

### 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 MANISTEE	County MANISTEE
Fiscal Year End 03/31/2007	Opinion Date 10/19/2007	Date Audit Report Submitted to State 11/2/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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) WILSON, WARD CPA FIRM			Telephone Number 231-276-7668	
Street Address PO BOX 205			City INERLOCHEN	State MI
			Zip 49643	
Authorizing CPA Signature 		Printed Name ROBERT K. WARD		License Number 1101028281

MANISTEE TOWNSHIP  
MANISTEE , MICHIGAN

AUDIT REPORT

For Year Ended  
March 31, 2007

Wilson, Ward CPA Firm  
PO Box 205  
Interlochen, MI 49643  
(231) 276-7668

**Wilson, Ward CPA Firm**

3015 M-137

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October 19, 2007

Manistee Township Board  
Manistee, MI

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the course of the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Manistee Township. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Manistee Township are listed in Note 1. 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 the Manistee Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

### Management Judgements and Accounting Estimates

Some accounting estimates are utilized in 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. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

### Disagreements with Management

For the purpose 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 auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

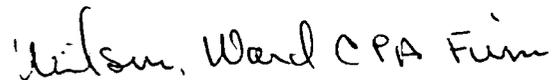
### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Manistee Township that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

The office has excellent records, with information clearly shown and readily available. In the test of controls, all internal controls are being used wisely with double checks on all amounts, distributions and deposits.

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

Sincerely,



Wilson, Ward CPA Firm

MANISTEE TOWNSHIP  
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# INTRODUCTORY SECTION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS

Manistee Township  
Manistee, Michigan

We have audited the financial statements of Manistee Township as of and for the year ended March 31, 2007, and have issued our report thereon dated October 19, 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 Manistee Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manistee Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Manistee Township's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the 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 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 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 considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manistee Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Manistee Township's response to the findings identified in our audit are described above. We did not audit Manistee Township's response and, accordingly, we express no opinion on it.

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

*Walter, Ward CPA Firm*

Interlochen, MI  
October 19, 2007

# FINANCIAL SECTION

**Wilson, Ward CPA Firm**

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**INDEPENDENT AUDITOR'S REPORT**

To the Manistee Township Board  
Manistee, Michigan

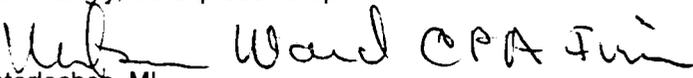
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manistee Township, Manistee County, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Manistee Township as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, 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 October 19, 2007, on our consideration of the Manistee Township's internal control over financial reporting and on our tests of its compliance with certain provisions 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 conjunction with this report in considering the results of our audit.

The management's discussion is not a required part of the basic financial statements but is 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 Manistee Township's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual nonmajor 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. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

  
Interlochen, MI  
October 19, 2007

# Manistee Township

## Management Discussion and Analysis

This discussion and analysis provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

### Financial Highlights:

- The Township's net assets changed with a 8.35 percent increase attributed to frugal township operations.

### Using this Annual Report:

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

The Fund Financial Statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund Financial Statements also report the Township's operations in more detail than the Government-Wide Financial Statements by providing information about the Township's most significant funds. The Fiduciary Fund Statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

### Reporting the Township's Most Significant Funds:

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funds.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas where the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

3. Proprietary fund types include -

The *enterprise funds* use the full accrual basis for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**The Township as a Whole:**

The following table shows a comparison of current and previous year net assets:

Assets	2006	2007
Cash	1,768,559	1,933,337
Other Current Assets	12,735	16,379
Capital Assets Net	<u>282,698</u>	<u>305,773</u>
Total Assets	2,063,992	2,255,489
Liabilities and Net Assets		
Liabilities	0	0
Net Assets	<u>2,063,992</u>	<u>2,255,489</u>
Total Liabilities and Net Assets	2,063,992	2,255,489

The Township's combined net assets increased 10.75% from a year ago - increasing from \$2,026,275 to \$2,244,142.

**Governmental Activities:**

	2006	2007
Revenues		
Taxes	193,633	142,819
State Grants	200,868	202,022
Interest and Rental	91,914	97,762
Charges for Services	5,668	24,132
Other	<u>34,554</u>	<u>54,916</u>
Total Revenue	526,637	521,651
Expenditure	544,435	352,450
Transfers	<u>0</u>	<u>0</u>
Excess Revenue	17,798	169,201

The Township's real governmental revenues decreased by approximately \$4,986. This decrease, which represents 0.9 percent, was primarily due to decreases in non standard revenues or grants.

These activities expenses decreased by \$191,986, or 35 percent, and were due in part to the completion of a road project.

**The Township's Funds:**

Our analysis of the Township's major funds begins in the supplemental data following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages. The General Fund pays for most of the Township's governmental services including Fire and Garbage Services.

**General Fund Budgetary Highlights:**

Over the course of the year the Township Board was able to maintain the township departments within their prescribed budgets.

**Capital Asset and Debt Administration:**

**Capital Assets**

The Township made a small capital improvement with the addition of playground equipment.

	Asset	Depreciation	Accumulated Depreciation
General Fixed Assets			
Building	268,412	5,064	118,820
Equipment	40,172	2,679	16,505
Equipment	<u>271,867</u>	<u>9,955</u>	<u>139,353</u>
Total General Fixed Assets	580,451	17,698	274,678

**Debt**

The Township acquired no additional debt in 2007 and has no debt.

**Economic Factors and Next Year's Budgets and Rates:**

Manistee Township's 2007 budget calls for the allocated millage. With this millage we are able to fund the majority of fire services and general services including garbage pickup services. There are additional voted millages to supplement fire operations.

**General Overview of the Accomplishments of Manistee Township in the 2007 Fiscal Year:**

The Township finances have been managed very closely in 2007. This is reflected in an increase of the General Fund balance. The Township is in a very healthy state as a whole.

**Contacting the Township's Management:**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office at (231) 723-6507.

MANISTEE TOWNSHIP  
STATEMENT OF NET ASSETS  
As Of March 31, 2007

	<u>Total</u>	
<u>Assets</u>		
Cash & Investments	\$1,933,337	
Accounts Receivable Taxes	0	
Accrued Interest Receivable	0	
Prepaid Insurance	16,379	
Due from Other Funds	<u>0</u>	
Total Current Assets		1,949,716
Net Fixed Assets		<u>305,773</u>
Total Assets		<u><u>2,255,489</u></u>
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts Payable	\$10,656	
Retirement Payable	691	
Deferred Taxes	0	
Due to T&A Fund	<u>0</u>	
Total Liabilities		11,347
Fund Equity		
Don Worm Memorial	990	
Fund Balance	<u>2,243,152</u>	
Total Fund Equity		<u>2,244,142</u>
Total Liabilities and Fund Equity		<u><u>\$2,255,489</u></u>

**MANISTEE TOWNSHIP**  
Statement of Activities  
For Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary government				
Governmental activities:				
Legislative	\$78,983		\$0	(\$78,983)
General Government	102,941			(102,941)
Public Safety	57,605			(57,605)
Public Works	91,323	24,132		(67,192)
Liquor	1,020			(1,020)
Depreciation	20,578			(20,578)
<b>Total Governmental Activities</b>	<b>352,450</b>	<b>24,132</b>	<b>0</b>	<b>328,319</b>
General Revenues:				
Taxes				
Property Taxes-general				142,819
Rental Income				5,668
Licenses				5,314
State-Shared Revenues				202,022
Other Revenue				43,934
Unrestricted Investment Earnings				97,762
Special Items				0
Transfers				
<b>Total General Revenue-Special Items and Transfers</b>				<b>497,520</b>
Changes in Net Assets				169,201
Prior Period Adjustment				48,666
Net Assets - Beginning				2,026,275
Net Assets - Ending				<b>\$2,244,142</b>

The footnotes are an integral part of these Financial Statements

MANISTEE TOWNSHIP  
Balance Sheet  
ALL GOVERNMENTAL FUNDS  
As Of March 31, 2007

	General Fund	Non Major Funds	Total
<u>Assets</u>			
Cash & Investments	\$1,931,047	\$2,290	\$1,933,337
Accounts Receivable Taxes	0		0
Accrued Interest Receivable	0		0
Prepaid Insurance	16,379		16,379
Due from Other Funds	0		0
Total Assets	1,947,426	2,290	1,949,716
 <u>Liabilities and Fund Balance</u>			
Liabilities			
Accounts Payable	10,656		10,656
Retirement Payable	691		691
Deferred Taxes	0		0
Due to T&A Fund	0		0
Total Liabilities	11,347	0	11,347
0			
Fund Equity			
0			
Don Worm Memorial	990		990
Fund Balance	1,935,088	2,290	1,937,379
Total Fund Equity	1,936,078	2,290	1,938,369
Total Liabilities and Fund Equity	\$1,947,426	\$2,290	\$1,949,716
Fund Equity Per Governmental Balance Sheet	\$1,938,369		
Plus Fixed Assets	305,773		
Net Assets Per Statement of Net Assets	\$2,244,142		

**MANISTEE TOWNSHIP**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES & CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

	General Fund	Non Major Funds	Total
<b>REVENUE</b>			
Taxes	\$142,819	\$0	\$142,819
Licenses	5,314	0	5,314
State Grants	200,941	1,081	202,022
Charges for Services	24,132	0	24,132
Interest & Rentals	103,430	0	103,430
Other Revenues	43,934	0	43,934
<b>TOTAL REVENUES</b>	520,570	1,081	521,651
<b>EXPENDITURES</b>			
Legislative	101,355	0	101,355
General Government	102,941	0	102,941
Public Safety	57,605	0	57,605
Public Works	91,323	0	91,323
Liquor	0	1,020	1,020
Legal Fees		0	0
<b>TOTAL EXPENDITURES</b>	353,225	1,020	354,245
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURE</b>	167,345	61	167,407
<b>FUND EQUITY APRIL 1, 2006</b>	1,768,733	2,229	1,770,962
<b>PROIR PERIOD ADJUSTMENTS</b>	0	0	0
<b>FUND EQUITY MARCH 31, 2007</b>	\$1,936,078	\$2,290	\$1,938,369

Net Revenue Per Governmental Statement	167,407
Add Capitalized Assets	22,372
Less Depreciation	<u>(20,578)</u>
<b>Net Revenue Per Statement of Activities</b>	<b>169,201</b>

# Manistee Township Notes to Financial Statements

March 31, 2007

## Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Manistee Township is a general law Township located in Manistee County. The governing body of the Township is the Township Board which is composed of the supervisor, the clerk, the treasurer and two trustees. The Township provides the approximately 3,000 residents with fire protection, road maintenance, trash removal, street lighting and other services.

The financial statements of the Township include those of separately administered organizations that are controlled by or dependent on the Township for financial support. Control or dependence is based on such items as budgetary control, taxing authority, appointment of controlling or governing boards, and other criteria as outlined in GASB Statement #14.

No other organizations or governmental entities are considered in this report using these definitions.

### B. Basis of Presentation

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial statements of the Township are presented in a series of self balancing funds.

The accounting policies of Manistee Township conform to generally accepted accounting principles and include the following fund types

#### 1. Government Fund Types use modified accrual basis and include -

The general funds account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues and include those receivables which have an expectation of being received within 60 days.

The special revenue funds account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of fund.

#### 2. Fiduciary fund types include -

The Trust and Agency Fund is unbudgeted and accounts for activities within those areas where in the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

C. Basis of Accounting

All governmental funds use the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those which are reasonable to accrue. These are recorded as receivable when measurable. Specific types of tax revenue are reported as deferred revenue which are expected to be collected within sixty days. Other delinquent revenue not expected to be recovered within 60 days are reported only in the footnotes. Expenditures are recorded when the liability is incurred, except for interest on long term debt which is recorded as payments are made with an adjustment to account for accrued interest at year end.

D. GASB 34

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. 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 segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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.

Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, as amended*, the Township has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

E. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Measurement focus

The accounting and reporting treatment applied to a fund is determined by the current reporting standards of measurement focus. Thus all governmental funds are accounted for on a financial flow measurement basis. This means that only current assets and liabilities are presented on the Balance Sheets and operating statements measure increases and decreases in these net current assets. On the GASB 34 statements all assets and liabilities are presented in the Government Wide Statements

G. Budgets

All funds are under formal budgetary control. Budgets shown in the financial statements are prepared on a modified accrual basis and consist of those amounts which are controlling during the formal budget approval process as original and as amended by the Township Board. Line items contained within the original budget are appropriated and amended only on a activity departmental basis.

H. Fixed Assets

All fixed assets are recorded in the Balance Sheet of the Government Wide Statements. This includes all assets which are considered of value to the Township and do not include public domain assets such as roads, sidewalks and drains. The full accrual basis makes provision for the depreciation of these assets. These assets are valued at historical cost when purchased or Fair Market Value as of the date they have been donated to the Township. Depreciation is based on straight line depreciations with lives from 10 to 50 years.

I. Long Term Debt

The Township has no long term debt

J. Property Taxes

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 31. Real property taxes are collected by the Township Treasurer through February 28th of each year. Any uncollected real property taxes are returned to be collected by the County Treasurer. Personal property taxes continue to be collected by the Township Treasurer. The amount collected for this fiscal year are:

Administrative Fee	\$ 29,705
Township Tax	128,901

The State Equalized Value (SEV) and taxable values are:

	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
SEV	\$ 157,408,400	\$ 17,346,033	\$ 174,754,433
Tax. Value	\$ 90,879,000	\$ 17,348,270	\$ 108,227,270

The millage for the current year is:

Township Operating	1.4226	Admin Fee	1.000
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**NOTE 2 - BUDGET APPROPRIATIONS**

Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Given the amendments actually approved there are no material budget variances. Information on budget categories has been included for information only. The budget appropriation is for department only and hence is the legal controlling amount.

**NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

A. Legal Provisions

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, states that the Manistee Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

3. In commercial paper rate at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

**NOTE 4 - TYPES OF DEPOSITS AND INVESTMENT**

The Township had \$1,229,747 in certificates of deposit with local banks, of which \$100,000 is insured. This would leave balances of cash as follows:

Deposits	<u>Per Bank</u>	<u>Carrying Value</u>
Uninsured & Uncollateralized-General	\$ 581,542	\$ 589,747
Insured and Uncollateralized-General	113,843	113,843

In addition, the Township has \$100 in petty cash.

**NOTE 5 - PROPERTY TAXES**

As of March 31, 2007, no property taxes were delinquent.

**NOTE 6 - INTERFUND ACCOUNTS**

There were no inter-fund loans or advances during the audit year. The only interfund activity was the transfer from the trust and agency fund due to tax collections and the interest accumulated which is due to the general fund.

**NOTE 7 - INVENTORIES**

No material parts or supply inventories are maintained by the Township.

**NOTE 8 - FIXED ASSETS**

Manistee Township maintains fixed asset detail records. These amounts were adjusted to account for all assets with a value in excess of \$5,000. All depreciation is computed using straight line with lives of 30-50 years for buildings, 15 years for Equipment and 10-25 years for fire vehicles. Detailed information concerning these accounts is as follows:

	04/01/06			03/31/07
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Buildings	\$268,412	\$0	\$0	\$268,412
Equipment	17,800	22,372	0	40,172
<u>Fire Vehicles</u>	<u>271,867</u>	<u>0</u>	<u>0</u>	<u>271,867</u>
Total Fixed Assets	\$558,079	\$22,372	\$0	\$580,451

**Accumulated Depreciation**

	04/01/06			03/31/07
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Buildings	\$113,756	\$5,064	\$0	\$118,820
Equipment	13,827	2,679	0	16,505
<u>Fire Vehicles</u>	<u>129,398</u>	<u>9,955</u>	<u>0</u>	<u>139,353</u>
Total Fixed Assets	\$256,981	\$17,698	\$0	\$274,678

**NOTE 9 - PENSION PLANS**

Manistee Township's employees participate in either of two plans. One is offered by Municipal Retirement Systems, Inc., and the other by Manualife. Both are plans offered under IRS Code Section 401(a).

**Manufacturers Life:**

Employees are eligible at age 21 up to age 75, with no restriction on time of service. Employees are 100% vested after 20 months of service. Funds become payable in the event of termination of employment, retirement, disability or death. Manualife provides administrative services for the plan. The Township contributes 75% of the current cost and 100% of past service cost at \$1.50 per benefit month for each year of eligible past service, 10 year maximum. The contributions for the year ended March 31, 2007 were \$4,011 the employer and \$94 for the employees for a total contribution of \$4,105. All required contributions were made.

**NOTE 10 - CONTINGENT LIABILITIES**

Township officials are aware of no contingent liabilities on the part of the Township.

**NOTE 11 - COMPENSATED ABSENCES**

The Township does not compensate for vacation or sick time and as such there is no computed liability for compensated absences. The Township does not have a liability for post retirement benefits.

**NOTE 12 - RISK MANAGEMENT**

All risk management is done through the use of commercial insurance.

**NOTE 13 - PRIOR PERIOD ADJUSTMENT**

The prior period adjustment on the Statement of Activities is a correction to the depreciation schedules for fixed assets, and does not reflect a change in accounting methods or procedures.

# SUPPLEMENTAL DATA SECTION

To the Township Board  
Manistee Township, MI

We have audited the combined financial statements of Manistee Township for the year ended March 31, 2007. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

*Wilson, Ward CPA Firm*

Interlochen, MI  
October 19, 2007

# General Fund

MANISTEE TOWNSHIP  
 Balance Sheet  
 General Fund  
 As Of March 31, 2007

Assets

Cash & Investments	\$1,931,047
Accounts Receivable Taxes	0
Accrued Interest Receivable	0
Prepaid Insurance	16,379
Due from Other Funds	0
Total Assets	\$1,947,426

Liabilities and Fund Balance

Liabilities

Accounts Payable	\$10,656
Retirement Payable	691
Deferred Taxes	0
Due to T&A Fund	0
Total Liabilities	11,347

Fund Equity

Don Worm Memorial	990
Fund Balance	1,935,088
Total Fund Equity	1,936,078

Total Liabilities and Fund Equity	\$1,947,426
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The footnotes are an integral part of these Financial Statements.

MANISTEE TOWNSHIP  
Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
For the Year Ended March 31, 2007

Revenue	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Current Property Taxes	\$75,000	\$75,000	\$128,901	\$53,901
Delinquent Taxes	12,000	12,000	13,918	1,918
Licenses and Permits	6,000	6,000	5,314	(686)
State Shared Revenues	175,000	175,000	200,941	25,941
Admin Fees	20,000	20,000	29,705	9,705
Earned Interest	23,000	23,000	73,725	50,725
Rents and Royalties	9,000	9,000	24,132	15,132
Service Revenue	4,000	4,000	17,957	13,957
Refunds	0	0	517	517
Little River Band	0	0	10,000	10,000
Other Income	6,100	6,100	15,460	9,360
<b>Total Revenues</b>	<b>330,100</b>	<b>330,100</b>	<b>520,570</b>	<b>190,470</b>
<b>Expenditure</b>				
<b>Legislative</b>				
Township Board:				
Salaries and Wages	9,000	9,000	7,493	1,507
Pension	5,300	5,300	4,105	1,195
Office Supplies	25,000	25,000	10,069	14,932
Professional Services	30,000	30,000	11,204	18,796
Insurance and Bonds	30,000	30,000	20,924	9,076
Education and Dues	6,000	6,000	7,531	(1,531)
MRA/Support Contract	10,000	10,000	11,600	(1,600)
Misc	17,700	17,700	6,058	11,642
Capital Outlay	21,200	21,200	22,372	(1,172)
<b>Total Township Board</b>	<b>154,200</b>	<b>154,200</b>	<b>101,355</b>	<b>52,845</b>
<b>General Government:</b>				
Economic Development	10,000	10,000	2,292	7,708
<b>Township Supervisor:</b>				
Salaries and Wages	10,600	10,600	10,570	30
Mileage and Travel	1,800	1,800	1,800	0
<b>Total Township Supervisor</b>	<b>12,400</b>	<b>12,400</b>	<b>12,370</b>	<b>30</b>
<b>Elections:</b>				
Salaries and Wages	4,000	4,000	2,891	1,110
Office Supplies	1,000	1,000	762	238
<b>Total Elections</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$3,652</b>	<b>\$1,348</b>

The footnotes are an integral part of these Financial Statements.

MANISTEE TOWNSHIP  
Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
For the Year Ended March 31, 2007

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Assessor:				
Professional Services	\$30,000	\$30,000	\$20,000	\$10,000
Professional Supplies	4,000	4,000	755	3,245
Total Assessor	<u>34,000</u>	<u>34,000</u>	<u>20,755</u>	<u>13,245</u>
Clerk:				
Salaries and Wages	15,620	15,620	15,535	85
Deputy Clerk	1,200	1,200	470	730
Total Clerk	<u>16,820</u>	<u>16,820</u>	<u>16,005</u>	<u>815</u>
Board of Review:				
Salaries and Wages	1,200	1,200	480	720
Pension	125	125	0	125
Total Board of Review	<u>1,325</u>	<u>1,325</u>	<u>480</u>	<u>845</u>
Treasurer:				
Salaries and Wages	12,900	12,900	13,070	(170)
Deputy Treasurer	5,000	5,000	1,999	3,001
Tax Collection Assistant	0	0	0	0
Total Treasurer	<u>17,900</u>	<u>17,900</u>	<u>15,069</u>	<u>2,831</u>
Township Hall and Grounds:				
Salaries and Wages	8,500	8,500	7,479	1,021
Public Utilities	9,200	9,200	8,374	826
Maintenance and Repairs	16,000	16,000	13,963	2,037
Telephone	3,500	3,500	2,502	998
Total Township Hall	<u>37,200</u>	<u>37,200</u>	<u>32,318</u>	<u>4,882</u>
Total General Government	<u>134,645</u>	<u>134,645</u>	<u>102,941</u>	<u>31,704</u>
Public Safety:				
Fire Protection				
Salaries & Wages	12,600	12,600	8,673	3,927
Supplies	13,150	13,150	5,653	7,497
Gas/Oil	12,000	12,000	11,032	968
Education and Training	1,500	1,500	365	1,135
Insurance	4,500	4,500	2,657	1,843
Public Utilities	7,125	7,125	4,696	2,429
Telephone	900	900	566	334
Capital Outlay	0	0	0	0
Fire Truck and Equipment	25,000	25,000	10,226	14,774
Total Fire Protection	<u>\$76,775</u>	<u>\$76,775</u>	<u>\$43,867</u>	<u>\$32,908</u>

The footnotes are an integral part of these Financial Statements.

MANISTEE TOWNSHIP  
Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
For the Year Ended March 31, 2007

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Planning and Zoning:				
Salaries and Wages	\$6,500	\$6,500	\$5,528	\$973
Retirement	0	0	0	0
Education and Dues	300	300	50	250
Expense Fund	360	360	180	180
Millage and Travel	0	0	0	169
Total Planning and Zoning	<u>7,160</u>	<u>7,160</u>	<u>5,758</u>	<u>1,572</u>
Board of Appeals:				
Salaries and Wages	12,000	12,000	6,775	5,225
Education	1,200	1,200	750	450
Retirement	1,000	1,000	456	544
Total Board of Appeals	<u>14,200</u>	<u>14,200</u>	<u>7,981</u>	<u>6,219</u>
Total Public Safety	98,135	98,135	57,605	40,699
Public Works:				
Street Lighting	12,000	12,000	11,533	467
Road Construction	140,000	140,000	0	140,000
Garbage Collection	85,000	85,000	76,742	8,259
Recycling Service	5,000	5,000	3,049	
Total Public Works	<u>242,000</u>	<u>242,000</u>	<u>91,323</u>	<u>148,725</u>
Total Expenditures	<u>628,980</u>	<u>628,980</u>	<u>353,225</u>	<u>273,973</u>
Excess Revenues		(298,880)	167,345	(83,503)
Fund Balance - Beginning of Year			1,768,733	
Prior Period Adjustment			0	
Fund Balance - End of Year			<u>\$1,936,078</u>	

The footnotes are an integral part of these Financial Statements.

## Non-Major Fund

MANISTEE TOWNSHIP  
Balance Sheet  
Liquor Law Enforcement Fund  
As Of March 31, 2007

<u>Assets</u>	
Cash	<u>\$2,290</u>
<u>Liabilities &amp; Fund Equity</u>	
Fund Balance	<u>\$2,290</u>

The footnotes are an integral part of these Financial Statements.

MANISTEE TOWNSHIP  
 Statement of Revenues, Expenditures & Changes in Fund Balance  
 Budget vs. Actual  
 Liquor Law Enforcement Fund  
 For The Year Ended March 31, 2007

	Budget	Actual	Favorable (Unfavorable)
<u>Revenues</u>			
License Fees	\$1,100	\$1,081	-\$19
<u>Expenditures</u>			
Liquor Inspector	1,100	1,020	80
Excess Revenue (Expenditures)	0	61	61
Fund Balance - Beginning of Year		2,229	
Fund Balance - End of Year		\$2,290	

The footnotes are an integral part of these Financial Statements.