755</u>	<u>\$ 2,081,098</u>

Total fund balances - total governmental funds \$ 572,948

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 149,458

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds. 1,399,666

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,399,666)

Net assets of *governmental activities* \$ 722,406

See notes to financial statements

*Township of Brady*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

*Year ended March 31, 2007*

	<u>General</u>	<u>Weed Control</u>	<u>Sewer Debt</u>	<u>Total governmental funds</u>
<b>REVENUES</b>				
Taxes	\$ 149,043	\$ -	\$ -	\$ 149,043
Licenses and permits	21,714	-	-	21,714
State grants	245,343	-	-	245,343
Charges for services	26,590	-	-	26,590
Interest and rentals	26,130	-	84,811	110,941
Other	2,685	36,575	190,340	229,600
	<u>471,505</u>	<u>36,575</u>	<u>275,151</u>	<u>783,231</u>
Total revenues				
<b>EXPENDITURES</b>				
Legislative	1,710	-	-	1,710
General government	213,607	-	-	213,607
Public safety	103,268	-	-	103,268
Public works	110,764	22,149	-	132,913
Community and economic development	14,637	-	-	14,637
Culture and recreation	9,700	-	-	9,700
Capital outlay	102,504	-	-	102,504
Debt service				
Interest	-	-	84,811	84,811
Principal	-	-	190,340	190,340
	<u>556,190</u>	<u>22,149</u>	<u>275,151</u>	<u>853,490</u>
Total expenditures				
<b>NET CHANGES IN FUND BALANCES</b>	(84,685)	14,426	-	(70,259)
<b>FUND BALANCES - BEGINNING</b>	<u>608,464</u>	<u>34,743</u>	<u>-</u>	<u>643,207</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 523,779</u>	<u>\$ 49,169</u>	<u>\$ -</u>	<u>\$ 572,948</u>

See notes to financial statements

*Township of Brady*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds (Continued)**

*Year ended March 31, 2007*

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	<u>Total governmental funds</u>
Net changes in fund balances - total governmental funds	\$ (70,259)
<p>Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$102,504) exceeded depreciation (\$4,467) in the current period.</p>	98,037
<p>Because some special assessments will not be collected until subsequent periods, they are not considered available revenues and are deferred in the governmental funds. Deferred special assessment revenues decreased by this amount in the current period.</p>	(190,340)
<p>Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	<u>190,340</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 27,778</u>

*See notes to financial statements*

**Township of Brady**  
**STATEMENT OF FIDUCIARY NET ASSETS - agency funds**  
*March 31, 2007*

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**ASSETS**

Cash	\$ <u>9,003</u>
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**LIABILITIES**

Payables	\$ <u>9,003</u>
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*See notes to financial statements*

**Township of Brady**  
**NOTES TO FINANCIAL STATEMENTS**

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

The accounting policies of the Township of Brady, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

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

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

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

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. 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 revenues 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 if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, 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. All other revenue items are considered to be measurable only when cash is received by the government.

**Township of Brady**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily property taxes and state shared revenue.

The Sewer Debt Service Fund accounts for the collection of special assessments and payment of debt for sewer improvements.

The Weed Control Fund accounts for lake weed control expenditures, which are financed through special assessments.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The Township reports two fiduciary funds, its Tax Collection and Agency funds, which account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

**Township of Brady**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

iii) *Capital assets* (continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Equipment	5 - 10 years

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

v) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The Township's significant budget variation is as follows:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Community and economic development	\$ 9,200	\$ 14,637	\$ (5,437)

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 535,678	\$ 9,003	\$ 544,681

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

**Township of Brady**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 3 - CASH (Continued):

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$522,796 of the Township's bank balances of \$788,924 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter-governmental</u>	<u>Totals</u>
General	\$ 1,056	\$ 7,413	\$ -	\$ 39,996	\$ 48,465
Weed Control	-	-	200	-	200
Sewer Debt	-	-	1,496,755	-	1,496,755
Totals	<u>\$ 1,056</u>	<u>\$ 7,413</u>	<u>\$ 1,496,955</u>	<u>\$ 39,996</u>	<u>\$ 1,545,420</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,242,106</u>	<u>\$ -</u>	<u>\$ 1,242,106</u>

All receivables are considered fully collectible.

**Township of Brady**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Ending balance</u>
Governmental activities:			
Capital assets being depreciated:			
Buildings and improvements	\$ 97,600	\$ 99,717	\$ 197,317
Office equipment	<u>21,448</u>	<u>2,787</u>	<u>24,235</u>
Subtotal	<u>119,048</u>	<u>102,504</u>	<u>221,552</u>
Less accumulated depreciation for:			
Buildings and improvements	(52,760)	(2,206)	(54,966)
Office equipment	<u>(14,867)</u>	<u>(2,261)</u>	<u>(17,128)</u>
Subtotal	<u>(67,627)</u>	<u>(4,467)</u>	<u>(72,094)</u>
Governmental activities capital assets, net	<u>\$ 51,421</u>	<u>\$ 98,037</u>	<u>\$ 149,458</u>

Depreciation expense of \$4,467 was charged to the general governmental function of the Township.

**NOTE 6 - LONG-TERM LIABILITIES:**

Long-term debt at March 31, 2007, is comprised of the following issue:

**Contract payable:**

The Township has agreed to remit to the South County Sewer and Water Authority all principal and interest collections arising from special assessments levied on properties served by the Authority. In the event the Authority is unable to meet its debt service requirements, an assessment may be made against the Township of Brady and a neighboring township. The Township has pledged its full faith and credit for the payment of its share of any such deficiency, which has been set at 73.44%.

The summary of debt transactions of the Township for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Adjustments</u>	<u>Reductions</u>	<u>Ending balance</u>
Contract payable	<u>\$ 1,590,006</u>	<u>\$ -</u>	<u>\$ (190,340)</u>	<u>\$ 1,399,666</u>

**Township of Brady**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 6 - LONG-TERM LIABILITIES (Continued):

Debt service requirements at March 31, 2007, were as follows:

<i>Year ended March 31:</i>	<u>Principal</u>	<u>Interest</u>
2008	\$ 157,560	\$ 75,162
2009	157,560	66,701
2010	157,560	58,240
2011	157,560	49,779
2012	157,560	41,318
2013-2016	<u>611,866</u>	<u>80,664</u>
Totals	<u>\$ 1,399,666</u>	<u>\$ 371,864</u>

NOTE 7 - PAYABLES:

	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
General Fund	\$ 11,395	\$ -	\$ 11,395
Sewer Debt	<u>-</u>	<u>97,089</u>	<u>97,089</u>
Totals	<u>\$ 11,395</u>	<u>\$ 97,089</u>	<u>\$ 108,484</u>

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all its elected officials through a defined contribution plan. The Township does not administer the assets of the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Officials are eligible to participate from the date they are elected to office. The Township contributes annually 15% of the officials' base salary or \$100, whichever is more, and participants are fully vested after ten years of continuous service. Officials who leave office before ten years of service are paid a termination benefit of a predetermined amount and the amount forfeited is used to reduce the Township's current period contribution requirement. The Township made the required contributions of \$13,106 for the year ended March 31, 2007.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Brady**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 136,000	\$ 136,000	\$ 149,043	\$ 13,043
Licenses and permits	55,705	55,705	21,714	(33,991)
State grants	243,200	243,200	245,343	2,143
Charges for services	9,750	9,750	26,590	16,840
Interest and rentals	9,500	9,500	26,130	16,630
Other	17,310	17,310	2,685	(14,625)
Total revenues	<u>471,465</u>	<u>471,465</u>	<u>471,505</u>	<u>40</u>
<b>EXPENDITURES</b>				
Legislative	<u>2,900</u>	<u>2,900</u>	<u>1,710</u>	<u>1,190</u>
General government:				
Supervisor	32,600	32,600	29,098	3,502
Election	3,675	3,675	3,340	335
Assessor	23,100	23,100	22,265	835
Clerk	28,400	28,400	28,261	139
Board of review	1,550	1,550	1,390	160
Treasurer	28,400	28,400	27,589	811
Hall and grounds	14,800	14,800	16,624	(1,824)
Cemetery	2,750	2,750	2,305	445
Other	88,025	88,025	82,735	5,290
Total general government	<u>223,300</u>	<u>223,300</u>	<u>213,607</u>	<u>9,693</u>
Public safety:				
Fire/Ambulance	89,500	89,500	89,401	99
Building inspections	<u>48,500</u>	<u>48,500</u>	<u>13,867</u>	<u>34,633</u>
Total public safety	<u>138,000</u>	<u>138,000</u>	<u>103,268</u>	<u>34,732</u>
Public works:				
Highways and streets	112,500	112,500	101,590	10,910
Street lights	3,900	3,900	3,481	419
Sewer	5,850	5,850	3,539	2,311
Other	<u>3,650</u>	<u>3,650</u>	<u>2,154</u>	<u>1,496</u>
Total public works	<u>125,900</u>	<u>125,900</u>	<u>110,764</u>	<u>15,136</u>

**Township of Brady**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development - planning and zoning	\$ 9,200	\$ 9,200	\$ 14,637	\$ (5,437)
Culture and recreation:				
Community Center	5,500	5,500	5,500	-
Historic Village	3,500	3,500	3,500	-
Other	800	800	700	100
Total culture and recreation	<u>9,800</u>	<u>9,800</u>	<u>9,700</u>	<u>100</u>
Capital outlay	<u>103,000</u>	<u>103,000</u>	<u>102,504</u>	<u>496</u>
Total expenditures	<u>612,100</u>	<u>612,100</u>	<u>556,190</u>	<u>55,910</u>
<b>NET CHANGES IN FUND BALANCES</b>	(140,635)	(140,635)	(84,685)	55,950
<b>FUND BALANCES - BEGINNING</b>	<u>608,464</u>	<u>608,464</u>	<u>608,464</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 467,829</u>	<u>\$ 467,829</u>	<u>\$ 523,779</u>	<u>\$ 55,950</u>

**Township of Brady**  
**BUDGETARY COMPARISON SCHEDULE - Weed Control**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ 36,575	\$ 36,575	\$ -
<b>EXPENDITURES</b>				
Public works	<u>-</u>	<u>36,575</u>	<u>22,149</u>	<u>14,426</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	14,426	14,426
<b>FUND BALANCES - BEGINNING</b>	<u>34,743</u>	<u>34,743</u>	<u>34,743</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,169</u>	<u>\$ 14,426</u>

**Members of the Township Board  
Township of Brady, Michigan**

In planning and performing our audit of the financial statements of the Township of Brady 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 the Township of Brady's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

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

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 deficiency constitutes a material weakness.

- The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the Board of Trustees of the Township of Brady, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

July 17, 2007