

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 type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Nelson Township

Kent County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended March 31, 2007

Nelson Township

Kent County, Michigan

Contents

March 31, 2007

Independent Auditor's Report	1
Management's Discussion and Analysis	3 - 5
BASIC FINANCIAL STATEMENTS	
Government Wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements	
Governmental Funds	
Balance Sheet	11
Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	12
Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Fiduciary Fund	
Statement of Net Assets	15
NOTES TO BASIC FINANCIAL STATEMENTS	19 - 26
REQUIRED SUPPLEMENTAL INFORMATION	
General Fund	
Balance Sheet	28
Budgetary Comparison Report	29 - 31
Library Fund	
Balance Sheet	32
Budgetary Comparison Report	33
Library Building Construction Fund	
Balance Sheet	34
Budgetary Comparison Report	35
OTHER SUPPLEMENTAL INFORMATION	
Nonmajor Funds Combining Balance Sheet	38
Nonmajor Funds Combining Statement of Revenue, Expenditures and Changes in Fund Balances	39
General Fund	
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances	40 - 45
AUDITORS' REPORTS	
Communication with Audit Committee or its Equivalent	49
INTERNAL CONTROL AND COMPLIANCE	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	52 - 53
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	54 - 55
Schedule of Expenditures of Federal Awards	56 - 57
Notes to the Schedule of Federal Awards	58
Schedule of Findings and Questioned Costs	59

INDEPENDENT AUDITORS' REPORT

To the Board
Nelson Township
Kent County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nelson Township as of and for the year ended March 31, 2007, and have issued our report thereon dated July 27, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Nelson Township's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB *Circular A-133* 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.

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

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

The 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nelson Township basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Byron Center, Michigan
July 27, 2007

Nelson Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 61% from a year ago, increasing from \$1,030,866 to \$1,661,627.

In a condensed format, the table below shows a comparison of the net assets as of March 31, 2007 to the prior year:

	Governmental Activities	
	2007	2006
Current assets	\$ 1,008,654	\$ 979,144
Noncurrent assets	1,258,028	52,655
Total assets	2,266,682	1,031,799
Long-term debt outstanding	219,214	
Other liabilities	385,841	933
Total liabilities	605,055	933
Net assets		
Invested in capital assets - net of debt	872,187	52,655
Unrestricted	789,440	978,211
Total net assets	\$ 1,661,627	\$ 1,030,866

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$630,761 for the governmental activities. This represents an increase approximately 61%. The current level of unrestricted net assets for our governmental activities stands at \$789,440, or about 182% of expenditures. This is within the targeted range set by the Township Board during its last budget process.

Nelson Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of March 31, 2007 to the prior year:

	2007	2006
<u>Program revenues</u>		
Charges for services	\$ 80,885	\$ 80,574
Operating grants and contributions	484,245	
<u>General Revenue</u>		
Property tax	200,176	186,529
State revenue	255,306	260,202
Unrestricted investment income	35,812	26,510
Franchise fees	219	184
Fines and forfeits	250	250
Special assessments	2,313	2,281
Miscellaneous	5,371	3,626
Total Revenues	1,064,577	560,156
<u>Program expenses</u>		
General government	237,075	193,706
Public safety	77,720	82,330
Public works	41,625	166,363
Community development	54,359	34,454
Recreation and culture	23,037	12,748
Total expenses	433,816	489,601
Change in net assets	\$ 630,761	\$ 70,555

Governmental Activities

There was no significant change in governmental activities from the previous year.

The Township's Funds

Our analysis of the Township's major fund begins on page 11, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 was the General Fund, the Library Building Construction Fund and the Library Special Revenue Fund.

Capital Asset and Debt Administration

At the end of 2007, the Township had \$1,258,028, net of accumulated depreciation, invested in land, building and equipment.

During the year, the Township issued \$385,841 of long-term debt for the construction of a library building. The terms for repayment will be determined upon completion of the project. The Township had no other debt outstanding.

Nelson Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2008 remains little changed from 2007 because the Township expects to make no significant additions to its capital assets.

During the year the Township's General Fund paid approximately \$180,000 toward the construction of a library building. The Township's management does not anticipate the General Fund will contribute additional funds to that construction project.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's Supervisor at the Nelson Township Hall, Two Maple Street, Sand Lake, Michigan, 49343. The Township's phone number is (616) 636-5332.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Nelson Township

Kent County, Michigan

Statement of Net Assets

For the year ended March 31, 2007

	Governmental activities
<u>GOVERNMENTAL ASSETS</u>	
Cash and cash equivalents	\$ 730,350
Receivables (net)	278,304
Capital assets (net)	1,258,028
TOTAL ASSETS	\$ 2,266,682
<u>GOVERNMENTAL LIABILITIES</u>	
Accounts payable	\$ 219,214
Due in more than one year	385,841
TOTAL LIABILITIES	605,055
<u>GOVERNMENTAL NET ASSETS</u>	
Reserved for	
Capital projects	41,983
Other purposes	95,142
Invested in capital assets	872,187
Unrestricted	652,315
TOTAL NET ASSETS	1,661,627
TOTAL LIABILITIES AND NET ASSETS	\$ 2,266,682

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

Nelson Township

Kent County, Michigan

Statement of Activities

For the year ended March 31, 2007

Functions/Programs	Expenses	Charges for services	Capital grants and contributions	Governmental activities
<u>PRIMARY GOVERNMENT EXPENSES</u>				
General government	\$ 237,075	\$ 49,922	\$ -	\$ (187,153)
Public safety	77,720	30,963	-	(46,757)
Public works	41,625	-	-	(41,625)
Community and economic development	54,359	-	-	(54,359)
Recreation and culture	23,037	-	484,245	461,208
Total Governmental activities	\$ 433,816	\$ 80,885	\$ 484,245	131,314
<u>General Revenues</u>				
Property taxes				200,176
State-shared revenue				255,306
Unrestricted investment income				35,812
Franchise fees				219
Fines and forfeitures				250
Special assessments				2,313
Miscellaneous				5,371
Total general revenues - special items and transfers				499,447
Change in net assets				630,761
Net assets at beginning of year				1,030,866
Net assets at end of year				\$ 1,661,627

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

Nelson Township

Kent County, Michigan

Governmental Funds

Balance Sheet

March 31, 2007

	General Fund	Library Fund	Library Building Construction Fund	Nonmajor Funds	Total
ASSETS					
Cash	\$ 596,884	\$ 86,672	\$ 41,983	\$ 4,811	\$ 730,350
Taxes receivable	14,867	3,503	-	156	18,526
Accounts receivable	424	-	-	-	424
Due from other units of government	40,140	-	219,214	-	259,354
TOTAL ASSETS	\$ 652,315	\$ 90,175	\$ 261,197	\$ 4,967	\$ 1,008,654
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 219,214	\$ -	\$ 219,214
FUND BALANCES					
Designated for					
Fire department	13,345	-	-	-	13,345
Roads	114,975	-	-	-	114,975
Library	180,000	-	-	-	180,000
Storm Water Drain	15,000	-	-	-	15,000
Reserved	-	90,175	41,983	4,967	137,125
Unreserved/Undesignated	328,995	-	-	-	328,995
TOTAL FUND BALANCES	652,315	90,175	41,983	4,967	789,440
TOTAL LIABILITIES AND FUND BALANCES	\$ 652,315	\$ 90,175	\$ 261,197	\$ 4,967	\$ 1,008,654

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

Nelson Township

Kent County, Michigan

Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended March 31, 2007

Total fund balances - total governmental funds	\$	789,440
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets at cost	1,338,639
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Accumulated depreciation	(80,611)
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Net capital assets	1,258,028
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at March 31, 2007 were:

Bonds payable	(385,841)
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Net assets of governmental activities	\$	1,661,627
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The Notes to the Financial Statements are an integral part of this statement.

Nelson Township

Kent County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended March 31, 2007

	General Fund	Library Fund	Library Building Construction Fund	Nonmajor Funds	Total
REVENUE					
Taxes	\$ 188,652	\$ 45,095	\$ -	\$ -	\$ 233,747
State grants	255,306	-	-	-	255,306
Federal grants	-	-	220,000	-	220,000
Licenses and permits	34,964	-	-	-	34,964
Fines and forfeitures	250	-	-	-	250
Charges for services	12,452	-	-	-	12,452
Interest and rents	27,547	7,870	327	66	35,810
Other revenue	4,438	1,050	-	-	5,488
Special assessments	-	-	-	2,313	2,313
Contributions and donations	-	-	264,245	-	264,245
TOTAL REVENUE	523,609	54,015	484,572	2,379	1,064,575
EXPENDITURES					
General government	200,550	-	-	-	200,550
Public safety	77,720	-	-	-	77,720
Public works	35,601	-	-	6,024	41,625
Community and economic development	54,359	-	-	-	54,359
Recreation and culture	10,000	-	-	-	10,000
Library	-	13,035	-	-	13,035
Other	32,535	-	-	-	32,535
Capital outlay	-	-	1,209,364	-	1,209,364
TOTAL EXPENDITURES	410,765	13,035	1,209,364	6,024	1,639,188
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	112,844	40,980	(724,792)	(3,645)	(574,613)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	380,984	50	381,034
Operating transfers out	(180,394)	(200,590)	(50)	-	(381,034)
Bond or note issuance	-	-	385,841	-	385,841
TOTAL OTHER FINANCING SOURCES (USES)	(180,394)	(200,590)	766,775	50	385,841
NET CHANGE IN FUND BALANCES	(67,550)	(159,610)	41,983	(3,595)	(188,772)
FUND BALANCES, BEGINNING OF YEAR	719,865	249,785	-	8,562	978,212
FUND BALANCES, END OF YEAR	\$ 652,315	\$ 90,175	\$ 41,983	\$ 4,967	\$ 789,440

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

Nelson Township

Kent County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended March 31, 2007

Net change in fund balances - total governmental funds	\$ (188,772)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.	1,209,364
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	(385,841)
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Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Depreciation	(3,990)
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Change in net assets of government activities	\$ 630,761
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The Notes to the Financial Statements are an integral part of this statement.

Nelson Township

Kent County, Michigan

Fiduciary Fund

Statement of Net Assets

For the year ended March 31, 2007

	Agency Fund Type	
Cash	\$	154
Due to other funds	\$	154

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

NOTES TO BASIC FINANCIAL STATEMENTS

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Nelson Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Nelson Township:

A. Reporting Entity

Nelson Township is governed by an elected five member Board. The Township has no component units, entities for which the government 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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

This reporting model provides for separate financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nelson Township has no proprietary funds. The Township has one fiduciary fund, the Tax Agency Fund.

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2007

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 proprietary fund and fiduciary fund financial statements. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within March 31, 2007 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.

Nelson Township's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Nelson Township as of the preceding December 31st.

The 2006 taxable valuation of Nelson Township totaled \$114,353,142, on which ad valorem taxes levied consisted of the following:

	Mills levied		Raising
Operating	0.8673	\$	99,178
Fire Safety	0.4644		53,106
Library	0.3940		45,055

These amounts are recognized in the respective General Fund and Library Special Revenue Fund financial statements as tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government.

The Library Special Revenue Fund accounts for property taxes and penal fines collected to operate the library.

The Library Building Construction Fund accounts for donations, contributions from other governments and federal revenue used to build a new library building.

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2007

Additionally, the government reports the following fund types:

The Pine Lake Weed Special Revenue Fund accounts for special assessments used to remove weeds from the lake.

The Library Construction Debt Service Fund accounts for local money used to repay the long-term debt incurred for the construction of the Library building.

The Trust and agency fund accounts for property tax collected on behalf of the Township and other units.

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

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

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

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

Capital Assets--Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 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.

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

Buildings	40 to 60 years
Building improvements	15 to 30 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

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

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2007

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. All annual appropriations lapse at fiscal year end.

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

On or before March 1, the Township supervisor submits to the Board, a proposed operating budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the Township hall to obtain taxpayer comments.

On or before March 31, the budget is adopted by resolution.

Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Budgeted amounts are presented as originally adopted, or as amended by the Township Board before March 31. Individual amendments were not material in relation to the original appropriations which were amended.

Budgets as presented for the General Fund are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

The Township legally adopts budgets for the General Fund.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Township Board.

The legal level of control is at the activity level of the General Fund.

The Township Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Nelson Township

Kent County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Nelson Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks and the Kent County Treasurer for the deposit of Local Unit funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of State statutory authority as listed above.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At the year end, the Township had \$698,889 of bank deposits (money market, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2007

NOTE 4 - RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Library Fund	Library Building Construction Fund	Pine Lake Weed Control Fund	Total
Taxes receivable	\$ 14,867	\$ 3,503	\$ -	\$ 156	\$ 18,526
Accounts	424	-	-	-	424
Intergovernmental	40,140	-	219,214	-	259,354
Net Receivables	\$ 55,431	\$ 3,503	\$ 219,214	\$ 156	\$ 278,304

NOTE 5 - CAPITAL ASSETS

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

Governmental Activities	Balance April 1, 2006	Additions	Disposals	Balance March 31, 2007
Assets not being depreciated				
Land	\$ 32,700	\$ -	\$ -	\$ 32,700
Construction in progress	-	1,209,364	-	1,209,364
Capital assets being depreciated:				
Buildings	41,000	-	-	41,000
Equipment	55,575	-	-	55,575
Subtotal	96,575			96,575
Accumulated depreciation:				
Buildings	30,800	1,025	-	31,825
Equipment	45,820	2,966	-	48,786
Subtotal	76,620	3,991		80,611
Net capital assets being depreciated	19,955	(3,991)		15,964
Net capital assets	\$ 52,655	\$ 1,205,373		\$ 1,258,028

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

Governmental activities:	
General government	\$ 3,991

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2007

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

Transfers In	Transfers Out			Total
	General Fund	Library Fund	Library Building Construction Fund	
Library Building Construction Fund	\$ 180,394	\$ 200,590	\$ -	\$ 380,984
Library Building Debt Service Fund	-	-	50	50
Total	\$ 180,394	\$ 200,590	\$ 50	\$ 381,034

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2007

NOTE 7 - LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Balance April 1, 2006	Additions	Reductions	Balance March 31, 2007
Library Capital Improvement Bonds	\$	\$ 385,841	\$	\$ 385,841

Annual debt service requirements to maturity for the above obligation are not presented because the amounts and terms will not be known until completion of the project.

NOTE 8 - RISK MANAGEMENT

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

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

The Township has no post-retirement benefit plans at this time.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Nelson Township provides pension benefits to certain employees through a defined contribution plan with John Hancock. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Nelson Township contributes 20 percent of all Township Board members toward the purchase of individual annuities to provide retirement benefits, plus a contribution for Board members eligible for a past services retirement benefit. Contributions to the plan for the current year totaled \$14,228 based on a covered payroll of \$66,772. Total Township payroll was \$144,104. Retirement benefits are limited to the amount of annuities purchased on behalf of each employee.

REQUIRED SUPPLEMENTAL INFORMATION

Nelson Township
Kent County, Michigan
General Fund
Balance Sheet
March 31, 2007

	2007	2006
<u>ASSETS</u>		
Cash	\$ 596,884	\$ 673,449
Taxes receivable	14,867	15,378
Accounts receivable	424	130
Due from other units of government	40,140	42,162
TOTAL ASSETS	\$ 652,315	\$ 731,119
<u>LIABILITIES AND FUND EQUITY</u>		
LIABILITIES		
Due to other funds	\$ -	\$ 10,321
Customers deposits payable	-	933
TOTAL LIABILITIES	-	11,254
FUND BALANCES		
Designated		
Fire Department	13,345	8,845
Roads	114,975	175,735
Library	180,000	150,000
White Pines Trails	-	5,000
Storm Water Drain	15,000	15,000
Undesignated	328,995	365,285
TOTAL FUND EQUITY	652,315	719,865
TOTAL LIABILITIES AND FUND BALANCES	\$ 652,315	\$ 731,119

Nelson Township

Kent County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2007 with comparative actual amounts for 2006

	Original budget	Final budget	Actual	Variance with final budget	2006
REVENUES					
Property Taxes					
Current real property taxes	\$ 152,200	\$ 152,200	\$ 154,663	\$ 2,463	\$ 144,016
Penalties and interest on taxes	-	-	418	418	107
Property tax administration fee	28,500	28,500	33,571	5,071	29,926
Total Property Taxes	180,700	180,700	188,652	7,952	174,049
State Grants					
State revenue sharing	245,000	245,000	250,434	5,434	255,920
Other state grants	4,000	4,000	4,872	872	4,282
Total State Grants	249,000	249,000	255,306	6,306	260,202
Licenses and Permits					
Non-business licenses and permits	2,400	2,400	4,001	1,601	3,745
Business licenses and permits	31,100	31,100	30,963	(137)	36,107
Total Licenses and Permits	33,500	33,500	34,964	1,464	39,852
Fines and forfeitures					
	300	300	250	(50)	250
Charges for Services					
Services rendered	5,160	5,160	9,102	3,942	5,492
Sales	3,200	3,200	3,350	150	5,354
Total Charges for Services	8,360	8,360	12,452	4,092	10,846
Interest and Rentals					
Interest and dividends	15,000	15,000	27,547	12,547	19,544
Other Revenue					
Reimbursements	300	300	3,244	2,944	784
Other	600	600	1,194	594	1,576
Total Other Revenue	900	900	4,438	3,538	2,360
TOTAL REVENUES	487,760	487,760	523,609	35,849	507,103

Nelson Township

Kent County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2007 with comparative actual amounts for 2006

	Original budget	Final budget	Actual	Variance with final budget	2006
EXPENDITURES					
General government					
Township board	\$ 13,322	\$ 15,372	\$ 14,917	\$ 455	\$ 11,699
Supervisor	21,250	21,788	21,720	68	20,189
Clerk	25,665	26,415	25,876	539	20,706
Audit	5,000	5,000	4,900	100	4,600
Board of review	600	1,008	678	330	640
Treasurer	29,800	29,800	27,649	2,151	26,940
Assessor	27,400	27,925	27,881	44	23,697
Elections	3,500	3,831	3,830	1	1,539
Building and grounds	29,150	30,556	30,575	(19)	29,949
Attorney	20,000	36,337	36,437	(100)	11,875
Cemetery	8,625	8,625	6,087	2,538	9,453
Total General government	184,312	206,657	200,550	6,107	161,287
Public safety					
Fire department	48,540	49,911	49,911	-	44,859
Building inspection	37,650	37,150	27,809	9,341	37,471
Total Public safety	86,190	87,061	77,720	9,341	82,330
Public works					
Public works	150,000	150,000	28,556	121,444	151,476
Street lighting	1,400	1,400	1,747	(347)	1,516
Sanitation	7,500	7,500	5,298	2,202	6,731
Total Public works	158,900	158,900	35,601	123,299	159,723
Community and economic development					
Planning	33,650	39,250	39,231	19	22,793
Zoning	14,600	15,100	15,128	(28)	11,661
Total Community and economic development	48,250	54,350	54,359	(9)	34,454
Recreation and culture					
Parks and recreation	4,000	4,000	9,000	(5,000)	4,000
Historical commission	1,000	1,000	1,000	-	-
Total Recreation and culture	5,000	5,000	10,000	(5,000)	4,000

Nelson Township

Kent County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2007 with comparative actual amounts for 2006

	Original budget	Final budget	Actual	Variance with final budget	2006
Other governmental functions					
Insurance	\$ 7,000	\$ 7,000	\$ 6,462	\$ 538	\$ 6,626
Retirement	13,500	13,500	14,228	(728)	13,350
Social security	12,000	12,000	11,024	976	10,809
Other	50	50	821	(771)	888
Total Other governmental functions	32,550	32,550	32,535	15	31,673
TOTAL EXPENDITURES	515,202	544,518	410,765	133,753	473,467
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(27,442)	(56,758)	112,844	169,602	33,636
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers out	-	(180,447)	(180,394)	53	-
NET CHANGE IN FUND BALANCES	(27,442)	(237,205)	(67,550)	169,655	33,636
Fund balance at beginning of year	719,865	719,865	719,865	-	686,229
Fund balance at end of year	\$ 692,423	\$ 482,660	\$ 652,315	\$ 169,655	\$ 719,865

Nelson Township
Kent County, Michigan
Library Fund
Balance Sheet
March 31, 2007

	2007	2006
<u>ASSETS</u>		
Cash	\$ 86,672	\$ 235,998
Due from other funds	-	9,871
Taxes receivable	3,503	3,916
TOTAL ASSETS	\$ 90,175	\$ 249,785
<u>LIABILITIES AND FUND EQUITY</u>		
FUND BALANCES		
Fund balance	\$ 90,175	\$ 249,785

Nelson Township

Kent County, Michigan

Library Fund

Budgetary Comparison Report

For the year ended March 31, 2007 with comparative actual amounts for 2006

	Original budget	Final budget	Actual	Variance with final budget	2006
REVENUE					
Property taxes	\$ 44,800	\$ 44,800	\$ 45,095	\$ 295	\$ 42,406
Interest and dividends	2,500	2,500	7,870	5,370	6,733
Other	1,400	1,400	1,050	(350)	1,400
TOTAL REVENUE	48,700	48,700	54,015	5,315	50,539
EXPENDITURES					
Library	33,212	33,032	13,035	19,997	8,748
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	15,488	15,668	40,980	(14,682)	41,791
OTHER FINANCING SOURCES (USES)					
Transfers out	-	(174,207)	(200,590)	(26,383)	-
NET CHANGE IN FUND BALANCES	15,488	(158,539)	(159,610)	(215,272)	41,791
Fund balance beginning of year	249,785	249,785	249,785	-	207,994
Fund balance end of year	\$ 265,273	\$ 91,246	\$ 90,175	\$ (215,272)	\$ 249,785

Nelson Township
Kent County, Michigan
Library Building Construction Fund
Balance Sheet
March 31, 2007

	<u>2007</u>
<u>ASSETS</u>	
Cash	\$ 41,983
Due from other units of government	219,214
TOTAL ASSETS	\$ 261,197
<u>LIABILITIES AND FUND EQUITY</u>	
Accounts payable	\$ 219,214
FUND BALANCES	
Reserved for construction	41,983
TOTAL LIABILITIES AND FUND BALANCES	\$ 261,197

Nelson Township
Kent County, Michigan
Library Building Construction Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the year ended March 31, 2007

	<u>2007</u>
<u>REVENUE</u>	
Federal grants	\$ 220,000
Contributions and donations	264,245
Interest and dividends	327
TOTAL REVENUE	484,572
<u>EXPENDITURES</u>	
Capital outlay	1,209,364
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(724,792)
<u>OTHER FINANCING SOURCES (USES)</u>	
Transfers in	380,984
Bond or note issuance	385,841
Transfers out	(50)
TOTAL OTHER FINANCING SOURCES (USES)	766,775
NET CHANGE IN FUND BALANCES	41,983
Fund balance beginning of year	-
Fund balance end of year	\$ 41,983

OTHER SUPPLEMENTAL INFORMATION

Nelson Township

Kent County, Michigan

Nonmajor Funds

Balance Sheet

March 31, 2007

	<u>Special Revenue Fund</u>		<u>Debt Service Fund</u>		
	Pine Lake Weed	Control Fund	Library Construction	Debt Service Fund	Total
<u>ASSETS</u>					
Cash	\$	4,761	\$	50	\$ 4,811
Taxes receivable		156		-	156
TOTAL ASSETS	\$	4,917	\$	50	\$ 4,967
<u>LIABILITIES AND FUND BALANCES</u>					
FUND BALANCES					
Reserved	\$	4,917	\$	50	\$ 4,967

Nelson Township

Kent County, Michigan

Nonmajor Funds

Statement of Revenue, Expenditures and Changes in Fund Balance

March 31, 2007

	<u>Special Revenue Fund</u> Pine Lake Weed Control Fund	<u>Debt Service Fund</u> Library Construction Debt Service Fund	Total
REVENUE			
Interest and dividends	\$ 66	\$ -	\$ 66
Special assessments	2,313	-	2,313
TOTAL REVENUE	2,379	-	2,379
EXPENDITURES			
Public works	6,024	-	6,024
OTHER FINANCING SOURCES (USES)			
Transfers in	-	50	50
NET CHANGE IN FUND BALANCES	(3,645)	50	(3,595)
FUND BALANCES, BEGINNING OF YEAR	8,562	-	8,562
FUND BALANCES, END OF YEAR	\$ 4,917	\$ 50	\$ 4,967

Nelson Township

Kent County, Michigan

General Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended March 31, 2007 with comparative actual amounts for Nelson Township

	2007	2006
REVENUES		
Taxes and penalties		
Current property tax	\$ 154,663	\$ 144,016
Penalties and interest on taxes	418	107
Administration fee	33,571	29,926
Total Taxes and penalties	188,652	174,049
State grants		
State shared revenue	250,434	255,920
Metro act	4,872	4,282
Total State grants	255,306	260,202
Licenses and permits		
Building permits	17,458	17,136
Plumbing and mechanical permits	8,204	12,093
Electrical permits	5,301	7,078
Land division fees	1,600	850
Dog licenses	102	50
Planning commission	1,404	2,150
Zoning fees	745	495
Water permits	150	
Total Licenses and permits	34,964	39,852
Charges for services		
Cemetery	1,910	4,195
Fax charges	23	60
Miscellaneous	10,519	6,591
Total Charges for services	12,452	10,846
Fines and forfeits	250	250
Interest and rents	27,547	19,544
Other revenue		
Rebates and refunds	3,244	784
Other revenue	1,194	1,576
Total Other revenue	4,438	2,360
TOTAL REVENUES	523,609	507,103

Nelson Township

Kent County, Michigan

General Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended March 31, 2007 with comparative actual amounts for Nelson Township

	2007	2006
EXPENDITURES		
Legislative		
Salaries	\$ 2,772	\$ 2,640
Dues and membership	2,347	2,152
Supplies and materials	3,238	2,537
Printing and publishing	3,231	933
Education	2,657	3,365
Other	672	72
Total Legislative	14,917	11,699
General government		
Supervisor		
Salaries	21,537	19,999
Dues and membership	60	60
Education		130
Travel	123	
Total Supervisor	21,720	20,189
Elections		
Salaries	2,981	459
Supplies and materials	849	840
Contractual services		240
Total Elections	3,830	1,539
Assessor		
Salaries	26,360	22,897
Supplies and materials	1,521	800
Travel		
Total Assessor	27,881	23,697
Legal and audit		
Audit	4,900	4,600
Legal	36,437	11,875
Total Legal and audit	41,337	16,475
Clerk		
Salaries	25,119	20,000
Dues and membership	65	65
Education	205	151
Travel	487	490
Total Clerk	25,876	20,706

Nelson Township

Kent County, Michigan

General Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended March 31, 2007 with comparative actual amounts for Nelson Township

	2007	2006
Board of review		
Salaries	\$ 675	\$ 640
Other	3	
Total Board of review	678	640
Treasurer		
Salaries	23,417	22,575
Supplies and materials	3,014	2,997
Contractual services	845	835
Travel	373	533
Total Treasurer	27,649	26,940
Township Hall		
Salaries	4,908	5,966
Computer software and maintenance	5,807	5,422
Supplies and materials	763	1,293
Printing and publishing	1,787	2,330
Utilities	7,398	5,095
Maintenance and repair	8,334	3,124
Capital outlay	1,578	5,519
Other		1,200
Total Township Hall	30,575	29,949
Cemetery		
Supplies and materials		
Contractual services	5,442	3,388
Maintenance and repair	540	5,833
Capital outlay	105	232
Total Cemetery	6,087	9,453
Total General government	185,633	149,588

Nelson Township

Kent County, Michigan

General Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended March 31, 2007 with comparative actual amounts for Nelson Township

	2007	2006
Public safety		
Fire protection		
Cedar Springs	\$ 21,371	\$ 16,991
Village of Sand Lake	21,040	20,368
Spencer Township	7,500	7,500
Total Fire protection	49,911	44,859
Inspections		
Building inspector salaries	13,051	16,860
Electrical inspector salaries	4,870	7,950
Plumbing and mechanical inspector salaries	5,130	6,900
Draft permit salaries	1,470	2,520
Dues and membership	1,250	161
Supplies and materials	110	670
Travel	1,928	2,410
Total Inspections	27,809	37,471
Total Public safety	77,720	82,330
Public works		
Drains at large		
Contractual services	625	713
Highways, streets and bridges		
Road maintenance	3,025	
Capital outlay	11,456	132,910
Dust layer	13,450	17,853
Total Highways, streets and bridges	27,931	150,763
Street lighting		
Utilities	1,747	1,516
Sanitation		
Contractual services	5,298	6,731
Total Public works	35,601	159,723

Nelson Township

Kent County, Michigan

General Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended March 31, 2007 with comparative actual amounts for Nelson Township

	2007	2006
Community and economic development		
Zoning		
Salaries	\$ 14,670	\$ 11,286
Mileage	458	375
Total Zoning	15,128	11,661
Planning Commission		
Planning Commission salaries	2,190	1,960
Professional services	37,041	20,833
Total Planning Commission	39,231	22,793
Total Community and economic development	54,359	34,454
Recreation and culture		
Recreation and parks department		
Contractual services	9,000	4,000
Historical Commission		
Contractual services	1,000	
Total Recreation and Culture	10,000	4,000

Nelson Township

Kent County, Michigan

General Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended March 31, 2007 with comparative actual amounts for Nelson Township

	2007	2006
Other		
Payroll taxes	11,024	10,809
Retirement	14,228	13,350
Insurance	6,462	6,626
Other	821	888
Total Other	32,535	31,673
TOTAL EXPENDITURES	410,765	473,467
Excess (deficiency) of revenues over expenditures	112,844	33,636
OTHER FINANCING SOURCES (USES)		
Operating transfers out	(180,394)	
Excess (deficiency) of revenues over expenditures and other sources (uses)	(67,550)	33,636
Fund balance at beginning of year	719,865	686,229
Fund balance at end of year	\$ 652,315	\$ 719,865

AUDITORS' REPORTS

COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Board
Nelson Township
Kent County, Michigan

We have audited the general purpose financial statements of Nelson Township, Kent County, Michigan for the year ended March 31, 2007, and have issued our report thereon dated July 27, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated April 17, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Nelson Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Nelson Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Nelson Township are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2007. We noted no transactions entered into by Nelson Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

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



Douglas Wohlberg, CPA
Byron Center, Michigan
July 27, 2007

INTERNAL CONTROL AND COMPLIANCE

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board
Nelson Township
Kent County, Michigan

We have audited the financial statements of Nelson Township, Kent County, Michigan as of and for the year ended March 31, 2007, and have issued our report thereon dated July 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nelson Township's internal control over financial reporting 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 Nelson Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

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 Township'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 Township's financial statements that is more than inconsequential will not be prevented or detected by the Township'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 Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nelson Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2007-1.

This report is intended solely for the information and use of management, the Township Board, others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Douglas Wohlberg". The signature is written in a cursive, flowing style.

**Douglas Wohlberg, CPA
Byron Center, Michigan
July 27, 2007**

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board
Nelson Township
Kent County, Michigan

Compliance

We have audited the compliance of Nelson Township, Kent County, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2007. Nelson Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Nelson Township's management. Our responsibility is to express an opinion on Nelson Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nelson Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Nelson Township's compliance with those requirements.

In our opinion, Nelson Township complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2007-1.

Internal Control Over Compliance

The management of Nelson Township is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Nelson Township's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over compliance.

A *control deficiency* in an Township's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Township's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Nelson Township's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Nelson Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Township Board, others within the Township, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Douglas Wohlberg". The signature is written in a cursive, flowing style.

Douglas Wohlberg, CPA
Byron Center, Michigan
July 27, 2007

Nelson Township

Kent County, Michigan

Schedule of Expenditures of Federal Awards

For the fiscal year ended March 31, 2007

Federal Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2006
U. S. Department of Agriculture Public Works Development and Facilities Grant 06 01 04929	10.766	725,000	-
Department of Housing and Urban Development Community Development Block Grants/Entitlement Grants	14.218	220,000	-
Totals		945,000	-

Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue March 31, 2007
385,841	166,627	219,214
220,000	220,000	-
605,841	386,627	219,214

Nelson Township

Kent County, Michigan

Notes to the Schedule of Expenditures of Federal Awards

For the fiscal year ended March 31, 2007

The report on the financial statements was unqualified.

No reportable conditions in internal control were disclosed by the financial statement audit.

The audit disclosed noncompliance which is not material to the financial statements.

No reportable conditions in internal control were disclosed by the audit of major programs.

The report on compliance for major programs is unqualified.

The audit disclosed audit findings which are to be reported under Section .510(a).

Major program is: Public Works Development and Facilities Grant.

The dollar threshold for distinguishing between Type A and Type B federal programs is \$300,000.

Nelson Township does not qualify as low risk.

Current Year Findings

There is one finding. See 2007-1.

There are no questioned costs.

Prior Year Findings

There were no findings or questioned costs.

Nelson Township

Kent County, Michigan

Schedule of Findings and Questioned Costs

For the fiscal year ended March 31, 2007

Findings and Questioned Costs - Major Federal Award Program Audit

2007-1 - Noncompliance with the Michigan Construction Lien Act, Act 497 of the Public Acts of Michigan of 1980.

Condition: The general contractor on the Library Building Project, Beckering Advisors, submitted an Application and Certification for Payment that included costs for work that was not complete as of the date of the Application.

Criteria: Building contractors are required to comply with State laws.

Effect: Noncompliance with State laws.

Recommendation: I recommend that Township officials consult with the Township's attorney to determine the extent of this noncompliance and decide what action should be taken.

Prior Year Findings

There are no findings or questioned costs