Tobin & Co.

Coldsprings Township

Kalkaska County, Michigan

Audit Report

For the Year Ended March 31, 2006

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type	Local Government Name	County
☐ City ☒ Township ☐ Village ☐ Other	Coldsprings Township	Kalkaska

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
3/31/06	9/28/06	10/2/06

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU)			X

Certified Public Accountant (Firm Name)			
TOBIN & CO., P.C. 400 E. EIGHTH ST. TRAVERSE CITY, MI 49686-2668 231-947-0151			
Street Address	City	State	ZIP
Accountant Signature		Date 9-30-06	

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INTRODUCTORY SECTION

Comments and Recommendations

We have audited the basic financial statements of Coldsprings Township, Kalkaska County, for the year ended March 31, 2006 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Coldsprings Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

General

Recorded revenues were deposited timely and intact. Board minutes were in good order and supporting data and follow-up procedures appeared good. We commend the Township Clerk and Treasurer for the fine condition of Township records.

Budgets and Procedures

The Township prepared and formally adopted budgets for its General and Special Revenue Funds.

General Fund

The General Fund is presented on Schedule 1 of this report. Expenditures exceeded revenues by $19,166. The fund balance at March 31, 2006 was $318,505.

Refuse Fund

This fund accounts for a special voted millage for trash collection. It is presented in Schedule 2. Tax revenues and interest of $79,248 exceeded contractual services expenditures of $65,045 during the audit year. The fund balance at March 31, 2006 was $86,866.

Capital Improvement Revolving Fund

This fund, presented on Schedule 3, earned $3,529 in interest and had no expenditures. The fund balance at March 31, 2006 was $125,225.

Building Fund

This fund, presented on Schedules 4, and 5, is used to account for monies earmarked for building and other improvements. It earned $227, received a $3,000 transfer from the General Fund and had no expenditures. The fund balance at March 31, 2006 was $10,571.

Punch & Judy #1 Special Assessment Fund

This fund, presented on Schedules 4, and 5, is used to account for a special assessment of subdivision residents for snow plowing. Revenues for the audit year consisted of special assessments and exceeded expenditures by $94.

Property Tax Collections

The collection and distribution of the 2005 tax levy was handled very well by the Township Treasurer. Schedules 5 and 6 reflect the amount levied, collected, and returned delinquent for the 2005 property tax levy.

Comments and Recommendations

Property Tax Administration Fees

A 1% property tax administration fee is authorized by statute to offset such property tax administration costs as assessing, collecting, and the review and appeal process. Coldsprings Township levied this fee on its 2005 property taxes. As of March 31, 2006, there is an accumulated excess of costs over fee collections of $71,497 which indicates that the Township is in compliance with statutory requirements. See Schedule 8.

Insurance and Surety Bond Coverage

Records reflect that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general liability, equipment, errors and omissions, crime and workmen's compensation. Coverage was reviewed during the audit year. The Clerk, Treasurer, Deputy Clerk, Deputy Treasurer, and Supervisor have surety bond coverage.

Payroll Procedures

Records indicate that payroll taxes were withheld where required, that quarterly Forms 941 were utilized and that Forms W-2 were issued. We commend the Clerk for the excellent way in which she handled this function.

Other Data

We are pleased to note the use of interest bearing accounts and the purchase of certificates of deposit by the Township Treasurer. This practice resulted in earned interest of $19,017 during the audit year. This is commendable and is a credit to the Treasurer and other Board members.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field auditor in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

FINANCIAL SECTION

Tobin & Co.

REPORT OF INDEPENDENT AUDITOR

To the Township Board
Coldsprings Township
Kalkaska County
Kalkaska, Michigan 49646

We have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate of remaining fund information of Coldsprings Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 of remaining fund information of Coldsprings Township at March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Tobin & Co., P.C.

TOBIN & CO., P.C.
Certified Public Accountants
September 28, 2006

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Traverse City
Michigan 49686
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Certified Public Accountants

COLDSPRINGS TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Coldsprings Township's annual report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

Financial Highlights

The assets of Coldsprings Township exceeded its liabilities at the close of the most recent fiscal year by $879,860. Of this amount, $541,114 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of $525,986, an increase of $1,887 in comparison with the prior year. Of the total amount, $318,505 is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was $318,505, or 93% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Coldsprings 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.

1. **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 of 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 Township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Township'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 (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

Both of the government-wide financial 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, Road Projects, and Township Improvements. Coldsprings Township does not have any business-type activities (examples would include water and sewer, golf courses, cemeteries, etc.).

2. **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Coldsprings 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 Coldsprings Township are categorized as governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and 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.

Coldsprings Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Refuse Fund, and Township Improvement Fund.

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

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

The basic Fiduciary fund financial statements can be found on page 16 of this report.

3. **Notes to the Financial Statements**

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

General Fund Analysis and Highlights

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would include parks, zoning, building and grounds, legislative, administrative, and elections. The major source of revenue for the general fund is from the Township tax base and the revenue sharing from the State of Michigan.

Condensed Financial Information

Net Assets

	Governmental and Total Activities	
	3/31/06	3/31/05
Current Assets	$ 542,269	$ 549,328
Capital Assets	232,531	208,000
Other Long-term Assets	106,215	-
Total Assets	881,015	757,328
Current Liabilities	1,155	9,379
Total Liabilities	1,155	9,379
Net Assets:		
Investment in Capital and Intangible Assets, net of Related Debt	338,746	208,000
Unrestricted	541,114	539,949
Total Net Assets	$ 879,860	$ 747,949

Activities

	Governmental and Total Activities	
	3/31/06	3/31/05
Program Revenues:		
Charges for Services	$ 11,127	$ 34,853
Operating Grants	5,773	-
General Revenues:		
Property Taxes	269,683	233,681
State Shared Revenues	102,664	101,572
Other	21,692	12,514
Total Revenues	410,939	382,620
Expenses:		
General Government	128,851	112,193
Public Safety	106,409	102,654
Public Works	71,260	63,022
Recreation and Cultural	2,885	475
Total Expenses	309,405	278,344
Change in Net Assets	$ 101,534	$ 104,276

Capital Asset and Debt Administration

Capital Assets

The Township's net investment in capital and intangible assets for its governmental activities as of March 31, 2006, amounts to $338,746. This investment in capital assets includes: various parcels of land, township hall, eemetery facilities and a fire barn. The investment in intangible assets includes road construction. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful lives.

Cash Assets

At the end of the current fiscal year, the Township had $984,416 in cash and other spendable assets. The Township is limited by State law in how it can invest these funds and we have made no changes in our investment strategy in several years.

Pension Plan

The Township makes pension contributions equal to approximately 6% of each employee's wage to Traveler's Insurance Co. on behalf of each participating employee. This is an expensed item in the budget and totaled $1,644 for the fiscal year.

Currently Known Facts, Decisions or Conditions Expected to Significantly Effect Next Year and Beyond

The Township board anticipates no significant changes in operations or budget for the coming year.

Requests for Information

This financial report is designed to provide a general overview of Coldsprings Township's finances for all those with an interest in the Township's finances and to demonstrate the Township's accountability for the revenues it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mary Hodges, Coldsprings Township Clerk, 7216 Little Twin Lake Rd., N.E., Mancelona, MI 49659.

Coldsprings Township
Statement of Net Assets
March 31, 2006

	Governmental Activities And Total
Assets	
Cash and Cash Equivalents	$ 522,311
Accounts Receivable	19,895
Special Assessments Receivable	63
Capital Assets:	
Land	33,258
Other Capital Assets, Net of Depreciation	199,273
Intangible Assets, Net of Amortization	106,215
Total Assets	881,015
Liabilities	
Accounts Payable and Accrued Expenses	1,155
Total Liabilities	1,155
Net Assets	
Invested in Capital and Intangible Assets, Net of Related Debt	338,746
Restricted for:	
Refuse	79,274
Township Improvement	125,225
Buildings	10,518
Unrestricted	326,097
Total Net Assets	$ 879,860

See Accompanying Notes to Basic Financial Statements

Coldsprings Township
Statement of Activities
March 31, 2006

Functions/Programs	Expenses	Charges For Services	Operating Grants and Contributions	Governmental Activities and Total
Governmental Activities:				
Legislative	$ 21,539	$ -	$ -	$ (21,539)
General Government	107,312	11,127	5,773	(90,412)
Public Safety	106,409	-	-	(106,409)
Public Works	71,260	-	-	(71,260)
Recreation and Cultural	2,885	-	-	(2,885)
Total Governmental Activities	$ 309,405	$ 11,127	$ 5,773	(292,505)

General Revenues:	
Property Taxes	269,683
Grants and Contributions Not Restricted to Specific Programs	102,664
Unrestricted Investment Earnings	19,017
Miscellaneous	2,675
Total General Revenues	394,039
Change in Net Assets	101,534
Net Assets – Beginning	778,326
Net Assets – Ending	$ 879,860

See Accompanying Notes to Basic Financial Statements

Coldsprings Township
Balance Sheet
Governmental Funds
March 31, 2006

	General	Refuse	Township Improvement	Other Governmental	Total
Assets					
Cash and Cash Equivalents	$ 288,218	$ 79,274	$ 125,225	$ 11,186	$ 503,903
Delinquent Taxes Receivable	7,536	7,592	-	-	15,128
Special Assessments Receivable	-	-	-	63	63
Due from Other Funds	23,906	-	-	-	23,906
Total Assets	$ 319,660	$ 86,866	$ 125,225	$ 11,249	$ 543,000
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Accrued Expenses	$ 1,155	$ -	$ -	$ -	$ 1,155
Due to Funds	-	-	-	731	731
Deferred Revenue	7,536	7,592	-	-	15,128
Total Liabilities	8,691	7,592	-	731	17,014
Fund Balances:					
Unrestricted	310,969	79,274	125,225	10,518	525,986
Total Fund Balances	310,969	79,274	125,225	10,518	525,986
Total Liabilities and Fund Balances	$ 319,660	$ 86,866	$ 125,225	$ 11,249	

Amounts reported for governmental aetivities on the statement of net assets are different because:	
Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.	338,746
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	15,128
Net assets of governmental activities.	$ 879,860

See Accompanying Notes to Basic Financial Statements

Coldsprings Township
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2006

	General	Refuse	Township Improvement	Other Governmental	Total
Revenues					
Taxes	$ 190,435	$ 79,241	$ -	$ -	$ 269,676
Federal Grants	4,800	-	-	-	4,800
State Grants	103,637	7	-	-	103,644
Charges for Services	11,127	-	-	-	11,127
Interest and Rents	15,261	-	3,529	227	19,017
Other	1,289	-	-	1,386	2,675
Total	326,549	79,248	3,529	1,613	410,939
Expenditures					
Legislative	21,539	-	-	-	21,539
General Government	82,880	-	-	1,292	84,172
Public Safety	106,409	-	-	-	106,409
Public Works	112,431	65,045	-	-	177,476
Health and Welfare	600	-	-	-	600
Recreation and Cultural	2,885	-	-	-	2,885
Other	11,171	-	-	-	11,171
Capital Outlay	4,800	-	-	-	4,800
Total	342,715	65,045	-	1,292	409,052
Excess Revenues (Expenditures)	(16,166)	14,203	3,529	321	1,887
Other Financing Sources (Uses)					
Operating Transfers In	-	-	-	3,000	3,000
Operating Transfers (Out)	(3,000)	-	-	-	(3,000)
Total	(3,000)	-	-	3,000	-
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	(19,166)	14,203	3,529	3,321	1,887
Fund Balance – Beginning of Year	337,671	72,663	121,696	7,197	539,227
Fund Balance – End of Year	$ 318,505	$ 86,866	$ 125,225	$ 10,518	$ 541,114

See Accompanying Notes to Basic Financial Statements

Coldsprings Township
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2006

Net change in fund balances – total governmental funds	$ 1,887
Governmental fund report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and intangible assets exceeded depreciation and amortization in the current period.	99,647
Changes in net assets of governmental activities	$ 101,534

See Accompanying Notes to Basic Financial Statements

Coldsprings Township
Statement of Fiduciary Net Assets
March 31, 2006

Assets	
Cash	$ 1,688
Total Assets	1,688
Liabilities	
Undistributed Taxes and Interest	1,688
Total Liabilities	1,688
Net Assets	$ -

See Accompanying Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Coldsprings Township is a general law township located in Kalkaska County. Population as of the 2000 census was 1,449, and the current state equalized valuation for taxable property is $93,593,750. Taxable valuation is $63,593,757.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

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

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets (Continued)

Assets capitalized have an original cost of $5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 – 60 years
Building Improvements	15 – 30 years
Roads	10 – 30 years
Equipment	3 – 5 years
Computer Equipment	3 – 5 years

F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	$ 95,593,750	$ 63,593,575	.8594
Fire Protection	$ 95,593,750	$ 63,593,575	1.7000
Trash Collection	$ 95,593,750	$ 63,593,575	1.2500

G. Investments

Township investments at March 31, 2006 consisted of bank money market accounts composed of investment vehicles which are legal for direct investments by local units of government in Michigan. These are reported as cash in bank on the Township balance sheet.

H. Special Assessment Revenue

Special Assessment Revenue is recognized in the year of levy. The Township has elected to recognize advance payments of special assessments as revenue upon receipt rather than allocating a portion of such payments to each year's levy.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.

B. All funds had positive fund balances at March 31, 2006.

C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2006, the Township incurred expenditures in excess of amounts appropriated without formal budget amendment by the Board as follows:

General Fund Activities:		
Transfers Out	$	3,000

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

(1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.

(2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

(3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.

(4) Repurchase agreements consisting of instruments defined in (1) above.

(5) In bankers' acceptances of United States Banks.

(6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

(7) In 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 local units of government in Michigan.

B. Types of Deposits and Investments

The Township had $527,578 deposited with a local financial institution at March 31, 2006 with a carrying value of $524,000. Interpreting the FDIC insurance coverage of $100,000 of demand deposits and $100,000 of time deposits per financial institution, the Township had $286,907 of uninsured deposits at March 31, 2006.

NOTE 4 - RECEIVABLES

$15,128 of accounts receivable of governmental activities represent delinquent property taxes due from Kalkaska County and individual taxpayers.

NOTE 5 - CAPITAL/INTANGIBLE ASSETS

	3/31/05	Additions	Deletions	3/31/06
Governmental Activities:				
Land and Improvements	$ 33,258	$ -	$ -	$ 33,258
Buildings and Improvements	379,154	-	-	379,154
Total	412,412	-	-	412,412
Less Accumulated Depreciation	(173,313)	(6,568)	-	(179,881)
Governmental Activities Capital Assets, Net	$ 239,099	$ (6,568)	$ -	$ 232,531

	3/31/05	Additions	Deletions	3/31/06
Road Improvements	$ -	$ 108,938	$ -	$ 108,938
Less Accumulated Amortization	-	(2,723)	-	(2,723)
	$ -	$ 106,215	$ -	$ 106,215

NOTE 7 - ACCOUNTS PAYABLE

As of March 31, 2006 the General Fund had accounts payable of $1,155.

NOTE 8 - LOANS BETWEEN FUNDS

At March 31, 2006 the Current Property Tax Collection Fund owed the General Fund $23,175 and the Punch and Judy Fund owed the General Fund $731.

NOTE 9 - INVENTORIES

Coldsprings Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 10 - PENSION PLAN

The Township participates in a defined contribution plan through Municipal Retirement Systems, Inc. The contribution equals 10% of the treasurer, clerk and supervisor salaries, funded 60% by the Township and 40% by the employee on an annual basis.

The plan is administered by the Township Clerk.

For 2005-2006, Township contributions to the plan were $1,645. Covered payroll for the year was $28,700 with a total payroll for all employees of $45,808.

The Township provides social security coverage for its officials and employees.

NOTE 11 - PROPERTY TAX ADMINISTRATION FEES

As permitted by statute, the Township levied a 1% administration fee on all 2005 property taxes. This fee may be used only to offset such property tax administration expenses as assessing, collecting, and the review and appeal process. The Township has accumulated excess costs of $71,497 and is in compliance with statutory requirements.

NOTE 12- COMPENSATED ABSENCES

The Township provides no payment to employees for unused sick leave, accumulated leave, etc..

NOTE 13 - CONTINGENT LIABILITIES

Township officials are aware of no contingent liabilities as of March 31, 2006.

NOTE 14- 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 audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL DATA SECTION

Coldsprings Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2006

Revenues	Budgetary Amounts Original	Budgetary Amounts Final	Actual	Variance Favorable (Unfavorable)
Taxes:				
Current Taxes	$ 160,474	$ 160,474	$ 156,122	$ (4,352)
Delinquent Taxes	6,000	6,000	5,519	(481)
Swamp Tax	3,600	3,600	3,561	(39)
Other Property Taxes	1,237	1,237	5	(1,232)
Penalties and Interest on Taxes	3,000	3,000	568	(2,432)
Property Tax Administration Fees	18,000	18,000	24,660	6,660
Federal Grants:				
Equipment	-	4,800	4,800	-
State Grants:				
State Shared Revenues	94,000	94,000	97,864	3,864
Other State Grants	5,850	6,075	5,773	(302)
Charges for Services:				
Summer Tax Collection	11,500	11,500	9,222	(2,278)
Sales	2,000	2,000	1,300	(700)
Land Splits	-	-	605	605
Interest and Rents:				
Interest	4,000	11,300	15,261	3,961
Other:				
Refunds and Reimbursements	2,000	2,000	1,289	(711)
Total Revenues	311,661	323,986	326,549	2,563
Expenditures				
Legislative:				
Township Board:				
Salaries and Wages	-	-	5,375	-
Supplies	-	-	1,877	-
Legal and Contractual	-	-	9,839	-
Printing and Publishing	-	-	516	-
Other	-	-	3,932	-
Total	27,650	27,650	21,539	6,111
Total Legislative	27,650	27,650	21,539	6,111
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	9,400	-
Office Supplies	-	-	41	-
Other	-	-	207	-
Total	10,050	10,050	9,648	402

The Notes to the Basic Financial Statements are an integral part of this statement.

Coldsprings Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2006

	Budgetary Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Expenditures (Continued)				
General Government (Continued):				
Elections:				
Wages	-	-	1,121	-
Supplies	-	-	690	-
Training	-	-	210	-
Publications	-	-	73	-
Other	-	-	59	-
Total	8,950	8,950	2,153	6,797
Assessor:				
Supplies	-	-	2,821	-
Contractual Services	-	-	14,000	-
Total	17,100	17,100	16,821	279
Clerk:				
Salaries and Wages	-	-	14,150	-
Supplies	-	-	4,013	-
Other	-	-	810	-
Total	19,850	19,850	18,973	877
Board of Review:				
Salaries and Wages	-	-	490	-
Education and Training	-	-	241	-
Printing and Publishing	-	-	121	-
Total	1,450	1,450	852	598
Treasurer:				
Salaries and Wages	-	-	12,950	-
Supplies	-	-	2,996	-
Postage	-	-	1,305	-
Transportation	-	-	2,078	-
Other	-	-	80	-
Total	22,775	22,775	19,409	3,366

The Notes to the Basie Financial Statements are an integral part of this statement.

Coldsprings Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2006

	Budgetary Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Expenditures (Continued)				
General Government (Continued):				
Township Hall and Grounds:				
Wages	-	-	3,073	-
Supplies	-	-	1,374	-
Communications	-	-	798	-
Public Utilities	-	-	4,373	-
Maintenance and Repairs	-	-	5,061	-
Total	18,600	18,600	14,679	3,921
Cemetery:				
Maintenance and Repairs	-	-	345	-
Total	2,000	2,000	345	1,655
Total General Government	100,775	100,775	82,880	17,895
Public Safety:				
Fire Protection:				
Contractual Services	109,650	109,650	106,409	3,241
Total	109,650	109,650	106,409	3,241
Total Public Safety	109,650	109,650	106,409	3,241
Public Works:				
Roads	108,000	117,000	112,431	4,569
Total Public Works	108,000	117,000	112,431	4,569
Health and Welfare:				
Hospital Subsidy	601	601	600	1
Total Public Works	601	601	600	1
Recreation and Culture:				
Park	3,200	3,200	2,885	315
Total Recreation and Culture	3,200	3,200	2,885	315

The Notes to the Basic Financial Statements are an integral part of this statement.

Coldsprings Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2006

		Budgetary Amounts			Variance Favorable
		Original	Final	Actual	(Unfavorable)
Expenditures (Continued)					
Other:					
Employee Benefits and Insurance		10,300	10,300	8,041	2,259
Miscellaneous		3,000	3,800	3,130	670
Contingencies		25,000	16,000	-	16,000
Total Other		38,300	30,100	11,171	18,929
Capital Outlay		-	4,800	4,800	-
Total Expenditures		387,575	393,776	342,715	51,061
Excess Revenues (Expenditures)		(75,914)	(69,790)	(16,166)	53,624
Other Financing Sources (Uses)					
Operating Transfers In		-	-	-	-
Operating Transfers (Out)		-	-	(3,000)	(3,000)
Total		-	-	(3,000)	(3,000)
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	(1)	$ (75,914)	$ (69,790)	(19,166)	$ 50,624
Fund Balance – Beginning of Year				337,671	
Fund Balance – End of Year				$ 318,505	

(1) Budgeted from Fund Balance

The Notes to the Basic Financial Statements are an integral part of this statement.

Coldsprings Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Refuse Fund
For the Year Ended March 31, 2006

Schedule 2

	Budgetary Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Taxes:				
Current Taxes	$ 72,625	$ 72,625	$ 72,387	$ (238)
Delinquent Taxes	8,000	8,000	6,854	(1,146)
Commercial Forest	-	-	7	7
Total	80,625	80,625	79,248	(1,377)
Expenditures				
Refuse Contract	70,000	70,000	65,045	4,955
Total	70,000	70,000	65,045	4,955
Excess Revenues (Expenditures)	$ 10,625	$ 10,625	14,203	$ 3,578
Fund Balance – Beginning of Year			72,663	
Fund Balance – End of Year			$ 86,866	

The Notes to the Basic Financial Statements are an integral part of this statement.

Coldsprings Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Township Improvement Fund
For the Year Ended March 31, 2006

Schedule 3

	Budgetary Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Interest and Rents:				
Interest	$ 2,500	$ 2,630	$ 3,529	$ 899
Total Revenues	2,500	2,630	3,529	899
Expenditures	-	-	-	-
Total Expenditures	-	-	-	-
Excess Revenues (Expenditures)	$ 2,500	$ 2,630	3,529	$ 899
Fund Balance – Beginning of Year			121,696	
Fund Balance – End of Year			$ 125,225	

The Notes to the Basic Financial statements are an integral part of this statement.

Schedule 4

Coldsprings Township
Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended March 31, 2006

Assets	Building Fund	Punch and Judy Fund	Total
Cash and Cash Equivalents	$ 10,571	$ 615	$ 11,186
Special Assessments Receivable	-	63	63
Total Assets	$ 10,571	$ 678	$ 11,249
Liabilities and Fund Balances			
Liabilities			
Due to Other Funds	-	731	731
Total Liabilities	-	731	731
Fund Balances			
Unrestricted	10,571	(53)	10,518
Total Fund Balances	10,571	(53)	10,518
Total Liabilities and Fund Balances	$ 10,571	$ 678	$ 11,249

The Notes to the Basic Financial statements are an integral part of this statement.

Schedule 5

Coldsprings Township
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended March 31, 2006

Revenues	Building Fund	Punch and Judy Fund	Total
Special Assessments	$ -	$ 1,386	$ 1,386
Interest	227	-	227
Total	227	1,386	1,613
Expenditures			
Maintenance	-	1,292	1,292
Total	-	1,292	1,292
Excess Revenues (Expenditures)	227	94	321
Other Financing Sources (Uses)			
Operating Transfers In	3,000	-	3,000
Operating Transfers (Out)	-	-	-
Total	3,000	-	3,000
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	3,227	94	3,321
Fund Balance – Beginning of Year	7,344	(147)	7,197
Fund Balance – End of Year	$ 10,571	$ (53)	$ 10,518

The Notes to the Basic Finaneial Statements are an integral part of this statement.

Coldsprings Township
Statement of Changes in Assets and Liabilities
Current Tax Collection Fund
For the Year Ended March 31, 2006

Schedule 6

	Balance 3/31/05	Additions	Deductions	Balance 3/31/06
Assets				
Cash	$ 1,105	$ 2,159,423	$ 2,140,431	$ 20,097
Accounts Receivable	-	4,767	-	4,767
Total Assets	$ 1,105	$ 2,164,190	$ 2,140,431	$ 24,864
Liabilities				
Undistributed Taxes and Interest	$ -	$ 1,923,265	$ 1,921,577	$ 1,688
Due to Other Funds	1,105	240,925	218,854	23,176
Total Liabilities	$ 1,105	$ 2,164,190	$ 2,140,431	$ 24,864

The Notes to the Basic Financial Statements are an integral part of this statement.

Coldsprings Township
2005 Property Tax Levy and Collections
For the Year Ended March 31, 2006

Schedule 7

	Millage Rate	Adjusted Levy	Collected	Returned Delinquent
County	7.3102	$ 350,300	$ 316,422	$ 33,878
Hospital	1.7000	108,612	97,064	11,548
Public Transit	0.2447	15,623	13,965	1,658
Commission on Aging	0.2500	15,963	14,268	1,695
Library	0.2500	15,963	14,268	1,695
Animal Control/Recycling	0.2500	15,963	14,268	1,695
Sportsplex	0.7313	45,576	40,695	4,881
State Education	6.0000	381,647	354,626	27,021
School District	20.1000	593,014	559,490	33,524
School District	24.3822	325,333	308,055	17,278
Intermediate School District	2.9589	188,201	174,461	13,740
Township - General	0.8594	54,900	49,080	5,820
- Fire	1.0000	63,886	57,102	6,784
- Fire Equipment	0.7000	44,716	39,968	4,748
- Refuse	1.2500	79,859	71,380	8,479
Special Assessments		1,386	1,323	63
Total		$ 2,300,942	$ 2,126,435	$ 174,507

Percent of Levy Collected 92.42%

The Notes to the Basic Financial Statements are an integral part of this statement.

Schedule 8

Coldsprings Township
Statement of Revenues, Expenditures and Balance
Property Tax Administration Fees
For the Year Ended March 31, 2006

Revenues	
Property Tax Administration Fees	$ 24,660
Total Revenues	24,660
Expenditures	
Assessor	16,821
Board of Review	852
Treasurer – 60%	11,645
Total	29,318
Excess Revenues (Expenditures)	(4,658)
Exeess Revenues (Expenditures) – Prior Years	(66,839)
Accumulated Excess Revenues (Expenditures)	$ (71,497)

The Notes to the Financial Statements are an integral part of this statement.