

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 Ross	County Kalamazoo
Fiscal Year End 3/31/07	Opinion Date May 29, 2007	Date Audit Report Submitted to State June 14, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

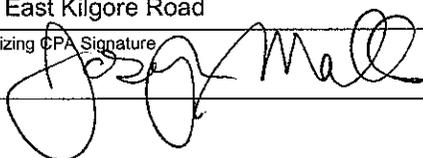
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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 type="checkbox"/>	No further communication required
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112
Certified Public Accountant (Firm Name) Siegfried Crandall PC	Telephone Number 269-381-4970	
Street Address 246 East Kilgore Road	City Kalamazoo	State Zip MI 49002
Authorizing CPA Signature 	Printed Name Joseph M Walls, CPA	License Number 1101013696

Township of Ross
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 Ross, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Ross, 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 Ross, 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 Ross, 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 18 through 20, 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 Ross, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Ross, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

May 29, 2007

BASIC FINANCIAL STATEMENTS

Township of Ross
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 1,057,170
Receivables, net	97,206
Prepaid expenses	<u>3,309</u>
Total current assets	<u>1,157,685</u>
Noncurrent assets:	
Receivables, net	191,363
Capital assets not being depreciated	15,653
Capital assets, net of accumulated depreciation	<u>575,027</u>
Total noncurrent assets	<u>782,043</u>
Total assets	<u>1,939,728</u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,809
Contract payable	<u>17,397</u>
Total current liabilities	20,206
Noncurrent liabilities:	
Contract payable	<u>191,363</u>
Total liabilities	<u>211,569</u>
NET ASSETS	
Invested in capital assets	590,680
Restricted:	
Public safety	295,261
Public works	43,906
Debt service	3,000
Unrestricted	<u>795,312</u>
Total net assets	<u>\$ 1,728,159</u>

See notes to financial statements

Township of Ross
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

Functions/Programs	<u>Program Revenues</u>				<i>Net (expenses) revenues and changes in net assets</i>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>
Governmental activities:					
Legislative	\$ 16,735	\$ -	\$ -	\$ -	\$ (16,735)
General government	346,968	95,824	-	26,310	(224,834)
Public safety	303,900	42,671	6,263	3,003	(251,963)
Public works	73,434	29,388	5,457	-	(38,589)
Community and economic development	18,014	13,625	-	-	(4,389)
Culture and recreation	17,871	13,953	-	-	(3,918)
Debt service - interest	13,034	16,034	-	-	3,000
Total governmental activities	\$ 789,956	\$ 211,495	\$ 11,720	\$ 29,313	(537,428)
General revenues:					
Taxes					305,122
State grants					284,359
Investment income					54,592
Other					1,541
Total general revenues					645,614
Change in net assets					108,186
Net assets - beginning					1,619,973
Net assets - ending					\$ 1,728,159

See notes to financial statements

Township of Ross
BALANCE SHEET - governmental funds
 March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Sewer Debt</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 727,068	\$ 287,892	\$ 400	\$ 41,810	\$ 1,057,170
Receivables	<u>59,009</u>	<u>5,209</u>	<u>208,760</u>	<u>2,096</u>	<u>275,074</u>
Total assets	<u>\$ 786,077</u>	<u>\$ 293,101</u>	<u>\$ 209,160</u>	<u>\$ 43,906</u>	<u>\$ 1,332,244</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,409	\$ -	\$ 400	\$ -	\$ 2,809
Deferred revenue	<u>-</u>	<u>-</u>	<u>208,760</u>	<u>-</u>	<u>208,760</u>
Total liabilities	<u>2,409</u>	<u>-</u>	<u>209,160</u>	<u>-</u>	<u>211,569</u>
Fund balances:					
Unreserved, undesignated	783,668	293,101	-	-	1,076,769
Unreserved, reported in nonmajor - special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,906</u>	<u>43,906</u>
Total fund balances	<u>783,668</u>	<u>293,101</u>	<u>-</u>	<u>43,906</u>	<u>1,120,675</u>
Total liabilities and fund balances	<u>\$ 786,077</u>	<u>\$ 293,101</u>	<u>\$ 209,160</u>	<u>\$ 43,906</u>	<u>\$ 1,332,244</u>

Total fund balances - total governmental funds \$ 1,120,675

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. 590,680

Interest receivable is not a current financial resource and, therefore, is not reported in the funds. 13,495

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds. 3,309

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 208,760

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds. (208,760)

Net assets of *governmental activities* \$ 1,728,159

Township of Ross

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

Year ended March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Sewer Debt</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES					
Taxes	\$ 264,336	\$ 121,566	\$ -	\$ -	\$ 385,902
Licenses and permits	39,620	-	-	-	39,620
State grants	295,094	985	-	-	296,079
Charges for services	35,754	5	-	-	35,759
Fines and forfeitures	3,046	-	-	-	3,046
Interest and rentals	34,778	9,319	13,034	-	57,131
Other	11,810	4,094	17,397	29,388	62,689
	<u>684,438</u>	<u>135,969</u>	<u>30,431</u>	<u>29,388</u>	<u>880,226</u>
Total revenues					
EXPENDITURES					
Legislative	16,735	-	-	-	16,735
General government	333,739	-	-	-	333,739
Public safety	159,530	100,107	-	-	259,637
Public works	39,515	-	-	32,485	72,000
Community and economic development	18,014	-	-	-	18,014
Culture and recreation	11,619	-	-	-	11,619
Capital outlay	10,397	5,674	-	-	16,071
Debt service:					
Principal	-	-	17,397	-	17,397
Interest	-	-	13,034	-	13,034
	<u>589,549</u>	<u>105,781</u>	<u>30,431</u>	<u>32,485</u>	<u>758,246</u>
Total expenditures					
NET CHANGE IN FUND BALANCES	94,889	30,188	-	(3,097)	121,980
FUND BALANCES - BEGINNING	<u>688,779</u>	<u>262,913</u>	<u>-</u>	<u>47,003</u>	<u>998,695</u>
FUND BALANCES - ENDING	<u>\$ 783,668</u>	<u>\$ 293,101</u>	<u>\$ -</u>	<u>\$ 43,906</u>	<u>\$ 1,120,675</u>

See notes to financial statements

Township of Ross
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds (Continued)
Year ended March 31, 2007

Net change in fund balances - total governmental funds	\$ 121,980
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:	
Capital assets:	
Additions	30,489
Disposals	(2,215)
Depreciation	(54,344)
Long-term debt:	
Retirements	17,397
Other asset/liabilities:	
Net decrease in prepaid expenses	(1,219)
Net increase in accrued interest revenue	13,495
Net decrease in deferred revenue	(17,397)
Change in net assets of <i>governmental activities</i>	<u>\$ 108,186</u>

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

ASSETS

Cash	\$ 55,069
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LIABILITIES

Due to other governmental units	\$ 55,069
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See notes to financial statements

Township of Ross
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Ross, 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 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.

Township of Ross
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

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 derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township public safety functions. Revenues are primarily derived from property taxes.

The Sewer Debt Fund accounts for the issuance and payment of debt related to sewer improvements.

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 a single fiduciary fund, its Agency Fund, which accounts 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.

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.

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

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.

Township of Ross
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

iv) *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.

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

Buildings and improvements	20 - 40 years
Equipment	3 - 5 years
Vehicles	10 - 15 years
Roads	40 years

v) *Deferred revenue* - In the fund financial statements, governmental funds report deferred revenue in connection with resources for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) *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.

vii) *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.

Township of Ross
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Culture and recreation	\$ 8,950	\$ 11,619	\$ (2,669)
Fire	Capital outlay	4,500	5,674	(1,174)
Other governmental	Public works	-	24,925	(24,925)

NOTE 3 - CASH:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 1,057,170	\$ 55,069	\$ 1,112,239

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. 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, \$953,044 of the Township's bank balances of \$1,109,165 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.

Township of Ross
NOTES TO FINANCIAL STATEMENTS (Continued)

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>Property taxes</u>	<u>Accounts</u>	<u>Special assessments</u>	<u>Inter-governmental</u>	<u>Totals</u>
General	\$ 10,434	\$ 1,889	\$ -	\$ 46,686	\$ 59,009
Fire	5,209	-	-	-	5,209
Sewer Debt	-	-	208,760	-	208,760
Nonmajor funds	-	-	2,096	-	2,096
Totals	\$ 15,643	\$ 1,889	\$ 210,856	\$ 46,686	\$ 275,074
Noncurrent portion	\$ -	\$ -	\$ 191,363	\$ -	\$ 191,363

All receivables are considered fully collectible.

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>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 15,653	\$ -	\$ -	\$ 15,653
Capital assets being depreciated:				
Buildings and improvements	301,312	-	-	301,312
Equipment	353,717	30,489	(7,185)	377,021
Vehicles	634,761	-	-	634,761
Roads	57,367	-	-	57,367
Subtotal	1,347,157	30,489	(7,185)	1,370,461
Less accumulated depreciation for:				
Buildings and improvements	(181,707)	(10,095)	-	(191,802)
Equipment	(236,140)	(17,556)	4,970	(248,726)
Vehicles	(326,532)	(25,259)	-	(351,791)
Roads	(1,681)	(1,434)	-	(3,115)
Subtotal	(746,060)	(54,344)	4,970	(795,434)
Total capital assets being depreciated, net	601,097	(23,855)	(2,215)	575,027
Governmental activities capital assets, net	\$ 616,750	\$ (23,855)	\$ (2,215)	\$ 590,680

Township of Ross
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 8,095
Public safety	38,589
Public works	1,434
Culture and recreation	<u>6,226</u>
Total governmental activities	<u>\$ 54,344</u>

NOTE 6 - DEFERRED REVENUE:

As of March 31, 2007, deferred revenues are as comprised of special assessments not considered to be available to match current expenditures.

NOTE 7 - LONG-TERM LIABILITIES:

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

Contracts payable:

\$368,400 contracts payable, due to Gull Lake Sewer and Water Authority, payable in various annual installments, plus interest at 4.75%; final payment due May 2020	<u>\$ 208,760</u>
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Long-term liability activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Contracts payable	\$ 226,157	\$ -	\$ (17,397)	\$ 208,760	\$ 17,397

Township of Ross
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM LIABILITIES (Continued):

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

	<u>Principal</u>	<u>Interest</u>
Year ended March 31:		
2008	\$ 17,397	\$ 9,916
2009	17,397	9,090
2010	17,397	8,263
2011	17,397	7,437
2012	17,397	6,611
2013 - 2017	86,985	20,658
2018 - 2020	<u>34,790</u>	<u>2,479</u>
Totals	<u>\$ 208,760</u>	<u>\$ 64,454</u>

NOTE 8 - PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan State Statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate on the first day of the month coincident with, or immediately following, their date of employment. The Township contributes 10% of the participating employee's annual compensation to the plan. The Township's contributions are fully vested from the first day of the plan. The Township made the required contribution of \$14,725 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.

NOTE 9 - 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.

Township of Ross
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2007, is as follows:

Revenues	\$	39,620
Expenses		<u>(41,136)</u>
Deficiency of revenues over expenses	\$	<u>(1,516)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Ross
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>
REVENUES				
Taxes	\$ 248,350	\$ 248,350	\$ 264,336	\$ 15,986
Licenses and permits	50,000	50,000	39,620	(10,380)
State grants	302,700	302,700	295,094	(7,606)
Charges for services	24,500	24,500	35,754	11,254
Fines and forfeitures	5,000	5,000	3,046	(1,954)
Interest	4,000	4,000	34,778	30,778
Other	10,400	10,400	11,810	1,410
Total revenues	<u>644,950</u>	<u>644,950</u>	<u>684,438</u>	<u>39,488</u>
EXPENDITURES				
Legislative	<u>21,300</u>	<u>21,300</u>	<u>16,735</u>	<u>4,565</u>
General government:				
Supervisor	40,150	40,150	39,500	650
Election	3,600	3,600	9,007	(5,407)
Assessor	22,200	22,200	22,866	(666)
Clerk	40,500	40,500	40,304	196
Board of review	1,700	1,700	1,210	490
Treasurer	43,900	43,900	44,211	(311)
Hall and grounds	86,200	86,200	69,419	16,781
Cemetery	3,300	3,300	1,674	1,626
Other	117,980	117,980	105,548	12,432
Total general government	<u>359,530</u>	<u>359,530</u>	<u>333,739</u>	<u>25,791</u>
Public safety:				
Police	118,500	118,500	118,500	-
Building inspections	47,200	47,200	41,030	6,170
Total public safety	<u>165,700</u>	<u>165,700</u>	<u>159,530</u>	<u>6,170</u>
Public works:				
Highways and streets	42,800	42,800	34,248	8,552
Street lights	3,400	3,400	5,267	(1,867)
Total public works	<u>46,200</u>	<u>46,200</u>	<u>39,515</u>	<u>6,685</u>
Community and economic development - planning and zoning	<u>21,220</u>	<u>21,220</u>	<u>18,014</u>	<u>3,206</u>

Township of Ross
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>
EXPENDITURES (Continued)				
Culture and recreation - parks and recreation	\$ 8,950	\$ 8,950	\$ 11,619	\$ (2,669)
Capital outlay	16,750	16,750	10,397	6,353
Total expenditures	<u>639,650</u>	<u>639,650</u>	<u>589,549</u>	<u>50,101</u>
NET CHANGE IN FUND BALANCES	5,300	5,300	94,889	89,589
FUND BALANCES - BEGINNING	<u>688,779</u>	<u>688,779</u>	<u>688,779</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 694,079</u>	<u>\$ 694,079</u>	<u>\$ 783,668</u>	<u>\$ 89,589</u>

Township of Ross
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 115,000	\$ 115,000	\$ 121,566	\$ 6,566
State grants	-	-	985	985
Charges for services	-	-	5	5
Interest	-	-	9,319	9,319
Other	-	-	4,094	4,094
	<u>115,000</u>	<u>115,000</u>	<u>135,969</u>	<u>20,969</u>
Total revenues				
EXPENDITURES				
Public safety	110,500	110,500	100,107	10,393
Capital outlay	4,500	4,500	5,674	(1,174)
	<u>115,000</u>	<u>115,000</u>	<u>105,781</u>	<u>9,219</u>
Total expenditures				
NET CHANGE IN FUND BALANCES	-	-	30,188	30,188
FUND BALANCES - BEGINNING	<u>262,913</u>	<u>262,913</u>	<u>262,913</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 262,913</u>	<u>\$ 262,913</u>	<u>\$ 293,101</u>	<u>\$ 30,188</u>

SUPPLEMENTARY INFORMATION

Township of Ross
COMBINING BALANCE SHEET - nonmajor governmental funds
 March 31, 2007

	<u>Special revenue funds</u>		
	<u>Street Lighting</u>	<u>Sherman Lake Weed</u>	<u>Totals</u>
ASSETS			
Cash	\$ 24,848	\$ 16,962	\$ 41,810
Receivables	<u>746</u>	<u>1,350</u>	<u>2,096</u>
Total assets	<u>\$ 25,594</u>	<u>\$ 18,312</u>	<u>\$ 43,906</u>
 FUND BALANCES			
Unreserved, undesignated	<u>\$ 25,594</u>	<u>\$ 18,312</u>	<u>\$ 43,906</u>

Township of Ross

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

Year ended March 31, 2007

	<u>Special revenue funds</u>		
	<u>Street Lighting</u>	<u>Sherman Lake Weed</u>	<u>Totals</u>
REVENUES			
Other	\$ 11,013	\$ 18,375	\$ 29,388
EXPENDITURES			
Public works	<u>7,560</u>	<u>24,925</u>	<u>32,485</u>
NET CHANGE IN FUND BALANCES	3,453	(6,550)	(3,097)
FUND BALANCES - BEGINNING	<u>22,141</u>	<u>24,862</u>	<u>47,003</u>
FUND BALANCES - ENDING	<u>\$ 25,594</u>	<u>\$ 18,312</u>	<u>\$ 43,906</u>

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

In planning and performing our audit of the financial statements of the Township of Ross 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 Ross' 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 Ross, 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.

May 29, 2007

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