

TOWNSHIP OF BROWN
Manistee County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2007

AUDITING PROCEDURES REPORT

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

| | | | |
|--|--|--|---------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Township of Brown | County Manistee |
| Audit Date June 30, 2007 | Opinion Date August 16, 2007 | Date Accountant Report Submitted to State: August 20, 2007 | |

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

We affirm that:

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

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

You must check the applicable box for each item below.

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

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

| | | | |
|--|-------------------------|--------------------|---------------------|
| Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C. | | | |
| Street Address 512 N. Lincoln, Suite 100, P.O. Box 686 | City Bay City | State MI | Zip 48707 |
| Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i> | | | |

TOWNSHIP OF BROWN
Manistee County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

August 16, 2007

To the Township Board
Township of Brown
Manistee County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Brown, Manistee County, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Brown's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Brown, Manistee County, Michigan as of June 30, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell Kusterer & Co., P.C.

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

TOWNSHIP OF BROWN
Manistee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2007

The Management's Discussion and Analysis report of the Township of Brown covers the Township's financial performance during the year ended June 30, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year.

Overall, revenues were \$131,691.27 from governmental activities with a \$6,393.92 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statements of net assets include all the Township's assets and liabilities. The statement of activities records all the current year revenues and expenses regardless of when received or paid.

All of the activities of the Township are reported as governmental activities. These include the General Fund and the Cemetery Perpetual Care Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant expenses are trash (15%) and fire/rescue (27%).

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township did not acquire any capital assets or acquire any long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and represents 39% of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Supervisor at 8233 Coates Hwy., Manistee, Michigan 49660 or call (231)889-4327.

TOWNSHIP OF BROWN
Manistee County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2007

| | Governmental Activities |
|---|----------------------------|
| ASSETS: | |
| CURRENT ASSETS: | |
| Cash in bank | 65 155 05 |
| Investments | 86 116 11 |
| Due from other units | 7 640 00 |
| Total Current Assets | 158 911 16 |
| NON-CURRENT ASSETS: | |
| Capital Assets | 93 803 00 |
| Less: Accumulated Depreciation | (30 394 00) |
| Total Non-current Assets | 63 409 00 |
| TOTAL ASSETS | 222 320 16 |
| LIABILITIES AND NET ASSETS: | |
| LIABILITIES: | |
| CURRENT LIABILITIES | - |
| Total Current Liabilities | - |
| NON-CURRENT LIABILITIES | - |
| Total Non-current Liabilities | - |
| Total Liabilities | - |
| NET ASSETS: | |
| Invested in Capital Assets, Net of Related Debt | 63 409 00 |
| Reserved | 7 854 90 |
| Unrestricted | 151 056 26 |
| Total Net Assets | 222 320 16 |
| TOTAL LIABILITIES AND NET ASSETS | 222 320 16 |

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

TOWNSHIP OF BROWN
Manistee County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2007

| | <u>Expenses</u> | <u>Program Revenue</u> | <u>Governmental Activities</u> |
|-------------------------------|-------------------|------------------------|---|
| | | Charges for Services | Net (Expense) Revenue and Changes in Net Assets |
| FUNCTIONS/PROGRAMS | | | |
| Governmental Activities: | | | |
| Legislative | 7 639 09 | - | (7 639 09) |
| General government | 57 548 11 | 12 727 66 | (44 820 45) |
| Public safety | 41 326 86 | 500 00 | (40 826 86) |
| Public works | <u>18 783 29</u> | <u>-</u> | <u>(18 783 29)</u> |
| Total Governmental Activities | <u>125 297 35</u> | <u>13 227 66</u> | <u>(112 069 69)</u> |
| General Revenues: | | | |
| Property taxes | | | 58 452 56 |
| State revenue sharing | | | 51 457 35 |
| Interest | | | 5 435 40 |
| Miscellaneous | | | <u>3 118 30</u> |
| Total General Revenues | | | <u>118 463 61</u> |
| Change in net assets | | | 6 393 92 |
| Net assets, beginning of year | | | <u>215 926 24</u> |
| Net Assets, End of Year | | | <u>222 320 16</u> |

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

TOWNSHIP OF BROWN
Manistee County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2007

| | <u>General</u> | <u>Other Funds</u> | <u>Total</u> |
|--|-------------------|--------------------|-------------------|
| <u>Assets</u> | | | |
| Cash in bank | 57 297 07 | 7 854 90 | 65 151 97 |
| Investments | 86 116 11 | - | 86 116 11 |
| Due from other units | 7 640 00 | - | 7 640 00 |
| Due from other funds | 3 08 | - | 3 08 |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | <u>151 056 26</u> | <u>7 854 90</u> | <u>158 911 16</u> |
| <u>Liabilities and Fund Equity</u> | | | |
| Liabilities | - | - | - |
| Total liabilities | <hr/> | <hr/> | <hr/> |
| Fund equity: | | | |
| Fund balances: | | | |
| Reserved | - | 7 854 90 | 7 854 90 |
| Unreserved: | | | |
| Undesignated | 151 056 26 | - | 151 056 26 |
| Total fund equity | <hr/> | <hr/> | <hr/> |
| Total Liabilities and Fund Equity | <u>151 056 26</u> | <u>7 854 90</u> | <u>158 911 16</u> |

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

TOWNSHIP OF BROWN
Manistee County, Michigan

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

June 30, 2007

| | |
|--|--------------------|
| TOTAL FUND BALANCES – GOVERNMENTAL FUNDS | 158 911 16 |
| Amounts reported for governmental activities in the statement of net assets are different because – | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet: | |
| Capital assets at cost | 93 803 00 |
| Accumulated depreciation | <u>(30 394 00)</u> |
| TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES | <u>222 320 16</u> |

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

TOWNSHIP OF BROWN
Manistee County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2007

| | General | Other Funds | Total |
|---|-------------------|-----------------|-------------------|
| Revenues: | | | |
| Property taxes | 58 452 56 | - | 58 452 56 |
| Licenses and permits | 500 00 | - | 500 00 |
| State revenue sharing | 51 457 35 | - | 51 457 35 |
| Charges for services - PTAF | 7 717 66 | - | 7 717 66 |
| Charges for services - Other | 5 010 00 | - | 5 010 00 |
| Interest | 5 152 06 | 283 34 | 5 435 40 |
| Miscellaneous | 3 118 30 | - | 3 118 30 |
| Total revenues | 131 407 93 | 283 34 | 131 691 27 |
| Expenditures: | | | |
| Legislative: | | | |
| Township Board | 7 639 09 | - | 7 639 09 |
| General government: | | | |
| Supervisor | 5 754 00 | - | 5 754 00 |
| Elections | 2 407 71 | - | 2 407 71 |
| Assessor | 7 338 00 | - | 7 338 00 |
| Clerk | 7 369 46 | - | 7 369 46 |
| Board of Review | 1 319 60 | - | 1 319 60 |
| Treasurer | 13 359 33 | - | 13 359 33 |
| Building and grounds | 12 936 77 | - | 12 936 77 |
| Cemetery | 5 073 24 | - | 5 073 24 |
| Public safety: | | | |
| Fire | 33 504 00 | - | 33 504 00 |
| Zoning | 4 241 85 | - | 4 241 85 |
| Planning Commission | 3 581 01 | - | 3 581 01 |
| Public works: | | | |
| Sanitation | 18 783 29 | - | 18 783 29 |
| Total expenditures | 123 307 35 | - | 123 307 35 |
| Excess of revenues over expenditures | 8 100 58 | 283 34 | 8 383 92 |
| Other financing sources (uses): | | | |
| Operating transfers in | 282 58 | - | 282 58 |
| Operating transfers out | - | (282 58) | (282 58) |
| Total other financing sources (uses) | 282 58 | (282 58) | - |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | 8 383 16 | 76 | 8 383 92 |
| Fund balances, July 1 | 142 673 10 | 7 854 14 | 150 527 24 |
| Fund Balances, June 30 | 151 056 26 | 7 854 90 | 158 911 16 |

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

TOWNSHIP OF BROWN
Manistee County, Michigan

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

Year ended June 30, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 8 383 92

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

| | |
|----------------------|------------|
| Depreciation Expense | (1 990 00) |
| Capital Outlay | <u>-</u> |

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 6 393 92

TOWNSHIP OF BROWN
Manistee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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

TOWNSHIP OF BROWN
Manistee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

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

Permanent Fund

The Cemetery Perpetual Care Fund is reserved for cemetery care.

Fiduciary Fund

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

Assets, Liabilities and Net Assets or Equity

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

Receivables

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

Inventories

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

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Townships 2006 tax roll millage rate was 2.4199 mills, and the taxable value was \$24,368,693.00.

Encumbrances

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

TOWNSHIP OF BROWN
Manistee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|---------------------------------------|-------------|
| Buildings, additions and improvements | 60 years |
| Furniture and equipment | 10-50 years |

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

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

Fund Equity

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

Note 2 – Budgets and Budgetary Accounting

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

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.

TOWNSHIP OF BROWN
Manistee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

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

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

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

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

| | Carrying Amounts |
|----------------|---------------------|
| Total Deposits | 65 155 05 |

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

| | Bank Balances |
|--------------------------------|------------------|
| Insured (FDIC) | 65 326 13 |
| Uninsured and Uncollateralized | - |
| Total Deposits | 65 326 13 |

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

TOWNSHIP OF BROWN
Manistee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 3 – Deposits and Investments – (continued)

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

| | <u>(1)</u> | <u>(2)</u> | <u>(3)</u> | <u>Carrying Amount</u> |
|---|------------|------------|------------|----------------------------|
| <u>Investment Type</u> | | | | |
| Risk Categorized Operating Funds | - | - | - | - |
| Total Risk-Categorized Investments | <u>-</u> | <u>-</u> | <u>-</u> | - |
| Nonrisk-Categorized: Financial Institution Pooled Funds | | | | <u>86 116 11</u> |
| Total Investments | | | | <u>86 116 11</u> |

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

Note 4 – Capital Assets

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

| | <u>Balance 7/1/06</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/07</u> |
|---------------------------------|---------------------------|-------------------|------------------|----------------------------|
| <u>Governmental Activities:</u> | | | | |
| Land | 19 473 00 | - | - | 19 473 00 |
| Buildings | 41 500 00 | - | - | 41 500 00 |
| Equipment | <u>32 830 00</u> | <u>-</u> | <u>-</u> | <u>32 830 00</u> |
| Total | 93 803 00 | - | - | 93 803 00 |
| Accumulated Depreciation | <u>(28 404 00)</u> | <u>(1 990 00)</u> | <u>-</u> | <u>(30 394 00)</u> |
| Net Capital Assets | <u>65 399 00</u> | <u>(1 990 00)</u> | <u>-</u> | <u>63 409 00</u> |

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

TOWNSHIP OF BROWN
Manistee County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Brown does not issue building permits.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

| <u>Fund</u> | <u>Interfund Receivables</u> | <u>Fund</u> | <u>Interfund Payables</u> |
|-------------|----------------------------------|------------------------|-------------------------------|
| General | <u>3 08</u> | Current Tax Collection | <u>3 08</u> |

Note 10 – Operating Transfers

The amounts of interfund receivables and payables are as follows:

| <u>Fund</u> | <u>Transfers In</u> | <u>Fund</u> | <u>Transfers out</u> |
|-------------|---------------------|-------------------------|----------------------|
| General | <u>282 58</u> | Cemetery Perpetual Care | <u>282 58</u> |

TOWNSHIP OF BROWN
Manistee County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget Over (Under) |
|--|--------------------|-----------------|------------|--|
| Revenues: | | | | |
| Property taxes | 61 477 00 | 61 477 00 | 58 452 56 | (3 024 44) |
| Licenses and permits | 1 054 00 | 1 054 00 | 500 00 | (554 00) |
| State revenue sharing | 51 902 00 | 51 902 00 | 154 457 35 | (444 65) |
| Charges for services – PTAF | 6 781 00 | 6 781 00 | 7 717 66 | 936 66 |
| Charges for service - Other | 3 455 00 | 3 455 00 | 5 010 00 | 1 555 00 |
| Interest | 4 004 00 | 4 004 00 | 5 152 06 | 1 148 06 |
| Miscellaneous | 2 530 00 | 2 530 00 | 3 118 30 | 588 30 |
| Total revenues | 131 203 00 | 131 203 00 | 131 407 93 | 204 93 |
| Expenditures: | | | | |
| Legislative: | | | | |
| Township Board | 8 676 00 | 9 214 00 | 7 639 09 | (1 574 91) |
| General government: | | | | |
| Supervisor | 6020 00 | 6 020 00 | 5 754 00 | (266 00) |
| Elections | 1 000 00 | 2 408 00 | 2 407 71 | (29) |
| Assessor | 8 000 00 | 8 000 00 | 7 338 00 | (662 00) |
| Clerk | 6 403 00 | 7 370 00 | 7 369 46 | (54) |
| Board of Review | 1 000 00 | 1 320 00 | 1 319 60 | (40) |
| Treasurer | 12 595 00 | 13 360 00 | 13 359 33 | (67) |
| Building and grounds | 12 000 00 | 13 777 00 | 12 936 77 | (840 23) |
| Cemetery | 6 000 00 | 6 000 00 | 5 073 24 | (926 76) |
| Public safety: | | | | |
| Fire | 35 000 00 | 35 000 00 | 33 504 00 | (1 496 00) |
| Zoning | 5 300 00 | 4 517 00 | 4 241 85 | (275 15) |
| Planning Commission | 9 500 00 | 3 724 00 | 3 581 01 | (142 99) |
| Public works: | | | | |
| Highways and streets | 1 000 00 | - | - | - |
| Sanitation | 17 000 00 | 18 784 00 | 18 783 29 | (71) |
| Total expenditures | 129 494 00 | 129 494 00 | 123 307 35 | (6 186 65) |
| Excess (deficiency) of revenues over expenditures | 1 709 00 | 1 709 00 | 8 100 58 | 6 391 58 |
| Other financing sources (uses): | | | | |
| Operating transfers in | 100 00 | 100 00 | 282 58 | 182 58 |
| Total other financing sources (uses) | 100 00 | 100 00 | 282 58 | 182 58 |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | 1 809 00 | 1 809 00 | 8 383 16 | 6 574 16 |
| Fund balance, April 1 | - | - | 142 673 10 | 142 673 10 |
| Fund Balance, March 31 | 1 809 00 | 1 809 00 | 151 056 26 | 149 247 26 |

TOWNSHIP OF BROWN
Manistee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2007

| | |
|-------------------------|------------------|
| Township Board: | |
| Wages | 2 416 00 |
| Payroll taxes | 2 324 78 |
| Miscellaneous | 2 898 31 |
| | <u>7 639 09</u> |
| Supervisor: | |
| Salary | <u>5 754 00</u> |
| Elections: | |
| Wages | 1 435 00 |
| Miscellaneous | 972 71 |
| | <u>2 407 71</u> |
| Assessor: | |
| Contracted services | 7 008 00 |
| Miscellaneous | 330 00 |
| | <u>7 338 00</u> |
| Clerk: | |
| Salary | 7 331 00 |
| Miscellaneous | 38 46 |
| | <u>7 369 46</u> |
| Board of Review: | |
| Wages | 1 130 00 |
| Miscellaneous | 189 60 |
| | <u>1 319 60</u> |
| Treasurer: | |
| Salary | 8 244 00 |
| Printing | 3 704 01 |
| Miscellaneous | 1 411 32 |
| | <u>13 359 33</u> |
| Building and grounds: | |
| Supplies | 270 00 |
| Snow removal | 1 170 00 |
| Insurance | 5 959 00 |
| Utilities | 2 807 86 |
| Repairs and maintenance | 2 729 91 |
| | <u>12 936 77</u> |
| Cemetery: | |
| Wages | 2 940 00 |
| Contracted services | 1 850 00 |
| Supplies | 283 24 |
| | <u>5 073 24</u> |
| Fire: | |
| Contracted services | 32 004 00 |
| Fire runs | 1 500 00 |
| | <u>33 504 00</u> |
| Zoning: | |
| Wages | 4 076 00 |
| Supplies | 165 85 |
| | <u>4 241 85</u> |

TOWNSHIP OF BROWN
Manistee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2007

| | |
|----------------------|--------------------------|
| Planning and zoning: | |
| Wages | 2 030 00 |
| Contacted services | <u>1 551 01</u> |
| | <u>3 581 01</u> |
| Sanitation: | |
| Contracted services | <u>18 783 29</u> |
| Total Expenditures | <u><u>123 307 35</u></u> |

TOWNSHIP OF BROWN
Manistee County, Michigan

BALANCE SHEET – PERMANENT FUND
June 30, 2007

| | <u>Cemetery Perpetual Care</u> |
|--------------------------------------|------------------------------------|
| <u>Assets</u> | |
| Cash in bank | <u>7 854 90</u> |
| Total Assets | <u><u>7 854 90</u></u> |
| <u>Liabilities and Fund Balances</u> | |
| Liabilities | <u>-</u> |
| Fund balances: | |
| Reserved | <u>7 854 90</u> |
| Total Liabilities and Fund Balances | <u><u>7 854 90</u></u> |

TOWNSHIP OF BROWN
Manistee County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended June 30, 2007

| | Cemetery Perpetual Care |
|--|----------------------------|
| Revenues: | |
| Interest | 283 34 |
| Total revenues | 283 34 |
| Expenditures – Cemetery | - |
| Excess (deficiency) of revenues over expenditures | 283 34 |
| Other financing sources (uses): | |
| Operating transfers out | (282 58) |
| Total other financing sources (uses) | (282 58) |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | 76 |
| Fund balance, July 1 | 7 854 14 |
| Fund Balance, June 30 | 7 854 90 |

TOWNSHIP OF BROWN
 Manistee County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Year ended June 30, 2007

| | <u>Balance</u> <u>7/1/06</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>6/30/07</u> |
|---------------------------|---------------------------------|-------------------|-------------------|----------------------------------|
| <u>Assets</u> | | | | |
| Cash in Bank | <u>52 88</u> | <u>717 361 91</u> | <u>717 411 71</u> | <u>3 08</u> |
| <u>Liabilities</u> | | | | |
| Due to other funds | 52 88 | 60 447 09 | 60 496 89 | 3 08 |
| Due to other taxing units | <u>-</u> | <u>656 914 82</u> | <u>656 914 82</u> | <u>-</u> |
| Total Liabilities | <u>52 88</u> | <u>717 361 91</u> | <u>717 411 71</u> | <u>3 08</u> |

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 16, 2007

To the Township Board
Township of Brown
Manistee County, Michigan

We have audited the financial statements of the Township of Brown for the year ended June 30, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

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

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

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

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

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

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

To the Township Board
Township of Brown
Manistee County, Michigan

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

SIGNIFICANT ACCOUNTING POLICIES

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

OTHER COMMUNICATIONS

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

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

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

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

SEGREGATION OF DUTIES

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

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

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

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2007.

SUMMARY

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

Sincerely,



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