

### Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of McMillan, Michigan	County Luce
Fiscal Year End 6/30/07	Opinion Date 12-12-2007	Date Audit Report Submitted to State 12-26-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

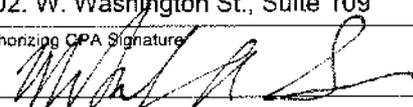
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) Anderson, Tackman, & Company, PLC		Telephone Number 906-225-1166
Street Address 102. W. Washington St., Suite 109		City Marquette
		State MI
		Zip 49855
Authorizing CPA Signature 	Printed Name Michael Alan Greutz	License Number 1101027988

**TOWNSHIP OF MCMILLAN, MICHIGAN**  
**FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2007**

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**ANDERSON, TACKMAN & COMPANY, P.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Members of  
the Township Board of Trustees  
Township of McMillan, Michigan  
405 Newberry Avenue  
Newberry, Michigan 49868

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information the Township of McMillan, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Township of McMillan, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of McMillan, Michigan'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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, business-type activities, each major fund, and the aggregate remaining fund information of the Township of McMillan, Michigan as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2007, on our consideration of the Township of McMillan, Michigan's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Supervisor and Members of the Township Board of Trustees  
Township of McMillan, Michigan

The Management's Discussion and Analysis and Budgetary Comparison Information on pages 5 through 8 and 30 through 31, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of McMillan, Michigan's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

December 12, 2007

## Township of McMillan, Michigan

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of McMillan's financial performance provides an overview of the Township's financial activities for the year ended June 30, 2007. Please read it in conjunction with the financial statements, which begin on page 9.

#### FINANCIAL HIGHLIGHTS

- Net assets for the Township of McMillan, Michigan as a whole decreased by \$141,569 as a result of this year's operations. Net assets of our business-type activities increased by \$93,868, or 76 percent, and net assets of our governmental activities decreased by \$235,437, or 20 percent.
- During the year, the Township of McMillan, Michigan had expenses for governmental activities that were \$830,000 and expenses for business type activities that were \$44,089.
- The General Fund reported a net fund balance of \$480,890. Net income was \$85,701 higher than the forecasted decrease of \$159,500.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 10) provide information about the activities of the Township of McMillan, Michigan as a whole and present a longer-term view of the Township of McMillan, Michigan's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township of McMillan, Michigan's operations in more detail than the government-wide statements by providing information about the Township of McMillan, Michigan's most significant funds. The remaining statements provide financial information about activities for which the Township of McMillan acts solely as a trustee or agent for the benefit of those outside the government.

#### **Reporting the Township as a Whole**

Our analysis of the Township of McMillan, Michigan as a whole begins on page 6. One of the most important questions asked about the Township of McMillan, Michigan's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township of McMillan, Michigan as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township of McMillan, Michigan's *net assets* and changes in them. You can think of the Township of McMillan, Michigan's net assets - the difference between assets and liabilities - as one way to measure the Township of McMillan, Michigan's financial health, or *financial position*. Over time, *increases or decreases* in the Township of McMillan, Michigan's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township of McMillan, Michigan's patron base and the condition of the Township of McMillan, Michigan's capital assets, to assess the *overall financial health* of the Township of McMillan, Michigan.

In the Statement of Net Assets and the Statement of Activities, we divide the Township of McMillan, Michigan into two kinds of activities:

- **Governmental Activities** – Most of the Township of McMillan, Michigan's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township of McMillan, Michigan charges a fee to customers to help it cover all or most of the certain services it provides. The Wastewater Treatment Fund is reported here.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

Table I provides a summary of the Township's net assets as of June 30, 2007 and 2006.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/07	6/30/06	6/30/07	6/30/06	6/30/07	6/30/06
Current & Other Assets	\$ 818,129	\$2,224,979	\$ 22,667	\$ 8,335	\$ 840,796	\$ 2,233,314
Capital Assets, net	120,484	126,091	245,786	257,733	366,270	383,824
Total Assets	<u>938,613</u>	<u>2,351,070</u>	<u>268,453</u>	<u>266,068</u>	<u>1,207,066</u>	<u>2,617,138</u>
Current Liabilities	-	1,177,020	8,216	94,291	8,216	1,271,311
Non-current Liabilities	-	-	42,419	47,827	42,419	47,827
Total Liabilities	<u>-</u>	<u>1,177,020</u>	<u>50,635</u>	<u>142,118</u>	<u>50,635</u>	<u>1,319,138</u>
Net Assets:						
Invested in capital assets, net of related debt	120,484	126,091	198,128	204,667	318,612	330,758
Restricted	-	-	7,621	7,883	7,621	7,883
Unrestricted (deficit)	818,129	1,047,959	12,069	(88,600)	830,198	959,359
Total Net Assets	<u>\$ 938,613</u>	<u>\$1,174,050</u>	<u>\$ 217,818</u>	<u>\$ 123,950</u>	<u>\$ 1,156,431</u>	<u>\$ 1,298,000</u>

Net assets of the Township's governmental activities stood at \$ 938,613. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$818,129.

The \$818,129 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$217,818. The Township can generally only use these net assets to finance continuing operations of the Wastewater Treatment Facility operations.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2007 and 2006.

Table 2  
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/07	6/30/06	6/30/07	6/30/06	6/30/07	6/30/06
Revenues:						
Program Revenues:						
Charges for services	\$ 245,076	\$ 180,106	\$ 40,903	\$ 31,894	\$ 285,979	\$ 212,000
Operating grants and contributions	3,669	3,555	-	-	3,669	3,555
General Revenues:						
Property taxes	305,319	306,519	-	-	305,319	306,519
State sources	91,566	93,050	-	-	91,566	93,050
Interest and miscellaneous	45,718	39,968	-	-	45,718	39,968
Total Revenues	<u>691,348</u>	<u>623,198</u>	<u>40,903</u>	<u>31,894</u>	<u>732,251</u>	<u>655,092</u>
Program Expenses:						
Legislative	45,751	45,361	-	-	45,751	45,361
General services & Administration	338,625	329,379	-	-	338,625	329,379
Public safety	43,848	56,254	-	-	43,848	56,254
Public Works	5,630	16,737	-	-	5,630	16,737
Community and Economic Development	396,146	203,093	-	-	396,146	203,093
Recreation and Culture	-	-	-	-	-	-
Other	-	-	-	-	-	-
Wastewater Treatment	-	-	44,089	42,948	44,089	42,948
Total Expenses	<u>830,000</u>	<u>650,824</u>	<u>44,089</u>	<u>42,948</u>	<u>874,089</u>	<u>693,772</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/07	6/30/06	6/30/07	6/30/06	6/30/07	6/30/06
Excess (deficiency) before transfers	(138,652)	(27,626)	(2,917)	(11,054)	(141,569)	(38,680)
Transfers	(96,785)	-	96,785	-	-	-
Increase (decrease) in net assets	(235,437)	(27,626)	93,868	(11,054)	(141,569)	(38,680)
Net assets, beginning, as restated	1,174,050	1,201,676	123,950	135,004	1,298,000	1,336,680
Net Assets, Ending	\$ 938,613	\$ 1,174,050	\$ 217,818	\$ 123,950	\$ 1,156,431	\$ 1,298,000

The Township of McMillan, Michigan's total revenues were \$ 732,251. The total cost of all programs and services was \$ 874,089, leaving a decrease in net assets of \$141,569. Our analysis below separately considers the operations of governmental and business-type activities:

**Governmental Activities**

The net assets of the Township of McMillan, Michigan's governmental activities decreased \$ 235,437 for the year ended June 30, 2007.

The Governmental Funds had a net loss of \$ 229,830 and depreciation expense of \$ 5,607.

**Business-type Activities**

During the year ended June 30, 2007, the net assets of the Township of McMillan, Michigan's business type activities increased by \$93,868. The reason for this is a transfer in from the General Fund.

**THE TOWNSHIP OF MCMILLAN, MICHIGAN'S FUNDS**

Our analysis of the Township of McMillan, Michigan's major funds begins on page 11. The fund financial statements provide detail information about the most significant funds, not the Township of McMillan, Michigan as a whole. The board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Township of McMillan, Michigan's major funds includes the General Fund, Donated Funds, EMS Building Fund, Sanitation Fund, Water Fund and Sewer Fund.

The General Fund pays for the most of the Township of McMillan, Michigan's governmental services.

**General Fund Budgetary Highlights**

Over the course of the year, the Township of McMillan Board revised the budget a few times.

Amendments resulted in a \$0 change in overall equity.

With these adjustments, actual charges to expenditures were \$165,460 less than the final amended budget. Conversely, revenues were \$ 17,026 more than the final budget projection.

The revenue and expenditures differences between final budget and the actual are made up of:

Revenues were \$16,968 greater than budgeted for the following reasons: Under budgeting for the revenue from the State of Michigan in the amount of \$11,566, interest rates increase giving an additional \$2,846 in interest income and \$2,614 from all other activities.

Expenditures were \$165,460 less than budgeted for the following reasons: Professional Services were over budgeted by \$9,137, the Clerks other services and charges were \$8,992 under budget due to less expenditures being incurred, Township Hall Expenses were \$12,988 less than budget, Cemetery expenses \$4,458 less, Fire Department service contract decreased by \$27,409, Roads Projects worth \$34,891 were deferred until next year, \$51,520 of contingency was not used, and \$16,065 immaterial difference from all other activity.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2007 and 2006, the Township had \$ and \$383,824 respectively invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3  
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities – 2007	Business-Type Activities – 2007	Totals – 2007	Totals – 2006
Land	\$ 51,750	\$ -	\$ 51,750	\$ 51,750
Land improvements	-	-	-	-
Buildings and improvements	64,747	245,787	310,534	325,739
Equipment and furnishings	3,987	-	3,987	6,335
	<u>\$ 120,484</u>	<u>\$ 245,787</u>	<u>\$ 366,271</u>	<u>\$ 383,824</u>

The Township recorded depreciation expense of \$17,554 for 2007 and \$18,879 for 2006.

#### Debt

At the end of fiscal 2007 and 2006, the Township had outstanding debt of \$47,658 and \$53,066 related to the Sewer System Facility.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township's budget for the year ending June 30, 2008 basically, the budget is the same for the year ending June 30, 2007.

#### CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township of McMillan, 405 Newberry Avenue, Newberry, MI 49868.

Township of McMillan, Michigan

STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government		Total
	Governmental Activities	Business Type Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 790,053	\$ 16,494	\$ 806,547
Receivables (net)	28,076	6,173	34,249
<b>TOTAL CURRENT ASSETS</b>	<b>818,129</b>	<b>22,667</b>	<b>840,796</b>
Non-current assets:			
Land and construction in progress	51,750	-	51,750
Other capital assets	188,422	565,135	753,557
Accumulated depreciation	(119,688)	(319,349)	(439,037)
Total Capital Assets	120,484	245,786	366,270
<b>TOTAL NON-CURRENT ASSETS</b>	<b>120,484</b>	<b>245,786</b>	<b>366,270</b>
<b>TOTAL ASSETS</b>	<b>938,613</b>	<b>268,453</b>	<b>1,207,066</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	-	2,381	2,381
Accrued liabilities	-	-	-
Deferred revenue	-	-	-
Current portion of bonds payable	-	5,239	5,239
Other current liabilities	-	596	596
<b>TOTAL CURRENT LIABILITIES</b>	<b>-</b>	<b>8,216</b>	<b>8,216</b>
Non-current Liabilities:			
Compensated absences	-	-	-
Bonds payable	-	42,419	42,419
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>42,419</b>	<b>42,419</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>50,635</b>	<b>50,635</b>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	120,484	198,128	318,612
Restricted for:			
Debt Service	-	7,621	7,621
Unrestricted	818,129	12,069	830,198
<b>TOTAL NET ASSETS</b>	<b>\$ 938,613</b>	<b>\$ 217,818</b>	<b>\$ 1,156,431</b>

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

Township of McMillan, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2007

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
Legislative	\$ 45,751	\$ -	\$ -	\$ -	\$ (45,751)	\$ -	\$ (45,751)
General services and administration	338,625	14,843	-	-	(323,782)	-	(323,782)
Public safety	43,848	-	3,669	-	(40,179)	-	(40,179)
Public works	5,630	-	-	-	(5,630)	-	(5,630)
Community and economic development	396,146	230,233	-	-	(165,913)	-	(165,913)
Recreation and culture	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>830,000</b>	<b>245,076</b>	<b>3,669</b>	<b>-</b>	<b>(581,255)</b>	<b>-</b>	<b>(581,255)</b>
Business Type Activities:							
Wastewater treatment	44,089	40,903	-	-	-	(3,186)	(3,186)
<b>Total Business Type Activities</b>	<b>44,089</b>	<b>40,903</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,186)</b>	<b>(3,186)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 874,089</b>	<b>\$ 285,979</b>	<b>\$ 3,669</b>	<b>\$ -</b>	<b>(581,255)</b>	<b>(3,186)</b>	<b>(584,441)</b>
General Revenues:							
Taxes					305,319	-	305,319
Unrestricted State sources					91,566	-	91,566
Interest and investment earnings					42,066	269	42,335
Miscellaneous					3,652	-	3,652
Transfers					(96,785)	96,785	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>345,818</b>	<b>97,054</b>	<b>442,872</b>
					<b>CHANGE IN NET ASSETS</b>	<b>93,868</b>	<b>(141,569)</b>
Net assets, beginning of year					1,174,050	123,950	1,298,000
					<b>NET ASSETS, END OF YEAR</b>	<b>\$ 938,813</b>	<b>\$ 1,156,431</b>

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

Township of McMillan, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2007

	General Fund	UDAG Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and equivalents	\$ 452,814	\$ 331,753	\$ 5,486	\$ 790,053
Receivables	28,076	1,253,314	-	1,281,390
Due from other funds	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 480,890</u>	<u>\$ 1,585,067</u>	<u>\$ 5,486</u>	<u>\$ 2,071,443</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related	-	-	-	-
Deferred revenue	-	1,253,314	-	1,253,314
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>1,253,314</u>	<u>-</u>	<u>1,253,314</u>
<b>FUND BALANCE:</b>				
Reserved for:				
Cemetery Trust Fund	-	-	5,486	5,486
Unreserved, reported in:				
General Fund	480,890	-	-	480,890
Liquor Law Fund	-	-	-	-
UDAG Fund	-	331,753	-	331,753
<b>TOTAL FUND BALANCE</b>	<u>480,890</u>	<u>331,753</u>	<u>5,486</u>	<u>818,129</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 480,890</u>	<u>\$ 1,585,067</u>	<u>\$ 5,486</u>	<u>\$ 2,071,443</u>

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

**Township of McMillan, Michigan**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**

June 30, 2007

**Total Fund Balances for Governmental Funds** \$ 818,129

*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

Cost of Capital Assets	240,172	
Accumulated Deprecation of Assets	<u>(119,688)</u>	120,484

Long-term liabilities, including bonds payable, are not due and payable  
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ -
Compensated absences	-
Bonds payable	<u>-</u>

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 938,613

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

Township of McMillan, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2007

	General Fund	UDAG Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 305,319	\$ -	\$ -	\$ 305,319
Licenses and permits	-	-	-	-
State sources	91,566	-	3,669	95,235
Charges for services	14,843	-	-	14,843
Interest	32,096	68,748	128	100,972
Other	3,652	171,327	-	174,979
<b>TOTAL REVENUES</b>	<b>447,476</b>	<b>240,075</b>	<b>3,797</b>	<b>691,348</b>
<b>EXPENDITURES:</b>				
Current operations:				
Legislative	45,751	-	-	45,751
General services and administration	333,018	-	-	333,018
Public safety	40,091	-	3,757	43,848
Public works	5,630	-	-	5,630
Community and economic development	-	396,146	-	396,146
Recreation and culture	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>424,490</b>	<b>396,146</b>	<b>3,757</b>	<b>824,393</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>22,986</b>	<b>(156,071)</b>	<b>40</b>	<b>(133,045)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	(96,785)	-	-	(96,785)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(96,785)</b>	<b>-</b>	<b>-</b>	<b>(96,785)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(73,799)</b>	<b>(156,071)</b>	<b>40</b>	<b>(229,830)</b>
Fund balance, beginning of year	554,689	487,824	5,446	1,047,959
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 480,890</b>	<b>\$ 331,753</b>	<b>\$ 5,486</b>	<b>\$ 818,129</b>

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

**Township of McMillan, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2007

**Net Change in Fund Balances - Total Governmental Funds** **\$ (229,830)**

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ -	
Depreciation expense	<u>(5,607)</u>	(5,607)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

-  
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**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ (235,437)**

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

**Township of McMillan, Michigan**

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2007

		<b>Business - Type Activities Enterprise Funds</b> <hr/> <b>Wastewater Treatment Operating Fund</b> <hr/>
<b>ASSETS:</b>		
Current Assets:		
Cash and equivalents	\$	16,494
Accounts receivable, net		6,173
<b>TOTAL CURRENT ASSETS</b>		<hr/> 22,667 <hr/>
Non-current Assets:		
Capital assets		565,135
Accumulated depreciation		(319,349)
<b>TOTAL NON-CURRENT ASSETS</b>		<hr/> 245,786 <hr/>
<b>TOTAL ASSETS</b>		<hr/> 268,453 <hr/>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts payable		2,381
Due to other funds		-
Accrued interest payable		596
Current portion of long-term debt		5,239
<b>TOTAL CURRENT LIABILITIES</b>		<hr/> 8,216 <hr/>
Non-current Liabilities:		
Bond payable		42,419
<b>TOTAL NON-CURRENT LIABILITIES</b>		<hr/> 42,419 <hr/>
<b>TOTAL LIABILITIES</b>		<hr/> 50,635 <hr/>
<b>NET ASSETS:</b>		
Invested in capital assets net of related debt		198,128
Restricted - debt service		7,621
Unrestricted		12,069
<b>TOTAL NET ASSETS</b>	<b>\$</b>	<hr/> 217,818 <hr/>

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

**Township of McMillan, Michigan**

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2007

		<b>Business - Type Activities Enterprise Funds</b>
		<b>Wastewater Treatment Operating Fund</b>
<b>OPERATING REVENUES:</b>		
Charges for services (net)	\$	40,903
Other operating revenue		-
<b>TOTAL OPERATING REVENUES</b>		<b>40,903</b>
<b>OPERATING EXPENSES:</b>		
Operating expenses		29,563
Depreciation		11,947
<b>TOTAL OPERATING EXPENSES</b>		<b>41,510</b>
<b>OPERATING INCOME (LOSS)</b>		<b>(607)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Transfer In (from general fund)		96,785
Investment income		269
Interest expense		(2,579)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>		<b>94,475</b>
<b>CHANGE IN NET ASSETS</b>		<b>93,868</b>
Net assets, beginning of year		123,950
<b>NET ASSETS, END OF YEAR</b>	<b>\$</b>	<b>217,818</b>

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

**Township of McMillan, Michigan**

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2007

		<u>Business -Type Activities Enterprise Funds Wastewater Treatment Operating Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from fees and charges for services	\$	38,889
Other operating revenues		-
Cash payments to employees for services		-
Cash payments to suppliers for goods and services		(29,488)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		<u>9,401</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Cash payments for capital assets		-
Interest payments on bonds		(2,579)
Principal payments on bonds		(5,408)
Increase (decrease) in due from funds		(86,150)
Transfer In		96,785
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		<u>2,648</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest income		269
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		<u>269</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		12,318
Cash and cash equivalents, beginning of year		4,176
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$</b>	<u><u>16,494</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$	(607)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		11,947
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		(2,014)
Increase (decrease) in accounts payable		140
Increase (decrease) in accrued interest		(65)
<b>NET ADJUSTMENTS</b>		<u>10,008</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$</b>	<u><u>9,401</u></u>

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

**Township of McMillan, Michigan**

**FIDUCIARY FUNDS**

**STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2007

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and equivalents	\$ 100
	<u>          </u>
<b>TOTAL ASSETS</b>	<u>\$ 100</u>
<b>LIABILITIES:</b>	
Due to other funds	\$ -
Due to others	<u>100</u>
	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>\$ 100</u>

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

**(1) REPORTING ENTITY**

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

**(2) 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.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**(3) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon 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

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

end of the current fiscal period. Property taxes, state-shared revenue, grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under the accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township of McMillan, Michigan property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Township of McMillan, Michigan as of the preceding December 31<sup>st</sup>.

Although the Township of McMillan, Michigan 2006 ad valorem tax is levied and collectible on December 1, 2006, it is the Township of McMillan, Michigan's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 taxable valuation of the Township of McMillan, Michigan totaled \$79,191,579, on which ad valorem taxes levied consisted of .9356 mills for the operating purposes. These amounts are recognized in the General fund financial statements as taxes receivable or as tax revenue.

The Township reports the following major governmental funds:

- The **General Fund** is the Township'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 **UDAG** accounts for the Township's Economic Development Corporation activities.

The Township reports the following major proprietary funds:

- The **Wastewater Treatment Fund** accounts for the management of wastewater treatment services including billing, maintenance and construction.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our propriety funds relates to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g. labor and materials to hook up new customers) as

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expense.

**(4) ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

**Bank Deposits and Investments** – Cash and cash equivalents are considered to be 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. Pooled investment income is generally allocated to the General Fund.

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

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

**Restricted Assets** – The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

**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 governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township of McMillan, Michigan as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated market value on the date of donation. Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements	25 years
Water and Sewage System	40 years
Infrastructure	10 to 50 years
Equipment	5 years

**Compensated Absences (Vacation and Sick Leave)** – The Township of McMillan, Michigan not does provide any compensated absences for their employees.

**Long-Term Obligations** – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**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.

**Estimates** – The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles require the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues and expenditures. Actual results may differ from estimated amounts.

## **NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**Budgets and Budgetary Accounting** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to June 30 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
  1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or groups(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
  2. The following considerations must be reviewed in determination of transfer approvals.
    - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
    - b. Will the transfer maintain the financial integrity of the Township?
    - c. Will the transfer provide a reasonable solution to the Departmental operating problem?

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):**

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

**NOTE C – DEPOSITS AND INVESTMENTS:**

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Assets:

	Primary Government	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	\$ 806,546	\$ 100	\$ 806,646
Investments	-	-	-
Restricted:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
TOTALS	\$ 806,546	\$ 100	\$ 806,646

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a deposit policy for custodial credit risk. The carrying amounts of the Township's deposits with financial institutions were \$806,646 and the bank balance was \$816,614. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 300,400
Amount uncollateralized and uninsured	516,214
	\$ 816,614

**NOTE C – DEPOSITS AND INVESTMENTS (Continued):**

Investments

As of June 30, 2007, the Township did not have any investments.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

Michigan statutes (Act 196, PA 1997) authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Township has no investment policy that would further limit its investment choices. Ratings are not required for the Township's investment in U.S. Government Agencies or equity-type funds. The Township's investments are in accordance with statutory authority.

*Concentration of Credit Risk*

The Township places no limit on the amount the Township may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

**NOTE D – RECEIVABLES:**

Receivables as of year-end for the government's individual major and non-major funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>UDAG Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Taxes Receivable	\$-	\$-	\$-	\$-
UDAG Account Receivable	-	1,253,314	-	1,253,314
Due from other Governmental Units	28,076	-	-	28,076
Utility Billings	-	-	6,173	6,173
<b>Totals</b>	<b>\$28,076</b>	<b>\$1,253,314</b>	<b>\$6,173</b>	<b>\$1,287,563</b>

**NOTE E – URBAN DEVELOPMENT ACTION GRANT - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:**

On July 13, 1985, McMillan Township received an Urban Development Action Grant in the amount of \$1,425,000. Of this amount \$1,395,000 was loaned to Louisiana Pacific Corporation as part of a financing package used to build a fiberboard manufacturing plant. The Corporation repaid this loan in quarterly installments of \$85,320 at 8% for a five year period. The Township retains these funds for future economic development.

**NOTE E – URBAN DEVELOPMENT ACTION GRANT - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued):**

The following is a list of notes receivable as of June 30, 2007:

Year Awarded	Debtor	Balance 6-30-07 (Township Share)	Total Loan Amount (Township Share)	Interest Rate	Term In Years
June 1998	U.P. Trading Company	26,042	51,800	8	15*
June 1998	The Pizza Place	43,216	60,000	8.15	15*
June 1998	S & J Archery	33,639	4,500	7.5	5
February 2001	Northern Casting	250,506	290,250	7.5	15*
April 2001	Luce County Parks and Rec	27,070	85,000	5	10
May 2001	Yoopertinkerville	22,235	32,250	8.5	15*
July 2001	LJ's Family Restaurant	8,826	14,063	8.5	7
February 2002	Plesscher Nursery, Inc.	43,515	50,000	7.5	5
March 2002	NorTek, LLC	64,904	73,800	7.5	20
April 2002	McMillan Township Fire Trucks	206,292	415,000	4.75	16
July 2002	Joel Schultz	7,790	20,000	7	15*
July 2003	Moose on the Luce	11,810	15,000	7.5	10
October 2003	Village Inn	4,200	7,500	7.5	15
January 2005	Ben Franklin	26,064	30,000	7.5	15
June 2005	New Ull and Brenda's Bridal	31,058	48,000	8.	10*
December 2005	Rome's Auto Repair	28,336	30,000	7.5	20*
April 2006	Mahaffy, Inc.	62,679	68,000	7.5	15*
August 2005	The Island Grille	53,946	56,250	7.5	15*
March 2006	Ray & Sally Gibbons	51,823	47,500	7.5	15*
March 2007	Turcott Loan Guaranty	206,990	206,990	n/a	n/a
September 2006	Hilltop Sport & Bait	34,873	35,500	9.25	15
May 2007	Papa Reggies	7,500	7,500	8.5	10
		<u>\$1,253,314</u>			

\* Three Year Balloon

**NOTE F – DEFERRED REVENUE:**

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been made.

The UDAG Fund has reported \$1,253,314 which represents the UDAG loans to various businesses. Terms vary with respect to repayment of these loans. Proceeds from repayments on these loans will be used for future Township UDAG development.

**NOTE G – CAPITAL ASSETS:**

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

	Balance at July 1, 2006	Additions	Disposals	Balance at June 30, 2007
<b>GOVERNMENTAL ACTIVITIES:</b>				
Land	\$ 51,750	\$ -	\$ -	\$ 51,750
Total Capital Assets, not being depreciated	<u>51,750</u>	<u>-</u>	<u>-</u>	<u>51,750</u>
Buildings and improvements	155,873	-	-	155,873
Furniture and equipment	32,549	-	-	32,549
Total Capital Assets, being depreciated	<u>188,422</u>	<u>-</u>	<u>-</u>	<u>188,422</u>
Less Accumulated Depreciation:				
Buildings and improvements	(87,867)	(3,259)	-	(91,126)
Furniture and equipment	(26,214)	(2,348)	-	(28,562)
Total Accumulated Depreciation	<u>(114,081)</u>	<u>(5,607)</u>	<u>-</u>	<u>(119,688)</u>
Governmental Activities Capital Assets, Net	<u>\$ 126,091</u>	<u>\$ (5,607)</u>	<u>\$ -</u>	<u>\$ 120,484</u>
 <b>BUSINESS-TYPE ACTIVITIES:</b>				
Land	\$ -	\$ -	\$ -	\$ -
Investment in Treatment Facility	-	-	-	-
Total Capital Assets, not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Buildings and improvements	-	-	-	-
Equipment	565,135	-	-	565,135
Total Capital Assets, being depreciated	<u>565,135</u>	<u>-</u>	<u>-</u>	<u>565,135</u>
Less Accumulated Depreciation:				
Buildings and improvements	-	-	-	-
Equipment	(307,402)	(11,947)	-	(319,349)
Total Accumulated Depreciation	<u>(307,402)</u>	<u>(11,947)</u>	<u>-</u>	<u>(319,349)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 257,733</u>	<u>\$ (11,947)</u>	<u>\$ -</u>	<u>\$ 245,786</u>
 <b>PRIMARY GOVERNMENT ACTIVITIES:</b>				
Land	\$ 51,750	\$ -	\$ -	\$ 51,750
Investment in Treatment Facility	-	-	-	-
Total Capital Assets, not being depreciated	<u>51,750</u>	<u>-</u>	<u>-</u>	<u>51,750</u>
Buildings and improvements	155,873	-	-	155,873
Equipment	597,684	-	-	597,684
Total Capital Assets, being depreciated	<u>753,557</u>	<u>-</u>	<u>-</u>	<u>753,557</u>
Less Accumulated Depreciation:				
Buildings and improvements	(87,867)	(3,259)	-	(91,126)
Equipment	(333,616)	(14,295)	-	(347,911)
Total Accumulated Depreciation	<u>(421,483)</u>	<u>(17,554)</u>	<u>-</u>	<u>(439,037)</u>
Total Primary Government Activities Capital Assets, Net	<u>\$ 383,824</u>	<u>\$ (17,554)</u>	<u>\$ -</u>	<u>\$ 366,270</u>

**NOTE G – CAPITAL ASSETS (Continued):**

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

Governmental Activities Depreciation:	
General and Administrative	\$ 5,607
Public Safety	-
Recreation and Culture	-
Total Depreciation Expense – Governmental Activities	<u>5,607</u>
Business-Type Activities:	
Wastewater Treatment Facility	11,947
Total Depreciation Expense – Business-Type Activities	<u>11,947</u>
Total Depreciation Expense – Primary Government	<u>\$ 17,554</u>

**NOTE H – INTERFUND BALANCES:**

		Transfer Out To Other Funds	
		General Fund	Total Transfers In
Transfer In From Other Funds	Waste Water Fund	<u>\$ 96,785</u>	<u>\$ 96,785</u>
Total Transfers Out		<u>\$ 96,785</u>	<u>\$ 96,785</u>

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 and (2) moves 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.

**NOTE I – LONG-TERM DEBT:**

SCHEDULE OF LUCE COUNTY DISPOSAL SYSTEM NO. 1 BOND  
June 30, 2007

	September 1 Interest	March 31 Principal	March 31 Interest	Total
2008	\$ 1,191	\$ 5,239	\$ 1,191	\$ 7,621
2009	1,060	5,239	1,060	7,359
2010	930	5,239	930	7,099
2011	799	5,239	799	6,837
2012	668	5,239	668	6,575
2013	537	5,239	537	6,313
2014	406	5,408	406	6,220
2015	270	5,408	270	5,948
2016	304	5,408	135	5,847
TOTALS	<u>\$ 6,165</u>	<u>\$ 47,658</u>	<u>\$ 5,996</u>	<u>\$ 59,819</u>

**NOTE I – LONG-TERM DEBT (Continued):**

The Bonds originally issued for \$ 136,045 and dated August 1, 1976 mature annually as scheduled above and bears interest at 5% per annum.

	July 1, 2006	Additions	Subtractions	June 30, 2007	Due Within 1 Year
<b>Business-Type Activities:</b>					
This debt represents the Township's share of the bond to form the joint venture in the Village of Newberry Wastewater Treatment Facility.					
	\$ 53,066	\$ -	\$ 5,408	\$ 47,658	\$ 5,239
Total Business-Type Activities	<u>53,066</u>	<u>-</u>	<u>5,408</u>	<u>47,658</u>	<u>5,239</u>
<b>TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT</b>					
	<u>\$ 53,066</u>	<u>\$ -</u>	<u>\$ 5,408</u>	<u>\$ 47,658</u>	<u>\$ 5,239</u>

**NOTE J – RESERVED AND DESIGNATED NET ASSETS:**

The Wastewater Treatment Fund has reserved net assets totaling \$7,621 which represents the balance available to pay down debt.

**NOTE K – RISK MANAGEMENT:**

The Local Government Unit is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Local Governmental Unit has purchased commercial insurance for claims and participates in the Michigan Townships Participating Plan. The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

**NOTE L – PENSION TRUST FUND:**

The Township of McMillan, Michigan offers all Township of McMillan, Michigan employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Township of McMillan, Michigan's financial statements. This plan is a defined contribution pension plan for Michigan Township Employees. Each employee shall be eligible to participate in the Plan upon attaining age 18 and not more than age 75. There is no minimum service requirement. The Township contributes 15% of the employee's annual salary to the Plan. The total contribution for the year ended June 30, 2006 was \$ 21,260.

**NOTE M – LAWSUIT:**

The Township is currently being sued by the Village of Newberry over the interpretation and continued operation of the joint sewer plant. The Circuit Court ruled in the favor of the Township this past winter. However, the Village appealed this decision and the Appeals Court overturned the Circuit Court ruling. The amount of a possible liability is undeterminable at this time.

REQUIRED SUPPLEMENTAL  
FINANCIAL INFORMATION

**Township of McMillan, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$ 309,600	\$ 309,600	\$ 305,319	\$ (4,281)
State sources	80,000	80,000	91,566	11,566
Charges for services	10,600	10,600	14,843	4,243
Interest	29,250	29,250	32,096	2,846
Other revenues	1,000	1,000	3,652	2,652
<b>TOTAL REVENUES</b>	<u>430,450</u>	<u>430,450</u>	<u>447,476</u>	<u>17,026</u>
<b>EXPENDITURES:</b>				
Legislative	47,150	47,250	45,751	1,499
General services and administration	370,300	378,680	333,018	45,662
Public safety	67,500	67,500	40,091	27,409
Public works	45,000	45,000	5,630	39,370
Other	60,000	51,520	-	51,520
<b>TOTAL EXPENDITURES</b>	<u>589,950</u>	<u>589,950</u>	<u>424,490</u>	<u>165,460</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(159,500)</u>	<u>(159,500)</u>	<u>22,986</u>	<u>182,486</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (out)	-	-	(96,785)	(96,785)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(96,785)</u>	<u>(96,785)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(159,500)</u>	<u>(159,500)</u>	<u>(73,799)</u>	<u>85,701</u>
Fund balance, beginning of year	<u>554,689</u>	<u>554,689</u>	<u>554,689</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 395,189</u>	<u>\$ 395,189</u>	<u>\$ 480,890</u>	<u>\$ 85,701</u>

**Township of McMillan, Michigan**

UDAG

**BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Interest	\$ -	\$ 70,000	\$ 68,748	\$ (1,252)
Other revenues	90,000	170,000	171,327	1,327
<b>TOTAL REVENUES</b>	<u>90,000</u>	<u>240,000</u>	<u>240,075</u>	<u>75</u>
<b>EXPENDITURES:</b>				
Community and economic development	90,000	400,000	396,146	3,854
<b>TOTAL EXPENDITURES</b>	<u>90,000</u>	<u>400,000</u>	<u>396,146</u>	<u>3,854</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(160,000)</u>	<u>(156,071)</u>	<u>3,929</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>(160,000)</u>	<u>(156,071)</u>	<u>3,929</u>
Fund balance, beginning of year,	487,824	487,824	487,824	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 487,824</u>	<u>\$ 327,824</u>	<u>\$ 331,753</u>	<u>\$ 3,929</u>

# Other Supplemental Information

**Township of McMillan, Michigan**

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Taxes:			
Current levy	\$ 76,800	\$ 71,395	\$ (5,405)
Commercial forest reserve	4,300	2,328	(1,972)
Swamp tax	192,500	192,516	16
Tax collection fees	36,000	39,080	3,080
Total Taxes	<u>309,600</u>	<u>305,319</u>	<u>(4,281)</u>
State Sources:			
State revenue sharing	72,000	85,343	13,343
Annual maintenance fee	8,000	6,223	(1,777)
Total State Sources	<u>80,000</u>	<u>91,566</u>	<u>11,566</u>
Charges for Services:			
Cemetery services	8,000	13,225	5,225
Miscellaneous services	2,600	1,618	(982)
Total Charges for Services	<u>10,600</u>	<u>14,843</u>	<u>4,243</u>
Interest and Rents			
Interest	28,250	19,521	(8,729)
Rents	1,000	12,575	11,575
Total Interest and Rents	<u>29,250</u>	<u>32,096</u>	<u>2,846</u>
Other Revenues:			
Miscellaneous other	1,000	3,652	2,652
Sale of property	-	-	-
Total Other Revenues	<u>1,000</u>	<u>3,652</u>	<u>2,652</u>
<b>TOTAL REVENUES</b>	<u>430,450</u>	<u>447,476</u>	<u>17,026</u>
<b>EXPENDITURES:</b>			
<b>LEGISLATIVE:</b>			
Township Board:			
Personnel services	44,950	43,888	1,062
Supplies	-	-	-
Other services and charges	2,300	1,863	437
Capital outlay	-	-	-
<b>TOTAL LEGISLATIVE</b>	<u>47,250</u>	<u>45,751</u>	<u>1,499</u>

**Township of McMillan, Michigan**

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>GENERAL SERVICES AND ADMINISTRATION:</b>			
Supervisor:			
Personnel services	\$ 14,980	\$ 15,661	\$ (681)
Supplies	-	-	-
Other services and charges	2,000	695	1,305
Capital outlay	-	-	-
Total Supervisor	<u>16,980</u>	<u>16,356</u>	<u>624</u>
Manager:			
Personnel services	21,850	20,388	1,462
Supplies	-	-	-
Other services and charges	700	164	536
Capital outlay	-	-	-
Total Manager	<u>22,550</u>	<u>20,552</u>	<u>1,998</u>
Elections			
Personnel services	4,000	3,906	94
Supplies	1,500	1,202	298
Other services and charges	200	34	166
Capital outlay	-	-	-
Total Elections	<u>5,700</u>	<u>5,142</u>	<u>558</u>
Professional Services			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	31,500	22,363	9,137
Capital outlay	-	-	-
Total Professional Services	<u>31,500</u>	<u>22,363</u>	<u>9,137</u>
Assessor:			
Personnel services	44,060	45,390	(1,330)
Supplies	1,500	1,086	414
Other services and charges	3,500	1,438	2,062
Capital outlay	-	-	-
Total Assessor	<u>49,060</u>	<u>47,914</u>	<u>1,146</u>

**Township of McMillan, Michigan**

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>Clerk:</b>			
Personnel services	\$ 28,630	\$ 28,651	\$ (21)
Supplies	2,500	2,508	(8)
Other services and charges	39,000	30,008	8,992
Capital outlay	2,000	529	1,471
Total Clerk	<u>72,130</u>	<u>61,696</u>	<u>10,434</u>
<b>Board of Review:</b>			
Personnel services	750	540	210
Supplies	-	-	-
Other services and charges	500	377	123
Total Board of Review	<u>1,250</u>	<u>917</u>	<u>333</u>
<b>Treasurer:</b>			
Personnel services	26,460	23,170	3,290
Supplies	3,000	2,564	436
Other services and charges	1,200	940	260
Total Treasurer	<u>30,660</u>	<u>26,674</u>	<u>3,986</u>
<b>Township Hall and Grounds:</b>			
Personnel services	19,400	19,973	(573)
Supplies	1,500	868	632
Other services and charges	38,000	25,071	12,929
Total Township Hall and Grounds	<u>58,900</u>	<u>45,912</u>	<u>12,988</u>
<b>Cemetery:</b>			
Personnel services	72,050	76,297	(4,247)
Supplies	500	279	221
Other services and charges	17,400	8,916	8,484
Total Cemetery	<u>89,950</u>	<u>85,492</u>	<u>4,458</u>
<b>TOTAL GENERAL SERVICES AND ADMINISTRATION</b>	<u>378,680</u>	<u>333,018</u>	<u>45,662</u>

**Township of McMillan, Michigan**  
**MAJOR GOVERNMENTAL FUNDS**  
**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>PUBLIC SAFETY:</b>			
Police Department:			
Personnel services	\$ -	\$ -	\$ -
Supplies	-	-	-
Other services and charges	2,000	2,000	-
Total Police Department	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Fire Department:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	65,500	38,091	27,409
Total Fire Department	<u>65,500</u>	<u>38,091</u>	<u>27,409</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>67,500</u>	<u>40,091</u>	<u>27,409</u>
<b>PUBLIC WORKS:</b>			
Streets:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	40,000	5,109	34,891
Total Streets	<u>40,000</u>	<u>5,109</u>	<u>34,891</u>
Refuse Collection:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	5,000	521	4,479
Total Refuse Collection	<u>5,000</u>	<u>521</u>	<u>4,479</u>
<b>TOTAL PUBLIC WORKS</b>	<u>45,000</u>	<u>5,630</u>	<u>39,370</u>

**Township of McMillan, Michigan**

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>OTHER FUNCTIONS:</b>			
Miscellaneous	\$ 51,520	\$ -	\$ 51,520
Total Other Functions	<u>51,520</u>	<u>-</u>	<u>51,520</u>
<b>TOTAL OTHER FUNCTIONS</b>	<u>51,520</u>	<u>-</u>	<u>51,520</u>
<b>TOTAL EXPENDITURES</b>	<u>589,950</u>	<u>424,490</u>	<u>165,460</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(159,500)</u>	<u>22,986</u>	<u>(148,434)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In:	-	-	-
Transfers (Out):	<u>-</u>	<u>(96,785.00)</u>	<u>96,785.00</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(96,785.00)</u>	<u>96,785.00</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(159,500)</u>	<u>(73,799)</u>	<u>(51,649)</u>
Fund balance, beginning of year	<u>554,689</u>	<u>554,689</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 395,189</u>	<u>\$ 480,890</u>	<u>\$ (51,649)</u>

**Township of McMillan, Michigan**

MAJOR GOVERNMENTAL FUNDS  
UDAG

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Interest:			
Interest income - investments	\$ 10,000	\$ 9,842	\$ (158)
Interest income - loans	<u>60,000</u>	<u>58,906</u>	<u>(1,094)</u>
Total Interest	<u>70,000</u>	<u>68,748</u>	<u>(1,252)</u>
Other Revenue:			
Principal payments	<u>170,000</u>	<u>171,327</u>	<u>1,327</u>
Total Other Revenues	<u>170,000</u>	<u>171,327</u>	<u>1,327</u>
<b>TOTAL REVENUES</b>	<u>240,000</u>	<u>240,075</u>	<u>75</u>
<b>EXPENDITURES:</b>			
<b>COMMUNITY AND ECONOMIC DEVELOPMENT:</b>			
Economic Development			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	400,000	396,146	3,854
Capital outlay	-	-	-
Total Economic Development	<u>400,000</u>	<u>396,146</u>	<u>3,854</u>
<b>TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT</b>	<u>400,000</u>	<u>396,146</u>	<u>3,854</u>
<b>TOTAL EXPENDITURES</b>	<u>400,000</u>	<u>396,146</u>	<u>3,854</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(160,000)</u>	<u>(156,071)</u>	<u>3,929</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	-	-
Transfers (Out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(160,000)</u>	<u>(156,071)</u>	<u>3,929</u>
Fund balance, beginning of year	<u>487,824</u>	<u>487,824</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 327,824</u>	<u>\$ 331,753</u>	<u>\$ 3,929</u>

**Township of McMillan, Michigan**

NON-MAJOR  
GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2007

	Special Revenue Fund	Permanent Fund	
	Liquor Law Fund	Cemetery Trust Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and equivalents	\$ -	\$ 5,486	\$ 5,486
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 5,486</b>	<b>\$ 5,486</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Other liabilities	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE:</b>			
Unreserved	-	5,486	5,486
<b>TOTAL FUND BALANCE</b>	<b>-</b>	<b>5,486</b>	<b>5,486</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 5,486</b>	<b>\$ 5,486</b>

**Township of McMillan, Michigan**

NON-MAJOR  
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2007

	Special Revenue Fund Liquor Law Fund	Permanent Fund Cemetery Trust Fund	Total Governmental Funds
<b>REVENUES:</b>			
State sources	\$ 3,669	\$ -	\$ 3,669
Interest	88	40	128
<b>TOTAL REVENUES</b>	<u>3,757</u>	<u>40</u>	<u>3,797</u>
<b>EXPENDITURES:</b>			
General government	-	-	-
Public safety	3,757	-	3,757
<b>TOTAL EXPENDITURES</b>	<u>3,757</u>	<u>-</u>	<u>3,757</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>40</u>	<u>40</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers (out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>40</u>	<u>40</u>
Fund balance, beginning of year	<u>-</u>	<u>5,446</u>	<u>5,446</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 5,486</u>	<u>\$ 5,486</u>

**Township of McMillan, Michigan**

NON-MAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE

LIQUOR LAW FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
State shared revenues	\$ 3,600	\$ 3,669	\$ 69
Interest	80	88	8
<b>TOTAL REVENUES</b>	<b>3,680</b>	<b>3,757</b>	<b>77</b>
<b>EXPENDITURES:</b>			
Public Safety:			
Liquor Law Enforcement			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	3,680	3,757	(77)
Capital outlay	-	-	-
Total Cemetery	3,680	3,757	(77)
<b>TOTAL EXPENDITURES</b>	<b>3,680</b>	<b>3,757</b>	<b>(77)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers (out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	-	-	-
<b>CHANGES IN FUND BALANCE</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Township of McMillan, Michigan**

NON-MAJOR GOVERNMENTAL FUNDS  
PERMANENT FUND

CEMETERY TRUST FUND

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2007

	Cemetery Trust Fund
<b>REVENUES:</b>	
Interest	\$ 40
<b>TOTAL REVENUES</b>	<b>40</b>
<b>EXPENDITURES:</b>	
General Government:	
Cemetery	
Personnel services	-
Supplies	-
Other services and charges	-
Capital outlay	-
Total Cemetery	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>40</b>
<b>OTHER FINANCING SOURCES (USES):</b>	
Transfers in	-
Transfers (out)	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>
<b>CHANGES IN FUND BALANCE</b>	<b>40</b>
Fund balance, beginning of year	5,446
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 5,486</b>

**Township of McMillan, Michigan**

**FIDUCIARY FUNDS**

**COMBINING STATEMENT OF NET ASSETS**

June 30, 2007

	Tax Collection Fund	Total
<b>ASSETS</b>		
Cash and equivalents	\$ 100	\$ 100
<b>TOTAL ASSETS</b>	<u>\$ 100</u>	<u>\$ 100</u>
<b>LIABILITIES</b>		
Due to others	\$ 100	\$ 100
<b>TOTAL LIABILITIES</b>	<u>\$ 100</u>	<u>\$ 100</u>

## COMPLIANCE SUPPLEMENTS



**ANDERSON, TACKMAN & COMPANY, P.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Supervisor and Township Board of Trustees  
Township of McMillan, Michigan  
405 Newberry Avenue  
Newberry, Michigan 49868

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Township of McMillan, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Township of McMillan, Michigan's basic financial statements and have issued our report thereon dated December 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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 assign functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Township of McMillan, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of McMillan, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Township of McMillan, Michigan's internal control. We consider the deficiencies described in the accompanying report to management to be significant deficiencies in internal control over financial reporting as items 07-01 and 07-02.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of McMillan, Michigan's internal control.

To the Honorable Supervisor and Township Board of Trustees  
Township of McMillan, Michigan

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of McMillan, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

December 12, 2007



**ANDERSON, TACKMAN & COMPANY, P.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

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IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

**Township of McMillan, Michigan**  
*Report to Management Letter*  
*For the Year Ended June 30, 2007*

Honorable Supervisor and Members of the  
Township Board  
Township of McMillan, Michigan  
405 Newberry Ave.  
Newberry, MI 49868

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of McMillan, Michigan as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of McMillan, Michigan's internal control over financial reporting (internal control) 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 Township of McMillan, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of McMillan, Michigan's internal control.

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.

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.

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

Honorable Supervisor and Members of the  
Township Board  
Township of McMillan, Michigan

#### **07-01 – FINANCIAL REPORTING CYCLE**

**Condition/Criteria:** The monthly and year end financial reporting package as presented to the Board of Trustees is not fully compliant with generally accepted accounting principles. The general ledger is recorded on the cash basis of accounting and not on the modified-accrual basis of accounting.

**Effect:** Because the accruals are not being record in the general ledger until after the audit, the financial statements are not compliant with generally accepted accounting principles.

**Cause of Condition:** Failure to record accruals in the general ledger.

**Recommendation:** We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

#### **Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Joe Villemure, Manager
- Corrective Action Planned:
  - We are aware of this deficiency and believe it is not cost beneficial in our situation to allocate the time need to prepare the financial statements on the accrual basis of accounting.
- Anticipated Completion Date:
  - June 30, 2008

#### **07-02 – ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES.**

**Condition/Criteria:** Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

**Effect:** We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with GAAP.

**Cause of Condition:** The staff of the Township does not have adequate time to prepare all the information included in the annual financial statements. Therefore, we assisted in the preparing the financial statements and related footnotes.

**Recommendation:** We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

#### **Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Joe Villemure, Manager

Honorable Supervisor and Members of the  
Township Board  
Township of McMillan, Michigan

- Corrective Action Planned:
  - We are aware of this deficiency and believe it is not cost beneficial in our situation to allocate the time need to prepare the financial statements on the accrual basis of accounting.
- Anticipated Completion Date:
  - June 30, 2008

This communication is intended solely for the information and use of the management, audit committee, Township of McMillan, Michigan Board of Trustees, and others within the organization, and is not intended to be and should not be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Township of McMillan, Michigan's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

December 12, 2007



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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GREEN BAY  
MILWAUKEE

December 12, 2007

Honorable Supervisor and Members of the  
Township Board  
Township of McMillan, Michigan  
405 Newberry Ave.  
Newberry, Michigan 49868

We have audited the financial statements of the Township of McMillan; Michigan for the year ended June 30, 2007, and have issued our report thereon dated December 12, 2007. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

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

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

### Significant Accounting Policies

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

Honorable Supervisor and Members of the  
Township Board  
Township of McMillan, Michigan

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of McMillan; Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of McMillan, Michigan, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of McMillan, Michigan's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of McMillan, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

### **Conclusion**

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

*Anderson, Tuckman & Company, PLLC*  
Certified Public Accountants