

### 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 <b>Martiny Township</b>	County <b>Mecosta</b>
Fiscal Year End <b>03/31/2007</b>	Opinion Date <b>August 16, 2007</b>	Date Audit Report Submitted to State <b>September 27, 2007</b>	

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 type="checkbox"/>	
Other (Describe)	<input checked="" type="checkbox"/>	Letter of significant deficiencies
Certified Public Accountant (Firm Name) <b>Baird, Cotter and Bishop, P.C.</b>	Telephone Number <b>(231) 775-9789</b>	
Street Address <b>134 W. Harris Street</b>	City <b>Cadillac</b>	State <b>MI</b> Zip <b>49601</b>
Authorizing CPA Signature 	Printed Name <b>Steven C. Arends</b>	License Number <b>1101013211</b>

**MARTINY TOWNSHIP, MECOSTA COUNTY**

**RODNEY, MICHIGAN**

**MARCH 31, 2007**

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

[www.bcbcpa.com](http://www.bcbcpa.com)

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

MARCH 31, 2007

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditors' Report</b>	i-ii
<b>Management's Discussion and Analysis</b>	iii-viii
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	6
Fiduciary Fund	
Statement of Fiduciary Net Assets	7
Notes to Financial Statements	8-16
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - Major Governmental Funds	17
<b>Major Governmental Funds</b>	
<u>General Fund</u>	
Balance Sheet	18
Statement of Revenues, Expenditures and Changes in Fund Balance	19
<u>Lake Improvement Fund</u>	
Balance Sheet	20
Statement of Revenues, Expenditures and Changes in Fund Balance	21
<b>Agency Funds</b>	
<u>Current Tax Collection Fund</u>	
Statement of Changes in Assets and Liabilities	22
<b>Other Information</b>	
Statement of 2006 Winter Property Tax Roll	23
Statement of 2006 Summer Property Tax Roll	24

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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www.bcbcpa.com

August 16, 2007

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Martiny Township  
Mecosta County  
Rodney, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Martiny Township, Mecosta County, Rodney, 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 basic financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the basic 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 Martiny Township, Mecosta County, Rodney, Michigan as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 16 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 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 Martiny Township, Mecosta County, Rodney, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing

procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MARTINY TOWNSHIP, MECOSTA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

Martiny Township, a general law township located in Mecosta County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Martiny Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2007.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$762,540. Of this amount, \$375,983 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's general fund reported an ending fund balance of \$375,983 of which 100% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2007.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

MARTINY TOWNSHIP, MECOSTA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$762,540 at March 31, 2007, meaning the Township’s assets were greater than its liabilities by this amount.

MARTINY TOWNSHIP, MECOSTA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

**Martiny Township**  
**Net Assets as of March 31, 2007**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 396,717
Non Current Assets	
Capital Assets	389,114
Less: Accumulated Depreciation	<u>(23,174)</u>
Total Non Current Assets	<u>365,940</u>
<b>Total Assets</b>	<b><u><u>\$ 762,657</u></u></b>
<b>Liabilities</b>	
Current Liabilities	<u>\$ 117</u>
<b>Net Assets</b>	
Invested in Capital Assets	365,940
Restricted	20,617
Unrestricted	<u>375,983</u>
<b>Total Net Assets</b>	<u>762,540</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 762,657</u></u></b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, and others). The Township is not responsible for any long-term debt as of March 31, 2007. Other liabilities are minimal as of March 31, 2007.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

MARTINY TOWNSHIP, MECOSTA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

**Martiny Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2007**

	<b>Governmental Activities</b>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 3,474
Operating Contributions	32,909
<b>General Revenues</b>	
Property Taxes	80,386
Licenses and Permits	388
State Shared Revenue	112,204
Investment Earnings	14,045
<b>Total Revenues</b>	<b>\$ 243,406</b>
<b><u>Expenses</u></b>	
Legislative	8,529
General Government, Administrative	87,417
Public Safety	33,900
Public Works	12,072
Recreation and Culture	12,292
Other Functions	9,263
Unallocated Depreciation	9,300
<b>Total Expenses</b>	<b>\$ 172,773</b>
Changes in Net Assets	70,633
NET ASSETS - Beginning of Year	691,907
NET ASSETS - End of Year	<b>\$ 762,540</b>

**Governmental Activities**

During the fiscal year ended March 31, 2007, the Township's net assets increased by \$70,633 or 10% in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

A significant portion of the revenue for all governmental activities of Martiny Township comes from property taxes. The Township levied 1.2004 mills for operating purposes.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

MARTINY TOWNSHIP, MECOSTA COUNTY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

The Township’s governmental activities expenses are dominated by general governmental expenses that total 51% of total expenses. The Township spent \$87,417 in fiscal year 2007 on General Administrative expenses. Public Safety represented the next largest expense at \$33,900, or 20% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Administrative expenses at \$45,727. Depreciation expense added another \$9,300.

**Financial Analysis of the Government’s Funds**

**Governmental Funds** The focus of Martiny Township’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township’s financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

**General Fund** The General Fund reported an ending fund balance of \$375,983, 100% constitutes unreserved fund balance. The General Fund increased its fund balance by \$58,253. All of the General Fund’s functions ended the year with expenditures below budgeted amounts. Property taxes amounted to \$74,459. State shared revenues were collected in the amount of \$109,254.

**Lake Improvement Fund** The Lake Improvement fund is a new fund as of March 31, 2007. The Lake Improvement Fund increased its fund balance by \$20,617, bringing the ending fund balance to \$20,617. The balance is designated for lake improvement.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township’s investment in capital assets as of March 31, 2007 amounted to \$365,940 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Martiny Township**  
**Capital Assets as of March 31, 2007**

	<b>Governmental Activities</b>
Land and Land Improvements	\$ 32,000
Buildings	342,000
Furniture and Equipment	15,114
	389,114
Less Accumulated Depreciation	(23,174)
<b>Net Capital Assets</b>	<b>\$ 365,940</b>

MARTINY TOWNSHIP, MECOSTA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

During the current fiscal year the Township purchased a copier for \$1,063.

**Long-Term Debt.** Martiny Township has no obligation for any long-term debt as of March 31, 2007.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. The Township's millage rate will be reduced again by the Headlee Amendment rollback.

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Martiny Township at 16731 110<sup>th</sup> Avenue, Rodney, Michigan 49342.

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2007

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
<u>CURRENT ASSETS</u>	
Cash	\$ 354,604
Taxes Receivable	7,635
Special Assessments Receivable	16,541
Due from Other Government	17,937
	<hr/>
TOTAL CURRENT ASSETS	\$ 396,717
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	\$ 32,000
Buildings	342,000
Furniture and Equipment	15,114
	<hr/>
	\$ 389,114
Less Accumulated Depreciation	23,174
Net Capital Assets	<hr/>
	\$ 365,940
	<hr/>
TOTAL ASSETS	\$ 762,657
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Payroll Taxes and Withholdings	\$ 117
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 365,940
Restricted for Lake Improvement	20,617
Unrestricted	375,983
	<hr/>
TOTAL NET ASSETS	\$ 762,540
	<hr/>

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

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 8,529	\$ 0	\$ 0	\$ 0	\$ (8,529)
General Government	87,417	3,474	0	0	(83,943)
Public Safety	33,900	0	0	0	(33,900)
Public Works	12,072	0	0	0	(12,072)
Recreation and Culture	12,292	0	32,909	0	20,617
Other Functions	9,263	0	0	0	(9,263)
Unallocated Depreciation	9,300	0	0	0	(9,300)
Total Governmental Activities	\$ 172,773	\$ 3,474	\$ 32,909	\$ 0	\$ (136,390)
 <u>GENERAL REVENUES</u>					
Property Taxes					\$ 80,386
Licenses and Permits					388
State Shared Revenue					112,204
Investment Earnings					14,045
Total General Revenues					207,023
Change in Net Assets					70,633
<u>NET ASSETS</u> - Beginning of Year					691,907
<u>NET ASSETS</u> - End of Year					\$ 762,540

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

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2007

	<u>GENERAL</u> <u>FUND</u>	<u>LAKE</u> <u>IMPROVEMENT</u> <u>FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 350,528	\$ 4,076	\$ 354,604
Taxes Receivable	7,635	0	7,635
Special Assessments Receivable	0	16,541	16,541
Due from Other Government	17,937	0	17,937
Total Assets	\$ 376,100	\$ 20,617	\$ 396,717
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Payroll Taxes and Withholdings	\$ 117	\$ 0	\$ 117
 <u>FUND BALANCE</u>			
Reserved for:			
Lake Improvement	0	20,617	20,617
Unreserved			
Undesignated	375,983	0	375,983
Total Fund Balance	375,983	20,617	396,600
TOTAL LIABILITIES AND FUND BALANCE	\$ 376,100	\$ 20,617	\$ 396,717

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

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2007

Total Fund Balances for Governmental Funds \$ 396,600

Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$ 32,000	
Buildings	342,000	
Furniture and Equipment	15,114	
Accumulated Depreciation	(23,174)	365,940

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 762,540

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

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	<u>GENERAL</u> <u>FUND</u>	<u>LAKE</u> <u>IMPROVEMENT</u> <u>FUND</u>	<u>TOTALS</u>
<u>REVENUES</u>			
Taxes	\$ 80,386	\$ 0	\$ 80,386
Licenses and Permits	388	0	388
State Grants	112,204	0	112,204
Charges for Services	3,474	0	3,474
Interest and Rents	14,045	0	14,045
Other Revenues	0	32,909	32,909
	<hr/>		
Total Revenues	210,497	32,909	243,406
	<hr/>		
<u>EXPENDITURES</u>			
Legislative	8,529	0	8,529
General Government	88,480	0	88,480
Public Safety	33,900	0	33,900
Public Works	12,072	0	12,072
Recreation and Culture	0	12,292	12,292
Other Functions	9,263	0	9,263
	<hr/>		
Total Expenditures	152,244	12,292	164,536
	<hr/>		
Net Change in Fund Balance	58,253	20,617	78,870
	<hr/>		
<u>FUND BALANCE</u> - Beginning of Year	317,730	0	317,730
	<hr/>		
<u>FUND BALANCE</u> - End of Year	\$ 375,983	\$ 20,617	\$ 396,600
	<hr/> <hr/>		

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

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2007

Net change in Fund Balance - Total Governmental Funds	\$ 78,870
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Capital Outlay	1,063
Depreciation Expense	<u>(9,300)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 70,633</u></u>

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

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2007

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$           331
<u>LIABILITIES</u>	
Due to Other Governments	\$           331

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

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Martiny Township is a general law township located in Mecosta County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

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 revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

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

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized 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.

Martiny Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Lake Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for lake improvements.

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Additionally Martiny Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Township's investment policy states that the Township Treasurer may invest township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loans association, or credit union meet all criteria as a depository of public funds contained in state law.

In addition the policy states that the prior approval of the Township Board shall be required for the treasurer to invest in any other lawful investment instruments, which includes the following:

In bonds, securities, and other obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States. This subdivision shall include securities issued or guaranteed by the Government National Mortgage Association.

In commercial paper rated at the time of purchase within the 3 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Nor more than 50% of any fund may be invested in commercial paper at any time.

In United States government or federal agency obligation repurchase agreements.

In bankers' acceptances of United States banks.

In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and two-thirds of county taxes are levied and due July 1, and become delinquent after September 14. The remaining mileages are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2006 taxable valuation of Martiny Township totaled \$62,013,058, on which ad valorem taxes levied consisted of 1.2004 mills for Martiny Township operating purposes. The levy raised approximately \$74,459 for operating purposes.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

**4. *Capital Assets***

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. 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 date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land and Land Improvements	50
Buildings	25
Furniture and Equipment	5-10

**5. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township currently has no long-term obligations.

**6. Fund Equity**

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

**7. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts were originally adopted on March 18, 2006 and amended various times throughout the year.

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

### **III. DETAILED NOTES ON ALL FUNDS**

#### **A. Deposits and Investments**

Bank deposits are in Independent and Chemical Banks.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2007, \$191,287 of the government's bank balance of \$370,190 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

	General
Receivables	
Taxes	\$ 7,635
Special Assessments	16,541
Total Receivables	\$ 24,176

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 32,000	\$ 0	\$ 0	\$ 32,000
Capital assets, being depreciated				
Buildings	342,000	0	0	342,000
Furniture and Equipment	14,051	1,063	0	15,114
Total capital assets, being depreciated	356,051	1,063	0	357,114

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings	(8,550)	(6,840)	0	(15,390)
Furniture and Equipment	(5,324)	(2,460)	0	(7,784)
Total accumulated depreciation	(13,874)	(9,300)	0	(23,174)
Total capital assets, being depreciated, net	342,177	(8,237)	0	333,940
Governmental activities capital assets, net	\$ 374,177	\$ (8,237)	\$ 0	\$ 365,940

Depreciation expense for the year was \$9,300.

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2007, were \$0.

**E. Long-Term Debt**

At March 31, 2007, the Township was not obligated for any long-term debt.

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Joint Fire Protection**

The Township is a member of the Chippewa-Martiny Fire District. The Fire District is a 50% - 50% joint venture of Chippewa Township and Martiny Township created to provide fire protection for the member units. During the current year, Martiny Township has contributed \$33,900 to the joint venture.

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**C. Retirement Plan**

The Township has a defined contribution pension plan with Manufacturers Life Insurance Company, which covers Township officials who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. An employee's normal retirement date is age 55.

The formula for determining contributions is based on an employee's basic annual rate of compensation in effect at the beginning of each plan year. Plan year is November 20<sup>th</sup> to November 19<sup>th</sup> of the following year. Employer contributions for each eligible participant are calculated as 15% of compensation. Participants are allowed to make voluntary after-tax contributions, in amounts ranging from 1% to 10% of compensation.

Township contributions to the plan for 2006-2007 plan year amounted to \$4,755. In addition, the Township paid \$847 in service fees.

Total wages for those covered under the plan was \$41,378 and total wages for all employees including noncovered payroll was \$45,727.

**D. Interest Income and Expense**

For the year ended March 31, 2007 interest income was \$13,271 and interest expense was \$0.

**E. Chippewa Martiny Fire Department**

The Chippewa Martiny Fire Department is a joint venture of Chippewa and Martiny Townships created to provide fire protection for the listed governments. The following information was taken from the Fire Department's March 31, 2006 audited financial statements.

Total Assets	\$188,135
Investment in Fixed Assets	150,101
Fund Balance – Unreserved	38,034
Total Receipts	75,936
Total Disbursements	82,585
Net Increase (Decrease) in Fund Balance	(6,649)

A copy of these audited financial statements may be obtained by request from the fire board treasurer, 16731 110<sup>th</sup> Avenue, Rodney, Michigan 49342.

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2007

	<u>GENERAL FUND</u>			<u>LAKE IMPROVEMENT FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>						
Taxes	\$ 71,950	\$ 56,950	\$ 80,386	\$ 0	\$ 0	\$ 0
Licenses and Permits	600	600	388	0	0	0
State Grants	97,850	95,200	112,204	0	0	0
Charges for Services	2,800	5,900	3,474	0	0	0
Interest and Rents	5,500	5,500	14,045	0	0	0
Other Revenues	0	0	0	16,462	16,462	32,909
<b>Total Revenues</b>	<b>178,700</b>	<b>164,150</b>	<b>210,497</b>	<b>16,462</b>	<b>16,462</b>	<b>32,909</b>
<u>EXPENDITURES</u>						
Legislative	14,600	22,309	8,529	0	0	0
General Government	100,902	100,902	88,480	0	0	0
Public Safety	34,000	34,000	33,900	0	0	0
Public Works	26,000	26,066	12,072	0	0	0
Recreation and Culture	0	0	0	12,560	12,560	12,292
Other Functions	12,400	12,400	9,263	0	0	0
Contingency	30,000	22,225	0	0	0	0
<b>Total Expenditures</b>	<b>217,902</b>	<b>217,902</b>	<b>152,244</b>	<b>12,560</b>	<b>12,560</b>	<b>12,292</b>
<b>Net Change in Fund Balance</b>	<b>(39,202)</b>	<b>(53,752)</b>	<b>58,253</b>	<b>3,902</b>	<b>3,902</b>	<b>20,617</b>
<u>FUND BALANCE</u> - Beginning of Year	257,483	295,976	317,730	0	0	0
<u>FUND BALANCE</u> - End of Year	<u>\$ 218,281</u>	<u>\$ 242,224</u>	<u>\$ 375,983</u>	<u>\$ 3,902</u>	<u>\$ 3,902</u>	<u>\$ 20,617</u>

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

GENERAL FUND

BALANCE SHEET  
MARCH 31, 2007

ASSETS

Cash	
Commercial Account	\$ 122,402
Certificates of Deposit	228,126
Taxes Receivable	7,635
Due from Other Government	<u>17,937</u>
 TOTAL ASSETS	 <u><u>\$ 376,100</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Payroll Withholdings Payable	\$ 117
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FUND BALANCE

Unreserved	<u>375,983</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 376,100</u></u>
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MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2007

REVENUES

Taxes	\$ 80,386
Licenses and Permits	388
State Grants	112,204
Charges for Services	3,474
Interest and Rents	14,045
Total Revenues	<u>\$ 210,497</u>

EXPENDITURES

Legislative	
Township Board	\$ 8,529
General Government	
Supervisor	11,166
Elections	3,771
Assessor	23,527
Clerk	10,392
Board of Review	1,510
Treasurer	22,026
Building and Grounds	6,349
Cemetery	9,739
Public Safety	
Fire Department	33,900
Public Works	
Highways, Streets, and Bridges	12,072
Other Functions	
Insurance and Bonds	3,038
Employee Benefits	6,225
Total Expenditures	<u>\$ 152,244</u>

Excess (Deficiency) of Revenues Over Expenditures \$ 58,253

FUND BALANCE - Beginning of Year 317,730

FUND BALANCE - End of Year \$ 375,983

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

LAKE IMPROVEMENT FUND

BALANCE SHEET  
MARCH 31, 2007

ASSETS

Cash	
Commercial Account	\$ 4,076
Special Assessments Receivable	<u>16,541</u>
TOTAL ASSETS	<u><u>\$ 20,617</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>FUND BALANCE</u>	
Reserved for Lake Improvement	<u>20,617</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 20,617</u></u>

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

LAKE IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2007

REVENUES

Other Revenues	
Special Assessments	\$ 32,909

EXPENDITURES

Recreation and Cultural	
Lake Improvement	
Personal Services	
Salaries and Wages	\$ 1,872
Supplies	
Office Supplies	1,973
Other Services and Charges	
Professional Services	3,671
Publications	2,976
Other Services	600
Other Expenditures	
DEQ Permits	1,200

Total Expenditures	\$ 12,292
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Excess (Deficiency) of Revenues	
Over Expenditures	\$ 20,617

<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>
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<u>FUND BALANCE</u> - End of Year	<u>\$ 20,617</u>
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MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
MARCH 31, 2007

<u>ASSETS</u>	BALANCE 4/1/2006	ADDITIONS	DEDUCTIONS	BALANCE 3/31/2007
Cash				
Commercial Account	\$ 0	\$ 1,790,839	\$ 1,790,508	\$ 331
<hr style="border-top: 3px double #000;"/>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 3,938	\$ 3,938	\$ 0
Due to Other Governments	0	1,714,062	1,713,977	85
Due to Other Funds	0	72,839	72,593	246
<hr style="border-top: 1px solid #000;"/>				
TOTAL LIABILITIES	\$ 0	\$ 1,790,839	\$ 1,790,508	\$ 331
<hr style="border-top: 3px double #000;"/>				

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

STATEMENT OF 2006 WINTER PROPERTY TAX ROLL  
MARCH 31, 2007

TAXES ASSESSED

County		\$ 223,692	
Township		74,459	
Schools			
Big Rapids Public Schools	\$ 25,493		
Chippewa Hills Public Schools	746,540	772,033	
Intermediate School			
Mecosta - Osceola		<u>253,402</u>	\$ 1,323,586

TAXES COLLECTED

County		\$ 198,844	
Township		66,824	
Schools			
Big Rapids Public Schools	\$ 21,035		
Chippewa Hills Public Schools	684,045	705,080	
Intermediate School			
Mecosta - Osceola		<u>227,504</u>	<u>1,198,252</u>

TAXES RETURNED DELINQUENT

County		\$ 24,848	
Township		7,635	
Schools			
Big Rapids Public Schools	\$ 4,458		
Chippewa Hills Public Schools	62,495	66,953	
Intermediate School			
Mecosta - Osceola		<u>25,898</u>	<u>\$ 125,334</u>

MARTINY TOWNSHIP, MECOSTA COUNTY  
RODNEY, MICHIGAN

STATEMENT OF 2006 SUMMER PROPERTY TAX ROLL  
MARCH 31, 2007

TAXES ASSESSED

County			
Operations	\$	243,618	
State Education Tax		<u>368,568</u>	\$ 612,186

TAXES COLLECTED

County			
Operations	\$	229,910	
State Education Tax		<u>347,829</u>	<u>577,739</u>

TAXES RETURNED DELINQUENT

County			
Operations	\$	13,708	
State Education Tax		<u>20,739</u>	<u>\$ 34,447</u>

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

August 16, 2007

To the Township Board  
Martiny Township  
Rodney, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Martiny Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Martiny Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control 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 and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the deficiency described in number 1 above (Lack of Segregation of Duties) is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*