

TOWNSHIP OF IOSCO  
Livingston County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

# AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Iosco	<b>County</b> Livingston
<b>Audit Date</b> March 31, 2007	<b>Opinion Date</b> May 23, 2007	<b>Date Accountant Report Submitted to State:</b> June 5, 2007	

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

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

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

You must check the applicable box for each item below.

- yes  no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- yes  no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- yes  no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- yes  no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- yes  no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- yes  no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- yes  no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- yes  no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- yes  no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

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

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
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<b>Accountant Signature</b> <i>Campbell, Kusterer &amp; Co., P.C.</i>			

TOWNSHIP OF IOSCO  
Livingston County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

May 23, 2007

To the Township Board  
Township of losco  
Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of losco, Livingston County, 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 Township of losco'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of losco, Livingston County, 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 and budgetary comparison information listed in the table of contents 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 an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF IOSCO  
Livingston County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Iosco covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$1,348,524.12 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$660,193.01 from governmental activities. Governmental activities had a \$74,782.89 increase in net assets with road improvements of \$231,281.85 (dust control program and gravel roads repair work) and a gain of \$2,103.00 in state revenue sharing.

Taxable value increased by \$8,291,401.00.

We did not incur any new debt. We have \$0 in debts. We are a cash payment operation only.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Cemetery Perpetual Care Fund and the Current Tax Collection Fund.

TOWNSHIP OF IOSCO  
Livingston County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: Some of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The Township conducted a gravel road dust control program using funds generated by a voter approved Road Millage. Additionally, the Road Millage provided funds to repair and upgrade Township gravel roads.

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$231,281.85.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 34% of our income. We continue to grow at a 7.35% rate in taxable values, with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at 517-223-8928 or the Township Treasurer at 517-223-0130.

TOWNSHIP OF IOSCO  
Livingston County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2007

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash in bank	87 789 54
Investments	1 057 919 61
Petty cash	75 00
Taxes receivable	33 693 17
Due from other units	110 160 51
Total Current Assets	1 289 637 83
NON-CURRENT ASSETS:	
Capital Assets	137 869 50
Less: Accumulated Depreciation	(78 651 81)
Total Non-current Assets	59 217 69
TOTAL ASSETS	1 348 855 52
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	331 40
Total Current Liabilities	331 40
NON-CURRENT LIABILITIES	-
Total Non-current Liabilities	-
Total Liabilities	331 40
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	59 217 69
Unrestricted	1 289 306 43
Total Net Assets	1 348 524 12
TOTAL LIABILITIES AND NET ASSETS	1 348 855 52

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

TOWNSHIP OF IOSCO  
Livingston County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		Charges for Services	Net (Expense) Revenue and Changes in Net Assets
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	5 600 00	-	(5 600 00)
General government	173 615 60	8 512 50	(165 103 10)
Public safety	25 529 27	-	(25 529 27)
Public works	360 370 18	96 346 75	(264 023 43)
Culture and recreation	20 295 07	-	(20 295 07)
	<u>585 410 12</u>	<u>104 859 25</u>	<u>(480 550 87)</u>
Total Governmental Activities			
General Revenues:			
Property taxes			289 493 76
State revenue sharing			210 612 74
Interest			53 946 94
Miscellaneous			<u>1 280 32</u>
Total General Revenues			<u>555 333 76</u>
Change in net assets			74 782 89
Net assets, beginning of year			<u>1 273 741 23</u>
Net Assets, End of Year			<u>1 348 524 12</u>

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

TOWNSHIP OF IOSCO  
Livingston County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2007

	General	Other Funds	Total
<u>Assets</u>			
Cash in bank	53 762 27	4 445 17	58 207 44
Investments	1 057 919 61	-	1 057 919 61
Petty cash	75 00	-	75 00
Taxes receivable	33 693 17	-	33 693 17
Due from other funds	29 582 10	-	29 582 10
Due from other units	110 160 51	-	110 160 51
	<u>1 285 192 66</u>	<u>4 445 17</u>	<u>1 289 637 83</u>
Total Assets			
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	331 40	-	331 40
Total liabilities	<u>331 40</u>	<u>-</u>	<u>331 40</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	1 284 861 26	4 445 17	1 289 306 43
Total fund equity	<u>1 284 861 26</u>	<u>4 445 17</u>	<u>1 289 306 43</u>
Total Liabilities and Fund Equity	<u>1 285 192 66</u>	<u>4 445 17</u>	<u>1 289 637 43</u>

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

TOWNSHIP OF IOSCO  
Livingston County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 289 306 43
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 governmental funds balance sheet:	
Capital assets at cost	137 869 50
Accumulated depreciation	<u>(78 651 81)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 348 524 12</u>

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

TOWNSHIP OF IOSCO  
Livingston County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2007

	General	Other Funds	Total
Revenues:			
Property taxes	289 493 76	-	289 493 76
Licenses and permits	8 112 50	-	8 112 50
State revenue sharing	210 612 74	-	210 612 74
Charges for services – other	96 346 75	-	96 346 75
Charges for services – cemetery	-	400 00	400 00
Interest	53 927 48	19 46	53 946 94
Miscellaneous	1 280 32	-	1 280 32
Total revenues	659 773 55	419 46	660 193 01
Expenditures:			
Legislative:			
Township Board	5 600 00	-	5 600 00
General government:			
Supervisor	17 499 96	-	17 499 96
Elections	8 067 93	-	8 067 93
Attorney	7 691 00	-	7 691 00
Assessor	28 556 62	-	28 556 62
Clerk	23 510 89	-	23 510 89
Board of Review	1 372 50	-	1 372 50
Treasurer	20 641 02	-	20 641 02
Building and grounds	51 920 68	-	51 920 68
Cemetery	7 812 00	-	7 812 00
Unallocated	1 196 27	-	1 196 27
Public safety:			
Fire protection	500 00	-	500 00
Zoning administration	14 119 28	-	14 119 28
Planning and zoning	10 909 99	-	10 909 99
Public works:			
Highways and streets	231 281 85	-	231 281 85
Drains	9 264 98	-	9 264 98
Sanitation	119 823 35	-	119 823 35
Culture and recreation:			
Recreation	20 295 07	-	20 295 07
Total expenditures	580 063 39	-	580 063 39
Excess (deficiency) of revenues over expenditures	79 710 16	419 46	80 129 62
Fund balances, April 1	1 205 151 10	4 025 71	1 209 176 81
Fund Balances, March 31	1 284 861 26	4 445 17	1 289 306 43

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

TOWNSHIP OF IOSCO  
Livingston County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	80 129 62
Amounts reported for governmental activities in the Statement of 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	(5 346 73)
Capital Outlay	<u>-</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>74 782 89</u>

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

TOWNSHIP OF IOSCO  
Livingston County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Iosco, Livingston County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Iosco. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

Fowlerville Fire Department

The Township of Iosco and the Village of Fowlerville and the Townships of Handy, Conway, Howell and Cohectah jointly formed the Fowlerville Fire Department to provide fire services to the entities. The Fowlerville Fire Department consists of a seven member board of which the Township of Iosco appoints one member. For the fiscal year ended March 31, 2007, the Township of Iosco provided \$-0- to the Fowlerville Fire Department. The Fowlerville Fire Department is not considered a part of the reporting entity of the Township of Iosco. Separate financial statements of the joint venture may be obtained from the Fowlerville Fire Department, P.O. Box 677, Fowlerville, Michigan 48836.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. 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. All the Township's government-wide activities are considered governmental activities.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

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. 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. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

TOWNSHIP OF IOSCO  
Livingston County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF IOSCO  
Livingston County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 2.2682 mills, and the taxable value was \$127,693,833.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-50 years
Furniture and equipment	5-15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

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.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF IOSCO  
Livingston County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 2 – Budgets and Budgetary Accounting – (continued)

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; 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 obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date 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. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>306,631.11</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF IOSCO  
Livingston County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 3 – Deposits and Investments (continued)

	Bank Balances
Insured (FDIC)	153 762 27
Uninsured and Uncollateralized	152 903 83
Total Deposits	306 666 10

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	(1)	(2)	(3)	Carrying Amount
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Nonrisk-Categorized: Financial Institution Pooled Funds				1 057 919 61
Total Investments				1 057 919 61

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
<u>Governmental Activities:</u>				
Land and improvements	59 954 00	-	-	59 954 00
Buildings and improvements	54 310 00	-	-	54 310 00
Equipment	23 605 50	-	-	23 605 50
Total	137 869 50	-	-	137 869 50
Accumulated Depreciation	(73 305 08)	(5 346 73)	-	(79 651 81)
Net Capital Assets	64 564 42	(5 346 73)	-	59 217 69

TOWNSHIP OF IOSCO  
Livingston County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Budget Variances

During the fiscal year ended March 31, 2007, the Township incurred the following budget variances:

<u>Fund/Activity</u>	<u>Budgeted Amount</u>	<u>Actual Amount</u>	<u>Budget Variance</u>
General Fund:			
Highway and streets	140 000 00	231 281 85	91 281 85

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. 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 – Building Permits

The Township of Iosco does not issue building permits. Building permits are issued by the County of Livingston.

Note 10 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>29 582 10</u>	Current Tax Collection	<u>29 582 10</u>
Total	<u><u>29 582 10</u></u>	Total	<u><u>29 582 10</u></u>

TOWNSHIP OF IOSCO  
Livingston County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2007

	Variance with			Final Budget Over (Under)
	Original Budget	Final Budget	Actual	
Revenues:				
Property taxes	246 500 00	246 500 00	289 493 76	42 993 76
Licenses and permits	10 500 00	10 500 00	8 112 50	(2 387 50)
State revenue sharing	205 000 00	205 000 00	210 612 74	5 612 74
Charges for services	95 500 00	95 500 00	96 346 75	846 75
Interest	25 000 00	25 000 00	53 927 48	28 927 48
Miscellaneous	17 500 00	17 500 00	1 280 32	(16 219 68)
<b>Total revenues</b>	<u>600 000 00</u>	<u>600 000 00</u>	<u>659 773 55</u>	<u>59 773 55</u>
Expenditures:				
Legislative:				
Township Board	6 100 00	6 100 00	5 600 00	(500 00)
General government:				
Supervisor	17 600 00	17 600 00	17 499 96	(100 04)
Elections	5 500 00	9 500 00	8 067 93	(1 432 07)
Attorney	10 000 00	10 000 00	7 691 00	(2 309 00)
Assessor	30 500 00	30 500 00	28 556 62	(1 943 38)
Clerk	30 600 00	30 600 00	23 510 89	(7 089 11)
Board of Review	800 00	1 600 00	1 372 50	(227 50)
Treasurer	24 100 00	24 100 00	20 641 02	(3 458 98)
Building and grounds	88 250 00	75 450 00	51 920 68	(23 529 32)
Cemetery	12 500 00	12 500 00	7 812 00	(4 688 00)
Unallocated	1 200 00	1 200 00	1 196 27	(3 73)
Public safety:				
Fire protection	1 750 00	1 750 00	500 00	(1 250 00)
Zoning administration	18 500 00	18 500 00	14 119 28	(4 380 72)
Planning and zoning	22 650 00	23 650 00	10 909 99	(12 740 01)
Public works:				
Highways and streets	140 000 00	140 000 00	231 281 85	91 281 85
Drains	25 000 00	25 000 00	9 264 98	(15 735 02)
Sanitation	120 000 00	120 000 00	119 823 35	(176 65)
Culture and recreation:				
Recreation	14 750 00	21 750 00	20 295 07	(1 454 93)
<b>Total expenditures</b>	<u>569 800 00</u>	<u>569 800 00</u>	<u>580 063 39</u>	<u>10 263 39</u>
Excess (deficiency) of revenues over expenditures	30 200 00	30 200 00	79 710 16	49 510 16
Fund balance, April 1	<u>804 480 10</u>	<u>804 480 10</u>	<u>1 205 151 10</u>	<u>400 671 00</u>
Fund Balance, March 31	<u>834 680 10</u>	<u>834 680 10</u>	<u>1 284 861 26</u>	<u>450 181 16</u>

TOWNSHIP OF IOSCO  
Livingston County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2007

Township Board:		
Fees and per diem	5 600 00	
Supervisor:		
Salary	17 499 96	
Elections:		
Per diem	4 330 66	
Supplies	1 186 44	
Miscellaneous	2 550 83	
	8 067 93	
Attorney	7 691 00	
Assessor:		
Salary	28 485 64	
Miscellaneous	70 98	
	28 556 62	
Clerk:		
Salary – clerk	19 999 60	
Salary – deputy clerk	2 935 00	
Miscellaneous	576 29	
	23 510 89	
Board of Review:		
Salaries	1 372 50	
Treasurer:		
Salary – treasurer	19 779 60	
Salary – deputy treasurer	565 00	
Postage and miscellaneous	296 42	
	20 641 02	
Building and grounds:		
Supplies	4 747 48	
Printing and publishing	4 097 13	
Repairs and maintenance	3 721 12	
Insurance	16 969 00	
Utilities	1 559 73	
Telephone	1 323 76	
Miscellaneous	12 661 50	
Payroll taxes	6 840 96	
	51 920 68	
Cemetery:		
Repairs and maintenance	7 812 00	
Unallocated:		
Tax roll preparation	1 196 27	
Fire protection:		
Per diem	500 00	
Zoning administration:		
Salary	14 119 28	

TOWNSHIP OF IOSCO  
Livingston County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2007

Planning and zoning:	
Per diem	10 000 00
Miscellaneous	909 99
	<u>10 909 99</u>
Highways and streets:	
Repairs and maintenance	<u>231 281 85</u>
Drains	<u>9 264 98</u>
Sanitation:	
Contracted services	<u>119 823 35</u>
Recreation	<u>20 295 07</u>
Total Expenditures	<u>580 063 39</u>

TOWNSHIP OF IOSCO  
Livingston County, Michigan

BALANCE SHEET – PERMANENT FUND  
March 31, 2007

	<u>Cemetery Perpetual Care</u>
<u>Assets</u>	
Cash in bank	<u>4 445 17</u>
Total Assets	<u>4 445 17</u>
<u>Liabilities and Fund Balances</u>	
Liabilities	<u>-</u>
Fund balances:	
Reserved	<u>4 445 17</u>
Total Liabilities and Fund Balances	<u>4 445 17</u>

TOWNSHIP OF IOSCO  
Livingston County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND  
Year ended March 31, 2007

	<u>Cemetery Perpetual Care</u>
Revenues:	
Charges for services	400 00
Interest	<u>19 46</u>
Total revenues	<u>419 46</u>
Expenditures – Cemetery	<u>-</u>
Excess (deficiency) of revenues over expenditures	419 46
Fund balance, April 1	<u>4 025 71</u>
Fund Balance, March 31	<u>4 445 17</u>

TOWNSHIP OF IOSCO  
 Livingston County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 Year ended March 31, 2007

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/07</u>
<u>Assets</u>				
Cash in Bank and Investments	4 654 30	1 953 329 28	1 709 559 91	248 423 67
<u>Liabilities</u>				
Due to other funds	4 654 30	257 233 41	232 305 61	29 582 10
Due to others	-	1 696 095 87	1 477 254 30	218 841 57
Total Liabilities	4 654 30	1 953 329 28	1 709 559 91	248 423 67

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 23, 2007

To the Township Board  
Township of Iosco  
Livingston County, Michigan

We have audited the financial statements of the Township of Iosco for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Iosco in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Iosco  
Livingston County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

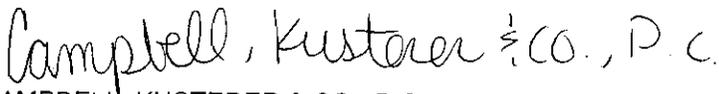
We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants