

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Newkirk Township	County Lake
Fiscal Year End March 31, 2007	Opinion Date June 25, 2007	Date Audit Report Submitted to State September 27, 2007	

We affirm that:

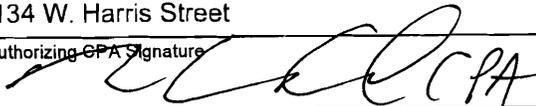
We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789		
Street Address 134 W. Harris Street		City Cadillac	State MI	Zip 49601
Authorizing CPA Signature 		Printed Name Michael D. Cool, C.P.A.		License Number 1101023146

**NEWKIRK TOWNSHIP, LAKE COUNTY**

**LUTHER, MICHIGAN**

**MARCH 31, 2007**

*Baird, Cotter and Bishop, P. C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

MARCH 31, 2007

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June 25, 2007

INDEPENDENT AUDITORS' REPORT

To the Township Board  
Newkirk Township  
Lake County  
Luther, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newkirk Township, Lake County, Luther, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Newkirk Township, Lake County, Luther, Michigan, as of March 31, 2007, 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.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 22 and 23 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 opinions on the financial statements that collectively comprise Newkirk Township, Lake County, Luther, Michigan's basic financial statements. The combining and individual fund financial statements and other supplementary information are 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.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Newkirk Township, a general law township located in Lake County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Newkirk Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2007.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$320,023. Of this amount, \$254,342 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$295,507 an increase of \$30,763 in comparison with the prior year. About 61.58% is available for spending at the Township's discretion.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

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 financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when 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 the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

**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 current sources and uses 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 statement, 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 funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Proprietary Funds** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

**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.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$320,023 at March 31, 2007, meaning the Township’s assets were greater than its liabilities by this amount.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Newkirk Township**  
**Net Assets as of March 31, 2007**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 297,776
Non Current Assets	
Capital Assets	29,981
Less: Accumulated Depreciation	<u>(5,465)</u>
Total Non Current Assets	<u>24,516</u>
<b>Total Assets</b>	<b><u><u>\$ 322,292</u></u></b>
<b>Liabilities</b>	
Current Liabilities	<u>\$ 2,269</u>
<b>Net Assets</b>	
Invested in Capital Assets	24,516
Restricted for Specific Purposes	41,165
Unrestricted	<u>254,342</u>
<b>Total Net Assets</b>	<b><u>320,023</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 322,292</u></u></b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$254,342 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$35,516 or 12.50% in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

**Newkirk Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2007**

	<u>Governmental Activities</u>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 10,747
Operating Grants and Contributions	2,503
Capital Grants and Contributions	6,792
<b>General Revenues</b>	
Property Taxes	101,049
State Grants	33,396
Interest Earnings	11,776
Other	251
<b>Total Revenues</b>	<u>166,514</u>
<b><u>Expenses</u></b>	
Legislative	8,103
General Government	65,179
Public Safety	43,004
Public Works	5,865
Community and Economic Development	1,148
Other Functions	7,699
<b>Total Expenses</b>	<u>130,998</u>
Change in Net Assets	35,516
<u>NET ASSETS</u> - Beginning of Year	<u>284,507</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 320,023</u>

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Governmental Activities**

During the fiscal year ended March 31, 2007, the Township's net assets increased by \$35,516 or 12.50% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Newkirk Township comes from property taxes. The Township levied millages for fire protection, fire equipment purchases, and operating millages, this fiscal year. The Township levied 0.8642 mills for operating purposes, 2.0208 mills for fire protection, and 0.9004 mills for fire truck purchases.

**Business-Type Activities**

The Township does not maintain any Business-Type Activities.

**Financial Analysis of the Government's Funds**

***Governmental Activities*** The focus of Newkirk Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Newkirk Township's governmental funds reported combined ending fund balances of \$295,223. Approximately 61.64% of this total amount (\$181,971) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

**General Fund** – The General Fund increased its fund balance by \$3,286 which brings the fund balance to \$190,828. Of the General Fund's fund balance, \$181,971 is unreserved while \$8,857 is reserved for telecommunications right of way maintenance. Various General Fund functions ended the year with expenditures above budgeted amounts. The differentials were funded by greater than anticipated revenues and available fund balance.

**Fire Fund** – The Fire Fund increased its fund balance by \$574 which brings the fund balance to \$1,112. The Township levied a millage for fire protection on the 2006 tax roll which resulted in \$40,788 of tax related revenues. The fund balance is reserved for fire protection.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Fire Truck Fund** – The Fire Truck Fund increased its fund balance by \$18,910 which brings the fund balance to \$31,196. The Township levied a millage for fire truck purchases on the 2006 tax roll which resulted in \$18,239 of tax related revenues. The fund balance is reserved for fire truck purchases.

**Fire Equipment Fund** – The Fire Equipment Fund increased its fund balance by \$5,648 which brings the fund balance to \$20,894. The fund balance is designated for fire equipment purchases.

**Road Fund** – The Road Fund increased its fund balance by \$3,982 which brings the fund balance to \$51,311. The fund balance is designated for road maintenance.

**Cemetery Fund** – The Cemetery Fund decreased its fund balance by \$1,637 which brings the fund balance to \$166. The fund balance is designated for cemetery maintenance.

**Proprietary Fund** The Township does not maintain any proprietary funds.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2007 amounted to \$24,516 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually for land and buildings and \$2,500 individually for equipment (for purchases after March 31, 2004) and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Newkirk Township**  
**Capital Assets as of March 31, 2007**

	<b>Governmental Activities</b>
Land	\$ 3,936
Buildings	3,521
Machinery and Equipment	22,524
	<hr/>
	\$ 29,981
Less Accumulated Depreciation	(5,465)
	<hr/>
<b>Net Capital Assets</b>	<b>\$ 24,516</b>
	<hr/> <hr/>

**Long-Term Debt** The Township does not have any long-term debt.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Newkirk Township at 301 State Street, Luther, Michigan 49656.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2007

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 274,975
Receivables	
Taxes	13,511
External Party (Fiduciary Fund)	185
Due from Other Governments	9,105
	<hr/>
Total Current Assets	297,776
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	3,936
Buildings	3,521
Machinery and Equipment	22,524
	<hr/>
	29,981
Less Accumulated Depreciation	5,465
Net Capital Assets	24,516
	<hr/>
TOTAL ASSETS	\$ 322,292
	<hr/> <hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 682
Payroll Deductions Payable	1,587
	<hr/>
Total Current Liabilities	2,269
	<hr/>
TOTAL LIABILITIES	2,269
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets	24,516
Restricted for:	
Fire Protection	1,112
Fire Truck Purchases	31,196
Telecommunications Right of Way Maintenance	8,857
Unrestricted	254,342
	<hr/>
TOTAL NET ASSETS	\$ 320,023
	<hr/> <hr/>

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

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 8,103	\$ 0	\$ 0	\$ 0	\$ (8,103)
General Government	65,179	10,747	0	6,792	(47,640)
Public Safety	43,004	0	0	0	(43,004)
Public Works	5,865	0	2,503	0	(3,362)
Community and Economic Development	1,148	0	0	0	(1,148)
Other Functions	7,699	0	0	0	(7,699)
Total	\$ 130,998	\$ 10,747	\$ 2,503	\$ 6,792	(110,956)
<u>GENERAL REVENUES</u>					
Property Taxes					101,049
State Grants					33,396
Interest Earnings					11,776
Other					251
Total General Revenues					146,472
Change in Net Assets					35,516
<u>NET ASSETS</u> - Beginning of Year					284,507
<u>NET ASSETS</u> - End of Year					\$ 320,023

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

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2007

	GENERAL FUND	FIRE FUND	ROAD FUND	CEMETERY FUND
<u>ASSETS</u>				
Cash	\$ 179,438	\$ (5,998)	\$ 51,311	\$ 1,367
Taxes Receivable	3,921	6,634	0	0
Due from Other Governments	8,352	476	0	0
Due from Other Funds	1,386	0	0	0
TOTAL ASSETS	\$ 193,097	\$ 1,112	\$ 51,311	\$ 1,367
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 682	\$ 0	\$ 0	\$ 0
Due to Other Funds	0	0	0	1,201
Payroll Deductions Payable	1,587	0	0	0
Total Liabilities	2,269	0	0	1,201
 <u>FUND BALANCE</u>				
Reserved				
Fire Protection	0	1,112	0	0
Fire Truck Purchases	0	0	0	0
Telecommunications				
Right of Way Maintenance	8,857	0	0	0
Unreserved				
Designated				
Road Improvements	0	0	51,311	0
Cemetery Maintenance	0	0	0	166
Fire Equipment Purchases	0	0	0	0
Undesignated	181,971	0	0	0
Total Fund Balance	190,828	1,112	51,311	166
TOTAL LIABILITIES AND FUND BALANCE	\$ 193,097	\$ 1,112	\$ 51,311	\$ 1,367

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

FIRE TRUCK FUND	FIRE EQUIPMENT FUND	TOTALS
\$ 27,963	\$ 20,894	\$ 274,975
2,956	0	13,511
277	0	9,105
0	0	1,386
<u>\$ 31,196</u>	<u>\$ 20,894</u>	<u>\$ 298,977</u>

\$ 0	\$ 0	\$ 682
0	0	1,201
0	0	1,587
<u>0</u>	<u>0</u>	<u>3,470</u>

0	0	1,112
31,196	0	31,196
0	0	8,857
0	0	51,311
0	0	166
0	20,894	20,894
0	0	181,971
<u>31,196</u>	<u>20,894</u>	<u>295,507</u>

<u>\$ 31,196</u>	<u>\$ 20,894</u>	<u>\$ 298,977</u>
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The accompanying notes are an integral part of the financial statements.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2007

Total Fund Balance for Governmental Funds \$ 295,507

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.

Land	3,936	
Buildings	3,521	
Machinery and Equipment	22,524	
Accumulated Depreciation	(5,465)	24,516

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 320,023

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

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	GENERAL FUND	FIRE FUND	ROAD FUND	CEMETERY FUND
<u>REVENUES</u>				
Taxes	\$ 48,969	\$ 40,788	\$ 0	\$ 0
Federal Grants	6,792	0	0	0
State Grants	35,899	0	0	0
Charges for Services	800	0	0	0
Interest and Rents	8,359	0	2,098	0
Other Revenues	251	0	0	3,000
Total Revenues	101,070	40,788	2,098	3,000
<u>EXPENDITURES</u>				
Legislative	8,103	0	0	0
General Government	61,295	0	0	8,637
Public Safety	2,790	40,214	0	0
Public Works	2,749	0	3,116	0
Community and Economic Development	1,148	0	0	0
Other Functions	7,699	0	0	0
Total Expenditures	83,784	40,214	3,116	8,637
Excess (Deficiency) of Revenues Over Expenditures	17,286	574	(1,018)	(5,637)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	0	5,000	4,000
Transfers Out	(14,000)	0	0	0
Total Other Financing Sources (Uses)	(14,000)	0	5,000	4,000
Net Change in Fund Balance	3,286	574	3,982	(1,637)
<u>FUND BALANCE</u> - Beginning of Year	187,542	538	47,329	1,803
<u>FUND BALANCE</u> - End of Year	\$ 190,828	\$ 1,112	\$ 51,311	\$ 166

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

FIRE TRUCK FUND	FIRE EQUIPMENT FUND	TOTALS
\$ 18,239	\$ 0	\$ 107,996
0	0	6,792
0	0	35,899
0	0	800
671	648	11,776
0	0	3,251
18,910	648	166,514
0	0	8,103
0	0	69,932
0	0	43,004
0	0	5,865
0	0	1,148
0	0	7,699
0	0	135,751
18,910	648	30,763
0	5,000	14,000
0	0	(14,000)
0	5,000	0
18,910	5,648	30,763
12,286	15,246	264,744
\$ 31,196	\$ 20,894	\$ 295,507

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

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2007

Net Change in Fund Balance - Total Governmental Funds	\$ 30,763
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(2,039)
Capital Outlay	<u>6,792</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 35,516</u></u>

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

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
MARCH 31, 2007

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 185
<u>LIABILITIES</u>	
Due to Other Funds	\$ 185

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

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Newkirk Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

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 non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

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 revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**C. Measurement Focus, Basis of Accounting and Basis of 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Newkirk Township reports the following major governmental funds:

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

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Road Fund* accounts for revenue sources that are designated for expenditures for road improvements.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

The *Cemetery Fund* accounts for revenue sources that are designated for expenditures for cemetery use.

The *Fire Truck Fund* accounts for revenue sources that are legally restricted to expenditures for the purchase of fire trucks.

The *Fire Equipment Fund* accounts for revenue sources that are designated for expenditures for fire equipment purchases.

Additionally Newkirk Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

## **D. Assets, Liabilities and Equity**

### ***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition. The Township in its investment policy authorizes the Township Treasurer to invest Township funds in deposit accounts, savings accounts and certificates of deposit.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and two-thirds of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2006 taxable valuation of the Newkirk Township totaled \$19,948,530. The levy was for the following purposes:

Operating	.8642
Fire	2.0208
Fire Truck	<u>.9004</u>
	<u>3.7854</u>

**3. *Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for land and buildings and \$2,500 for equipment (amount not rounded) and an estimated useful life in excess of one year. 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 date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the government are depreciated using the straight line method over the following estimated useful lives:

	<u>ASSETS</u>	<u>YEARS</u>
Buildings		50
Equipment		10

Newkirk Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

**5. 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.

**6. Use of Estimates**

The presentation 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.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are adopted on the modified cash basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 27, 2006, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Funds with Expenditures in Excess of Appropriations were as follows:**

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund			
Elections	\$ 11,350	\$	12,388
Clerk	10,450		10,588

These overages were funded by greater than anticipated revenues and available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are on deposit with Lake Osceola State Bank in Tustin, Michigan, Fifth Third Bank and Flagstar Bank.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of March 31, 2007, \$ 123,077 of the government’s bank balance of \$353,894 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township’s investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township’s agent in the Township’s name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty’s trust department or its agent in the Township’s name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township’s name. At year end, the Township held no investments.

**B. Receivables**

Receivables as of year end for the government’s individual major funds are as follows:

	General	Fire	Road	Fire Truck	Total
Receivables					
External Party					
(Fiduciary Fund)	\$ 185	\$ 0	\$ 0	\$ 0	\$ 185
Taxes	3,921	6,634	0	2,956	13,511
Due from Other Governments	8,352	476	0	277	9,105
	\$ 12,458	\$ 7,110	\$ 0	\$ 3,233	\$ 22,801
	\$ 12,458	\$ 7,110	\$ 0	\$ 3,233	\$ 22,801

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 3,936	\$ 0	\$ 0	\$ 3,936
Capital assets, being depreciated				
Buildings	3,521	0	0	3,521
Machinery and Equipment	15,732	6,792	0	22,524
Total capital assets, being depreciated	19,253	6,792	0	26,045
Less accumulated depreciation for:				
Buildings	1,960	70	0	2,030
Machinery and Equipment	1,466	1,969	0	3,435
Total accumulated depreciation	3,426	2,039	0	5,465
Total capital assets, being depreciated, net	15,827	4,753	0	20,580
Governmental activities capital assets, net	\$ 19,763	\$ 4,753	\$ 0	\$ 24,516

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

Governmental activities:

General Government	\$ 2,039
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Construction commitments:

The government has no outstanding construction commitments as of March 31, 2007.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2007, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 1,386	\$ 0
Cemetery Fund	0	1,201
Current Tax Fund	0	185
	\$ 1,386	\$ 1,386
	\$ 1,386	\$ 1,386

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund transfers as of March 31, 2007 were:

	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
General Fund	\$ 0	\$ 14,000
Road Fund	5,000	0
Cemetery Fund	4,000	0
Fire Equipment Fund	5,000	0
	\$ 14,000	\$ 14,000
	\$ 14,000	\$ 14,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. Long-Term Debt**

At March 31, 2007, the Township was not obligated for any long-term debt.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**F. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. In addition, certain portions of unreserved fund balances have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved	
Fire Fund	
Fire Protection	\$ 1,112
Fire Truck Fund	
Fire Truck Purchases	31,196
Telecommunications Right of Way Maintenance	8,857
Designated	
Road Fund	
Road Improvements	51,311
Cemetery Fund	
Cemetery Maintenance	166
Fire Equipment Fund	
Fire Equipment Purchases	20,894
TOTAL FUND BALANCE	<u>                    </u>
RESERVES AND DESIGNATIONS	<u><u>\$ 113,536</u></u>

**IV. OTHER INFORMATION**

**A. Joint Fire District**

The Township is a member of Luther Fire District #1. The Fire District is a joint venture of Newkirk and Ellsworth Townships created to provide fire protection for the member townships. Newkirk Township levies 2.0208 mills to support the Fire District. The following financial information was taken from the Fire District's March 31, 2007, audited financial statements:

Total Assets	\$ 345,364
Investment in Fixed Assets	307,635
Balance – Unreserved	13,907
Total Receipts	80,732
Total Disbursements	80,211
Net Increase (Decrease) in Fund Balance	521

A copy of these audited financial statements may be obtained upon request from the Fire District treasurer.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**B. Municipal Hall Joint Venture**

The Luther-Newkirk Municipal Hall is a joint venture supported by the Village of Luther and Newkirk Township. Each unit owns one-half of the land, building and equipment of the Hall. Each unit is also responsible for one-half of the expenses necessary to operate the Hall.

The following are the significant provisions of the Municipal Hall agreement:

All properties held or acquired in the future are to be held as tenants in common.

The term of the agreement is 10 years from July 1, 1993 to July 1, 2003 renewable every 10 years. Withdrawal may be done by one of the parties if written notice is given at least one year prior to the anniversary of this agreement or by joint actions of all parties.

The following financial information was taken from the Municipal Hall's March 31, 2005, audited financial statements:

Total Assets	\$	30,953
Net Assets		30,953
Total Revenues		4,518
Total Expenditures		5,939
(Decrease) in Net Assets		(1,421)

A copy of these audited financial statements may be obtained upon request from the Municipal Hall treasurer.

**C. 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; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**D. Property Tax Administration Fee**

The Township passed a resolution to charge 1% administration fee on all ad valorem taxes levied. Also, a late penalty fee of 3% shall be added after February 14<sup>th</sup> and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the Township Board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenues generated by the administration fee so that a restricted earnings account is not reflected in these statements.

**E. Pension Plan**

The Township adopted a defined contribution pension plan effective July 1, 1991 and amended July 1, 2006. The plan is administered by the Manufacturer's Life Insurance Company. The plan covers all Township Board members. There are no age or service requirements for plan eligibility. All benefits attributable to employer contributions are 100% vested immediately. Normal retirement age under the plan is age 65 or, if later, completion of 10 years of participation in the plan. Early retirement is permitted at any time after attainment of age 55.

Employer contributions for each participant are calculated based on 10% of compensation. In addition, participants may make after-tax voluntary contributions in amounts ranging from 1% to 10% of compensation. For purposes of the determination of contributions, compensation means cash compensation actually paid throughout the plan year, however, overtime pay and bonuses are not included. For the fiscal year ended March 31, 2007, the Township contributed \$2,931 into the pension plan.

**F. Due from Other Governments**

Amounts due from other governments consist of \$8,086 in state-shared revenues and \$1,019 in Michigan Department of Natural Resources payment in lieu of taxes.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2007

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b><u>REVENUES</u></b>						
Taxes	\$ 36,350	\$ 36,350	\$ 48,969	\$ 36,500	\$ 49,700	\$ 40,788
Federal Grants	0	0	6,792	0	0	0
State Grants	33,000	33,000	35,899	0	0	0
Charges for Services	9,350	9,350	800	0	0	0
Interest and Rents	2,500	2,500	8,359	25	25	0
Other Revenues	0	0	251	0	0	0
Total Revenues	81,200	81,200	101,070	36,525	49,725	40,788
<b><u>EXPENDITURES</u></b>						
Legislative						
Township Board	8,200	6,550	8,103	0	0	0
General Government						
Supervisor	9,950	9,950	7,828	0	0	0
Elections	10,850	11,350	12,388	0	0	0
Assessor	18,850	18,650	12,990	0	0	0
Clerk	10,450	10,450	10,588	0	0	0
Board of Review	1,150	1,150	478	0	0	0
Treasurer	15,150	15,150	14,457	0	0	0
Building and Grounds	2,500	2,500	0	0	0	0
Professional and Legal Services	500	7,000	2,566	0	0	0
Public Safety						
Ordinance Enforcement	4,250	4,250	2,790	0	0	0
Fire Protection	0	0	0	40,000	40,250	40,214
Public Works						
Sanitation	4,000	4,000	2,749	0	0	0
Community and Economic Development						
Planning and Zoning	8,800	5,800	1,148	0	0	0
Recreation and Culture						
Library	750	750	0	0	0	0
Recreation	250	250	0	0	0	0
Other Functions						
Insurance	2,500	2,380	2,347	0	0	0
Workers Compensation	750	750	707	0	0	0
Pension	1,500	2,920	2,931	0	0	0
Social Security and Medicare	3,850	2,850	1,714	0	0	0
Disaster Relief	1,000	700	0	0	0	0
Total Expenditures	105,250	107,400	83,784	40,000	40,250	40,214
Excess (Deficiency) of Revenues Over Expenditures	(24,050)	(26,200)	17,286	(3,475)	9,475	574
<b><u>OTHER FINANCING SOURCES (USES)</u></b>						
Transfer In	4,000	4,000	0	5,500	5,500	0
Transfer Out	(25,563)	(11,563)	(14,000)	(4,500)	(4,500)	0
Total Other Financing Sources (Uses)	(21,563)	(7,563)	(14,000)	1,000	1,000	0
Net Change in Fund Balance	(45,613)	(33,763)	3,286	(2,475)	10,475	574
<b><u>FUND BALANCE</u></b> - Beginning of Year	172,826	172,826	187,542	0	0	538
<b><u>FUND BALANCE</u></b> - End of Year (Deficit)	\$ 127,213	\$ 139,063	\$ 190,828	\$ (2,475)	\$ 10,475	\$ 1,112

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2007

	ROAD FUND			CEMETERY FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 0		\$ 0	\$ 0	\$ 0	\$ 0
Charges for Services	0	0	0	1,700	2,600	3,000
Interest and Rents	500	500	2,098	0	0	0
Total Revenues	500	500	2,098	1,700	2,600	3,000
<u>EXPENDITURES</u>						
General Government						
Cemetery	0	0	0	13,500	14,400	8,637
Public Works						
Highways, Streets and Bridges	10,725	10,725	3,116	0	0	0
Total Expenditures	10,725	10,725	3,116	13,500	14,400	8,637
Excess (Deficiency) of Revenues Over Expenditures	(10,225)	(10,225)	(1,018)	(11,800)	(11,800)	(5,637)
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfer In (Out)	5,000	10,000	5,000	10,063	4,000	4,000
Net Change in Fund Balance	(5,225)	(225)	3,982	(1,737)	(7,800)	(1,637)
<u>FUND BALANCE</u> - Beginning of Year	47,240	47,240	47,329	1,803	1,803	1,803
<u>FUND BALANCE</u> - End of Year (Deficit)	\$ 42,015	\$ 47,015	\$ 51,311	\$ 66	\$ (5,997)	\$ 166

	FIRE TRUCK FUND			FIRE EQUIPMENT FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 13,200	\$ 13,200	\$ 18,239	\$ 0	\$ 0	\$ 0
Interest and Rents	0	0	671	150	150	648
Total Revenues	13,200	13,200	18,910	150	150	648
<u>EXPENDITURES</u>						
Public Safety						
Fire Protection						
Capital Outlay	0	0	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	13,200	13,200	18,910	150	150	648
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfer In (Out)	0	0	0	5,000	5,000	5,000
Net Change in Fund Balance	13,200	13,200	18,910	5,150	5,150	5,648
<u>FUND BALANCE</u> - Beginning of Year	5,537	5,537	12,286	15,201	15,201	15,246
<u>FUND BALANCE</u> - End of Year	\$ 18,737	\$ 18,737	\$ 31,196	\$ 20,351	\$ 20,351	\$ 20,894

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
MARCH 31, 2007

	BALANCE		BALANCE
	4/1/2006	ADDITIONS	3/31/2007
	DEDUCTIONS		
<u>ASSETS</u>			
Cash	\$ 57	\$ 704,229	\$ (704,101) \$ 185
<u>LIABILITIES</u>			
Due to Other Funds	\$ 57	\$ 66,552	\$ (66,424) \$ 185
Due to Other Governments	0	637,677	(637,677) 0
<b>TOTAL LIABILITIES</b>	<b>\$ 57</b>	<b>\$ 704,229</b>	<b>\$ (704,101) \$ 185</b>

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

STATEMENT OF 2006 TAX ROLL  
MARCH 31, 2007

TAXES ASSESSED

County			
Operating	\$	221,246	
Township			
Operating		17,240	
Fire Fund		40,312	
Fire Truck Fund		17,962	
School			
Pine River Area Schools		309,465	
Baldwin Schools		68,808	
Cadillac Area Public Schools		17,142	
Intermediate School			
Mason Lake		11,635	
Wexford-Missaukee Intermediate		99,317	
		803,127	803,127

TAXES COLLECTED

County			
Operating		191,446	
Township			
Operating		14,402	
Fire		33,678	
Fire Truck Fund		15,006	
School			
Pine River Area Schools		269,712	
Baldwin Schools		61,686	
Cadillac Area Public Schools		15,485	
Intermediate School			
Mason Lake		10,171	
Wexford-Missaukee Intermediate		81,996	
		693,582	693,582

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

STATEMENT OF 2006 TAX ROLL  
MARCH 31, 2007

TAXES RETURNED DELINQUENT

County		
Operating	29,800	
Township		
Operating	2,838	
Fire	6,634	
Fire Truck Fund	2,956	
School		
Pine River Area Schools	39,753	
Baldwin Schools	7,122	
Cadillac Area Public Schools	1,657	
Intermediate School		
Mason Lake	1,464	
Wexford-Missaukee Intermediate	17,321	
	<hr/>	<hr/> <hr/>
		\$ 109,545

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

June 25, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Newkirk Township  
Lake County  
Luther, Michigan

During the course of our audit of the basic financial statements of Newkirk Township for the year ended March 31, 2007, we noted the following items:

Budget

The expenditures for two activities in the General Fund exceeded the budget. In the future, the budget should be amended before disbursements are made which exceed budgeted amounts.

Property Tax Administration Fee

As reported in NOTE IV.D of the Notes to Financial Statements, the Township is charging a 1% property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

We would like to thank the board for its confidence in our firm and to thank the Township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

Very truly yours,

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

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June 25, 2007

To the Township Board  
Newkirk Township  
Lake County  
Luther, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newkirk Township, Lake County, Luther, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Newkirk Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

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

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 a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described in (1) above (Lack of Segregation of Duties) constitute a material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*