

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 STRONACH | County MANISTEE |
| Fiscal Year End 06/30/2007 | Opinion Date 08/14/2007 | Date Audit Report Submitted to State 11/01/2007 | | |

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 INTERLOCHEN | State MI | Zip 49643 |
| Authorizing CPA Signature  | Printed Name ROBERT K. WARD | | License Number 1101028281 | |

STRONACH TOWNSHIP
MANISTEE COUNTY, MICHIGAN

Audit Report
For the Year Ended June 30, 2007

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August 14, 2007

Township Supervisor
Stronach Township
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 general 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 the Stronach 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 Stronach 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 Stronach 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.

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 the Stronach 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.

Comment:

The Clerk relies on the Treasurer reports for accounting purposes.

Recommendation:

The Clerk is required to maintain the accounting records. The clerk is implementing a computerized accounting system at the time of field work.

Comment

The Treasurer does an excellent job in maintaining not only her books and records, but additional items above and beyond her statutorily mandated job requirements.

Again, it is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices within the township. Thank you for the opportunity to perform your audit.

Sincerely,



Wilson, Ward CPA Firm

STRONACH 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

Stronach Township Board
Manistee, Michigan

We have audited the financial statements of Stronach Township as of and for the year ended June 30, 2007, and have issued our report thereon dated August 14, 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 Stronach 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 Stronach Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Stronach 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. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Finding Spec-1 Lack of segregation of duties.

Criteria: The Clerk is to maintain the accounting books and records.

Condition: The Clerk prepares the vouchers on the computer but does not maintain the proper chart of accounts. The Clerk relies on the treasurer to maintain the books and records.

Cause: This is inherent in the assignment of duties according to the Michigan State Accounting Manual, Chapter 7, in that the Clerk is responsible for maintaining the books and records using the proper chart of accounts..

Effect: As a result of this condition, the organization lacks internal controls for maintaining the books and records with the proper segregation of duties.

View of Responsible Officials Management is in process of implementation and improvement.

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. However, we did not consider any of the significant deficiencies described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stronach 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.

We noted certain matters that we reported to management of Stronach Township in a separate letter dated August 14, 2007.

Stronach Township's response to the findings identified in our audit are described above. We did not audit Stronach 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.

Hilson, Wood CPA Firm
Interlochen, MI
August 7, 2007

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Stronach Township Board
Manistee, Michigan

We have audited the accompanying financial statements of the governmental activities, and the aggregate remaining fund information of Stronach Township, 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 Stronach 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, and the aggregate remaining fund information of the Stronach Township 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. In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2007, on our consideration of the Stronach 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 and analysis and budgetary comparison information 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 Stronach 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 combining and 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.

Wilson, Ward CPA Firm

Interlochen, MI
August 14, 2007

Stronach Township

Management Discussion and Analysis

This discussion and analysis provides an overview of the Township's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Township's *financial statements*.

Financial Highlights:

The Township's net assets increased over the prior period.

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 Township as a Whole:

The following table shows a summary of net assets:

| | |
|----------------------------------|------------------|
| Assets | 2007 |
| Cash | 642,874 |
| Capital Assets Net | <u>412,450</u> |
| Total Assets | 1,055,324 |
| Liabilities and Net Assets | |
| Liabilities | 771 |
| Net Assets | <u>1,054,553</u> |
| Total Liabilities and Net Assets | 1,055,324 |

The Township's combined net assets increased 19.6% from a year ago.

Unrestricted net assets represent the portion of net assets that can be used to finance day-to-day operations. These assets increased by approximately \$173,486 for the governmental activities. The current level of unrestricted net assets for our governmental activities stands at \$642,103.

Governmental Activities:

| | 2007 |
|----------------|----------------|
| Revenues | |
| Taxes | 117,111 |
| State Grants | 54,695 |
| Interest | 29,410 |
| Other | <u>243,031</u> |
| Total Revenue | <u>444,247</u> |
| Expenditure | <u>270,760</u> |
| Excess Revenue | 173,486 |

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.

General Fund Budgetary Highlights:

Over the course of the year the Township Board was able to maintain the Township departments within their prescribed budgets resulting in total Township expenditures being below budget.

Capital Asset and Debt Administration:

Capital Assets

The Township did not make any major capital improvements in 2006/2007.

Debt

The Township acquired no additional debt in 2006/2007.

Economic Factors and Next Year's Budgets and Rates:

The Township budget for 2007 is reflective of the Township's financial status. The budget has been set to allow for an improvement in the Township's assets and subsequent financial position.

General Overview of the Accomplishments of Stronach Township in the 2006/2007 Fiscal Year:

The Township finances have been managed very closely in 2006/2007. The Township is in a very healthy financial 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 PO Box 356, Manistee, MI 49660 (231)-723-7983.

STRONACH TOWNSHIP
STATEMENT OF NET ASSETS
JUNE 30, 2007

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash, investments and cash equivalents | \$642,874 |
| Capital Assets, net | <u>412,450</u> |
| Total Assets | <u><u>1,055,324</u></u> |
| LIABILITIES | |
| Accounts payable | 771 |
| Noncurrent liabilities: | |
| Due within one year | 0 |
| Due in more than one year | <u>0</u> |
| Total Liabilities | 771 |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 412,450 |
| Unrestricted (deficit) | <u>642,103</u> |
| Total Net Assets | <u><u>1,054,553</u></u> |
| Total Liabilities and Net Assets | <u><u>\$1,055,324</u></u> |

STRONACH TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

| | Expenses | Charges for Services | Program Revenues Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets Governmental Activities |
|--------------------------------------|----------------|-------------------------|--|--|--|
| Governmental activities: | | | | | |
| Legislative | \$58,671 | \$0 | | | (\$58,671) |
| General government | 81,877 | 0 | | | (81,877) |
| Public safety | 68,091 | 17,044 | | | (51,047) |
| Public works | 54,618 | 9 | | | (54,609) |
| Recreation and Culture | 1,916 | | | | (1,916) |
| Other | 5,588 | | | | (5,588) |
| Interest on Long Term Debt | 0 | | | | 0 |
| Total Governmental Activities | <u>270,760</u> | <u>17,053</u> | <u>0</u> | <u>0</u> | <u>(253,707)</u> |

General revenues:

| | | |
|----------------------------------|--|--------------------|
| Taxes | | 117,111 |
| Property Taxes-general | | 54,695 |
| State-Shared Revenues | | 29,410 |
| Unrestricted Investment Earnings | | 217,481 |
| Franchise taxes | | 8,497 |
| Miscellaneous | | <u>8,497</u> |
| Total General Revenues | | 427,194 |
| Changes in Net Assets | | 173,486 |
| Net Assets - Beginning | | <u>881,067</u> |
| Net Assets - Ending | | <u>\$1,054,553</u> |

STRONACH TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

| | General Fund | Other Non-major Funds | Total |
|--|-----------------|-----------------------------|-----------|
| ASSETS | | | |
| Cash, investments and cash equivalents | \$598,576 | \$44,297 | \$642,874 |
| Inventories | | | 0 |
| Capital Assets | | | 0 |
| Total Assets | 598,576 | 44,297 | 642,874 |
| LIABILITIES | | | |
| Accounts payable | 771 | 0 | 771 |
| Noncurrent liabilities: | | | |
| Due within one year | | | 0 |
| Due in more than one year | | | 0 |
| Total Liabilities | 771 | 0 | 771 |
| LIABILITIES AND FUND BALANCE | | | |
| Restricted for: | | | |
| Capital projects | | | 0 |
| Debt Service | | | 0 |
| Unrestricted (deficit) | 597,805 | 44,297 | 642,103 |
| Total Fund Balance | 597,805 | 44,297 | 642,103 |
| Total Liabilities and Fund Balance | \$598,576 | 44,297 | \$642,874 |

Reconciliation with Statement of Net Assets:

| | | | |
|-------------------------------------|---------|-------------|--|
| Fund Balance per above | | \$642,103 | |
| Add Capital Assets | 412,450 | | |
| Less Long Term Debt | 0 | | |
| Balance per Statement of Net Assets | | \$1,054,553 | |

STRONACH TOWNSHIP
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

| | General Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|------------------|------------------------------------|--------------------------------|
| Revenues | | | |
| Taxes and Penalties | \$77,177 | \$39,934 | \$117,111 |
| Licenses and Permits | 9 | | 9 |
| State Grants | 54,695 | | 54,695 |
| Charges for Services | 8,261 | 8,783 | 17,044 |
| Fees | 217,481 | | 217,481 |
| Interest and Rentals | 28,810 | 599 | 29,410 |
| Other Revenue | 5,121 | 3,376 | 8,497 |
| Total Revenues | 391,554 | 52,692 | 444,247 |
| Expenditures | | | |
| Current | | | |
| Legislative | 58,671 | | 58,671 |
| General Government | 81,877 | | 81,877 |
| Public Safety | 32,700 | 35,391 | 68,091 |
| Public Works | 21,456 | 33,162 | 54,618 |
| Recreation and Cultural | 1,916 | | 1,916 |
| Capital Outlay | 0 | | 0 |
| Debt Service | 0 | | 0 |
| Total Expenditures | 196,619 | 68,554 | 265,172 |
| Excess of Revenues Over (Under) Expenditures | 194,936 | (15,861) | 179,074 |
| Other Financing Sources (Uses) | | | |
| Transfers In | 0 | 0 | 0 |
| Transfers (Out) | 0 | 0 | 0 |
| Bond Proceeds | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | 0 | 0 | 0 |
| Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses | 194,936 | (15,861) | 179,074 |
| Fund Balance July 1, 2006 | 402,869 | 60,158 | 463,027 |
| Fund Balance June 30, 2007 | \$597,805 | \$44,296 | \$642,102 |

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

| | |
|---|----------------|
| Net Change in Fund Balances - Total Governmental Funds | \$179,074 |
| Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimate useful lives as depreciation. | <u>(5,588)</u> |

| | |
|---|-----------|
| Change in Net Assets of Governmental Activities | \$173,486 |
|---|-----------|

STRONACH TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Stronach Township have been prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting Entity

Stronach Township is a local unit of government located in Manistee County. The Township is governed by an elected five member board. Services are provided to approximately 800 residents and include fire protection and general community enrichment services.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

B. Government - Wide Financial Statements

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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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.

STRONACH TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. 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 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.

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, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township collects property taxes between July 1 and February 15. After this time, the taxes become delinquent and must be paid at the County Treasurer's office. The County pays the Township for uncollected taxes from the proceeds of revolving tax notes. Personal property taxes are the responsibility of the Township to collect. Delinquent real property taxes receivable are offset by deferred revenue on the Township's balance sheet, as these accounts are not normally received within sixty days of year-end, and are therefore not available to finance operations.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is when they become both measurable and available to finance expenditures of the fiscal period. Property taxes and state-shared revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current period. All other revenue items are considered to be available only when the cash is received by the government.

The local unit reports the following governmental funds:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

STRONACH TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Private-sector standards of accounting issued prior to March 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 not to follow private-sector standards issued after November 30, 1989 for its business type activities.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the tax fund and the related funds. 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 the proprietary fund relates to charges to customers for sales and services, including tap fees intended to recover current costs such as labor and material to hook up new customers. The portion of charges 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 expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

STRONACH TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets — Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Generally, capital assets are defined by the government as assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation has been provided on these fixed assets using the straight line method over their estimated useful lives.

- Furniture and Office Equipment 5 years
- Maintenance Equipment 7 years
- Park Equipment and Structures 10 years
- Buildings and Improvements 30 years
- Water & Sewer Fund 10-50 years
- Motor Vehicle Fund 5-10 years

NOTE 2-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The General Fund and Special Revenue Fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis. It is used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a function basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

Encumbrance accounting is not used and appropriations lapse at year-end.

B. Budget Compliance

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the current year, the Township did not incur expenditures in excess of the amounts appropriated.

STRONACH TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 3- DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943 as amended by act No. 217, Public Acts of 1982 and Public Act 196 of 1997, states the 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 financial institution, but only if the financial institution complies with subsection 2.
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
4. In banker's acceptances of United States banks.
5. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township maintains all its surplus funds with local banks in the form of savings/checking accounts and certificates of deposit. Interpreting FDIC rules regarding the \$100,000 insurance limit to apply separately to the demand and time deposits of public units, GASB statement 3 risk disclosures for the Township are as follows:

- | | |
|------------|---|
| Category 1 | Insured or collateralized with securities held by the entity or its agent in the entity's name. |
| Category 2 | Collateralized with securities held by the pledging financial institution's trust department or agent in entity's name. |
| Category 3 | Un-collateralized |

STRONACH TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2007

C. Deposits

| | Category 1 | Category 3 |
|------|-------------------|-------------------|
| | Insured | Uninsured |
| Cash | \$200,000 | \$ 442,874 |

NOTE 4 - SUMMARY OF CAPITAL ASSETS

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

A Governmental Activities

| | <i>Beginning</i> | <i>Additions</i> | <i>Deletions</i> | <i>Ending Balance</i> |
|----------------------------------|------------------|------------------|------------------|-----------------------|
| Capital Assets Being Depreciated | | | | |
| Building | 223,500 | | | 223,500 |
| Land | 339,824 | | | 339,824 |
| Fire Equipment | <u>249,495</u> | | | <u>249,495</u> |
| Total | 812,819 | | | 812,819 |
| Accumulated Depreciation | | | | |
| Building | 145,287 | 5,588 | | 150,875 |
| Land | 0 | | | 0 |
| Fire Equipment | <u>249,495</u> | | | <u>249,495</u> |
| Total | 394,782 | 5,588 | | 400,370 |
| Net General Assets | 418,037 | | | 412,449 |

NOTE 5 - LONG TERM DEBT

The Township does not carry any long term debt.

NOTE 6- RETIREMENT PLANS

Effective January 1, 1970, the Township adopted the Manulife Defined Contribution Pension Plan. All of the Township's elected officials are eligible for coverage under the policy upon reaching 18 years of age, but not more than 75 years of age.

Contributions to the plan are based on the basic annual rate of compensation in effect at the beginning of the plan year. The Township will pay 75% of the annual contribution with the employee required to pay the remaining 25%. The employees may make voluntary non-deductible contributions up to 10% of compensation. Contributions shall be according to the following schedule:

| <u>Annual Compensation</u> | <u>Annual Contribution</u> |
|----------------------------|----------------------------|
| Less than \$500 | \$ 100 |
| 500 to 999 | \$ 200 |
| 1,000 to 1,499 | \$ 300 |
| 1,500 or more | \$ 400 |

Vesting will be 100% upon death, total disability or normal retirement. For early retirement or termination of service, benefits vest after 10 months of participation in the plan. The normal retirement date is age 65 or, if later, on the 10th anniversary of the employee's entry date. Early retirement is permitted any time after attainment of age 65. A participant may postpone his/her retirement until age 80.

The Township's pension contribution for the fiscal year ended June 30, 2007 was \$1,500 and the total current year covered salaries of \$33,563 and the total payroll for the Township which was \$92,911.

The employees contributed \$ 500 to the plan during the year.

NOTE 7- RISK MANAGEMENT

The Township pays an annual premium to Michigan Municipal Underwriters for its general insurance coverage through the Michigan Township Participating Plan. The Township carries coverage for property damage, liability, wrongful acts, automobile, crime. Also, the Township carries worker's compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8-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.

SUPPLEMENTAL DATA SECTION

To the Township Board
Stronach Township, MI

We have audited the combined financial statements of Stronach Township for the year ended June 30, 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 financials 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
August 14, 2007

General Fund

**Stronach Township
Balance Sheet
General Fund**

As Of June 30, 2007

| | |
|-------------------------------------|------------------|
| <u>Assets</u> | |
| Cash In Bank and Investments | \$598,576 |
| Accounts Receivable | 0 |
| Taxes Receivable | 0 |
| Due From Other Agencies | 0 |
| Due From Other Funds | 0 |
| Total Assets | <u>\$598,576</u> |
| <u>Liabilities and Fund Balance</u> | |
| Liabilities | |
| Accounts Payable | \$771 |
| Accrued Salaries & Wages | 0 |
| Deferred Revenue | 0 |
| Due To Other Funds | 0 |
| Compensated Absences | 0 |
| Total Liabilities | <u>771</u> |
| Fund Balance | |
| Reserved for Equipment Replacement | 0 |
| Unreserved | <u>597,805</u> |
| Total Fund Balance | <u>597,805</u> |
| Total Liabilities and Fund Balance | <u>\$598,576</u> |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Stronach Township
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget Vs Actual
General Fund
For the Year Ended June 30, 2007

| <u>Revenue</u> | <u>Budget Beginning July 01, 2006</u> | <u>Budget Year Ended June 30, 2007</u> | <u>Actual Year Ended June 30, 2007</u> | <u>Variance Favorable (Unfavorable)</u> |
|------------------------|---|--|--|---|
| Current Property Taxes | \$55,244 | \$55,244 | \$58,589 | \$3,345 |
| Delinquent Tax | 2,896 | 2,896 | 3,818 | 923 |
| Penalties on Taxes | 0 | 0 | 0 | 0 |
| Admin Fees | 13,671 | 13,671 | 14,769 | 1,098 |
| Licenses and Permits | 5 | 5 | 9 | 4 |
| State Shared Revenues | 54,000 | 54,000 | 54,695 | 695 |
| Use Fees | 5,100 | 5,100 | 7,356 | 2,256 |
| Charge for Services | 1,620 | 1,620 | 905 | (715) |
| Earned Interest | 2,147 | 2,147 | 20,685 | 18,538 |
| Rents and Royalties | 7,600 | 7,600 | 8,125 | 525 |
| Landfill Fees | 195,000 | 195,000 | 217,481 | 22,481 |
| Reimbursements | 0 | 0 | 1,585 | 1,585 |
| Misc | 12,100 | 12,100 | 3,536 | (8,564) |
| Total Revenues | 349,383 | 349,383 | 391,554 | 42,171 |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Stronach Township
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget Vs Actual
General Fund
For the Year Ended June 30, 2007

Expenditure

| | | | | |
|--------------------------|----------------|----------------|----------------|---------------|
| Legislative | | | | |
| Township Board | \$59,600 | \$59,600 | \$58,671 | \$929 |
| General Government: | | | | |
| Township Supervisor | 13,000 | 13,000 | 8,768 | 4,232 |
| Elections | 3,000 | 3,000 | 2,751 | 249 |
| Professional | 5,500 | 5,500 | 0 | 5,500 |
| Assessor | 20,000 | 20,000 | 15,878 | 4,122 |
| Clerk | 14,500 | 14,500 | 10,034 | 4,466 |
| Board of Review | 1,500 | 1,500 | 1,048 | 452 |
| Total Treasurer | 14,500 | 14,500 | 12,213 | 2,287 |
| Total Township Hall | <u>92,086</u> | <u>92,086</u> | <u>31,185</u> | <u>60,901</u> |
| Total General Government | 164,086 | 164,086 | 81,877 | 86,332 |
| Planning and Zoning | 0 | 0 | 0 | 0 |
| Planning & Zoning Admin | 33,500 | 33,500 | 32,700 | 800 |
| Public Works: | | | | |
| Roads | 5,100 | 5,100 | 2,737 | 2,363 |
| Parks and Recreation | 10,000 | 10,000 | 7,577 | 2,423 |
| Street Lights | 6,500 | 6,500 | 5,624 | 876 |
| Cemetery | 7,000 | 7,000 | 5,517 | 1,483 |
| Total Public Works | <u>28,600</u> | <u>28,600</u> | <u>21,456</u> | <u>7,144</u> |
| Zoning Board of Appeals | 0 | 0 | 0 | 0 |
| Other Expenses: | | | | |
| Chargebacks | 3,000 | 3,000 | 1,916 | 1,084 |
| Employee Benefits | 0 | 0 | 0 | 0 |
| Library | 0 | 0 | 0 | 0 |
| Contingency | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Other Expenditures | 3,000 | 3,000 | 1,916 | 1,084 |
| Total Expenditures | <u>288,786</u> | <u>288,786</u> | <u>196,619</u> | <u>95,490</u> |

OTHER FINANCING SOURCES

| | |
|--|-------------------------|
| Operating Transfers In(Out) | 0 |
| Excess Revenue & Other Financing Uses Over (Under) Expenditures | 194,936 |
| Fund Balance - Beginning of Year | <u>402,869</u> |
| Fund Balance - End of Year | <u><u>\$597,805</u></u> |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Non-Major Funds

**Stronach Township
Combining Balance Sheet
Non-Major Funds**

As Of June 30, 2007

| | Fire Fund | Building Inspector Fund | Waste Collection Fund | Total |
|---|----------------|-------------------------------|--------------------------|-----------------|
| Assets | | | | |
| Cash in Bank | \$6,067 | \$4,923 | \$33,307 | \$44,297 |
| Certificate of Deposit | 0 | | 0 | 0 |
| Taxes Receivable | 0 | 0 | | 0 |
| Due From GF | | 0 | 0 | 0 |
| Total Assets | 6,067 | 4,923 | 33,307 | 44,297 |
| Liabilities and Fund Balance | | | | |
| Liabilities | | | | |
| Accounts Payable | 0 | 0 | 0 | 0 |
| Due to General Fund | 0 | | | 0 |
| Total Liabilities | 0 | 0 | 0 | 0 |
| Fund Balance | | | | |
| Reserved for Equipment Replacement | 0 | | | 0 |
| Unreserved | 6,067 | 4,923 | 33,307 | 44,297 |
| Total Fund Balance | 6,067 | 4,923 | 33,307 | 44,297 |
| Total Liabilities and Fund Balance | \$6,067 | \$4,923 | \$33,307 | \$44,297 |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Stronach Township
Combining Statement of Revenues, Expenditures & Changes in Fund Balance
Non-Major Funds

For The Year Ended June 30, 2007

| | Fire Fund | Building Inspector Fund | Waste Collection Fund | Total |
|----------------------------------|----------------|-------------------------------|-----------------------------|-----------------|
| Revenues | | | | |
| Property Taxes | \$18,694 | | \$19,967 | \$38,661 |
| Delinquent Property Taxes | 1,272 | | | 1,272 |
| Charges For Services | | 8,783 | | 8,783 |
| Interest | 300 | 0 | 300 | 599 |
| Grants | 0 | | | 0 |
| Miscellaneous | 3,376 | | 0 | 3,376 |
| Total Revenue | <u>23,643</u> | <u>8,783</u> | <u>20,267</u> | <u>52,692</u> |
| Expenditures | | | | |
| Public Welfare | 35,391 | 8,876 | 24,286 | 68,554 |
| Miscellaneous | | | | 0 |
| Total Expenditures | <u>35,391</u> | <u>8,876</u> | <u>24,286</u> | <u>68,554</u> |
| Excess Revenue (Expenditures) | (11,749) | (93) | (4,019) | (15,861) |
| Transfer In (Out) | 0 | 0 | 0 | 0 |
| Fund Balance - Beginning of Year | <u>17,816</u> | <u>5,016</u> | <u>37,326</u> | <u>60,158</u> |
| Fund Balance - End of Year | <u>\$6,067</u> | <u>\$4,923</u> | <u>\$33,307</u> | <u>\$44,297</u> |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Stronach Township
Balance Sheet
Fire Fund**

As Of June 30, 2007

| | |
|-------------------------------------|----------------|
| Assets | |
| Cash In Bank and Investments | \$6,067 |
| Certificate of Deposit | 0 |
| Taxes Receivable | 0 |
| Total Assets | <u>6,067</u> |
| Liabilities and Fund Balance | |
| Liabilities | |
| Accounts Payable | 0 |
| Due to General Fund | 0 |
| Total Liabilities | <u>0</u> |
| Fund Balance | |
| Reserved for Equipment Replacement | 0 |
| Unreserved | 6,067 |
| Total Fund Balance | <u>6,067</u> |
| Total Liabilities and Fund Balance | <u>\$6,067</u> |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Stronach Township
Statement of Revenues, Expenditures & Changes in Fund Balance
Fire Fund

For The Year Ended June 30, 2007

| | Actual |
|--------------------------------------|---------------------------|
| Revenues | |
| <hr/> | |
| Property Taxes | \$18,694 |
| Delinquent Tax | 1,272 |
| Interest | 300 |
| Grants | 0 |
| Miscellaneous | 3,376 |
| Total Revenue | <u>23,643</u> |
| | |
| Expenditures | |
| <hr/> | |
| Salaries | 11,378 |
| Administrative | 0 |
| Insurance | 0 |
| Building Maintenance | 0 |
| Equipment Supplies | 0 |
| Miscellaneous | 0 |
| Other | 24,014 |
| Total Expenditures | <u>35,391</u> |
| Excess Revenues (Expenditures) | (11,749) |
| Transfer In (out) | 0 |
| Fund Balance - Beginning of Year | <u>17,816</u> |
| Fund Balance - End of Year | <u><u>\$6,067</u></u> |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Stronach Township
Balance Sheet
Building Inspector Fund**

As Of June 30, 2007

| | |
|--|-----------------------|
| <u>Assets</u> | |
| Cash In Bank and Investments | \$4,923 |
| Due From Other Funds (General) | <u>0</u> |
| Total Assets | <u><u>4,923</u></u> |
| <u>Liabilities and Fund Balance</u> | |
| Liabilities | 0 |
| Unreserved Fund Balance | <u>4,923</u> |
| Total Liabilites and Fund Balance | <u><u>\$4,923</u></u> |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Stronach Township
Statement of Revenues, Expenditures & Changes in Fund Balance
Building Inspector Fund

For The Year Ended June 30, 2007

| | |
|----------------------------------|-----------------------|
| <u>Revenues</u> | |
| Inspection Fees | \$8,783 |
| Interest | <u>0</u> |
| Total Revenues | 8,783 |
| <u>Expenditures</u> | |
| Payroll | 0 |
| Miscellaneous | <u>8,876</u> |
| Total Expenditures | <u>8,876</u> |
| Excess Revenue (Expenditures) | (93) |
| Transfer In (Out) | 0 |
| Fund Balance - Beginning of Year | <u>5,016</u> |
| Fund Balance - End of Year | <u><u>\$4,923</u></u> |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Stronach Township
Balance Sheet
Waste Collection Fund**

As Of June 30, 2007

| | |
|-------------------------------------|-----------------|
| <u>Assets</u> | |
| Cash In Bank | \$33,307 |
| Certificate of Deposit | \$0 |
| Taxes Receivable | 0 |
| Due from General Fund | 0 |
| Total Assets | <u>33,307</u> |
| <u>Liabilities and Fund Balance</u> | |
| Liabilities | 0 |
| Due to Improvement Fund | 0 |
| Fund Balance | |
| Reserved for Equipment Replacement | 0 |
| Unreserved | 33,307 |
| Total Fund Balance | <u>33,307</u> |
| Total Liabilities and Fund Balance | <u>\$33,307</u> |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Stronach Township
Statement of Revenues, Expenditures & Changes in Fund Balance
Waste Collection Fund

For The Year Ended June 30, 2007

| | |
|--------------------------------------|----------------------------|
| <u>Revenues</u> | |
| Property Tax | \$19,967 |
| Charges for Services | 0 |
| Interest | 300 |
| Total Revenue | <u>20,267</u> |
| <u>Expenditures</u> | |
| Salaries | 0 |
| Misc | 24,286 |
| Total Expenditures | <u>24,286</u> |
| Excess Revenues (Expenditures) | (4,019) |
| Transfer In (Out) | <u>0</u> |
| Fund Balance - Beginning of Year | 37,326 |
| Fund Balance - End of Year | <u><u>\$33,307</u></u> |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS