

Auditing Procedures Report

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

Local 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 Erie Township		County Monroe
Fiscal Year End June 30, 2007		Opinion Date September 21, 2007		Date Audit Report Submitted to State October 6, 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 Account (Firm Name) McGuire & McDole CPAs		Telephone Number 734-854-5044	
Street Address 6588 Secor Road		City Lambertville	State MI
		Zip 48144	
Authorizing CPA Signature <i>Donavon McGuire</i>		Printed Name Donavon McGuire	
		License Number 1101008386	

McGuire & McDole

Certified Public Accountants

L. Donavon McGuire, CPA
Mark McDole, CPA

6588 Secor Road
Lambertville, MI 48144
734-854-5044

October 3, 2007

Erie Township Board
Erie, MI

Dear Board Members,

Our audit of the financial statements of Erie Township for the year ended June 30, 2007, was made in accordance with the generally accepted auditing standards which require that we determine that existing internal controls, accounting procedures and accounting records are adequate to allow us to express an opinion on the financial statements of the Township. The scope of our audit is not intended to be a detailed review of all systems and procedures; therefore, this report should not be considered all inclusive.

We have the following comments:

Forfeiture Expenditures – Forfeiture expenses are amounts directly related to the revenue. All other expenditures should be budgeted in the proper accounts, (i.e. capital outlay).

Deficit Balance – The Law Enforcement Fund ended the year with a deficit balance. A Budget Elimination Plan must be filed with the State and adequate measures taken to eliminate the deficit.

Equipment Leases – All leases, both capital and operating require the approval of the Township Board and must be signed by the Township Clerk.

Prior Year Comments

Escrow Accounts - Some escrow accounts have debit balances, sufficient deposits should be received prior to expending monies for these projects. Professional fees collected for project reviews have not been charged with the related expenses, indicating that these monies were paid from other funds. This should be reviewed and the expenses properly allocated.

Excess Expenditures – At year end the Township had four activities with expenditure in excess of the adjusted budget amounts. All expenditures should be within the amount appropriated. During the year expenditures were in excess of budget. All budget amendments must be made prior to the expenditure and all bills must be approved prior to payment.

Other Matters

Budget Hearing – The Township did not hold a public hearing prior to adopting for the 2006-07 budget. A public hearing was held during the year. All expenditures prior to the public hearing were in excess of appropriated amounts.

We would like to take this opportunity to thank both the Board Officials and the employees who provided assistance to us during our audit. If you have any questions regarding any of the suggestions noted above or would like assistance in their implementation, please contact us.

Sincerely, _____

McGuire & McDole

McGuire & McDole
Certified Public Accountants

ERIE TOWNSHIP

Monroe County, Michigan

FINANCIAL STATEMENTS

For The Year Ended June 30, 2007

ERIE TOWNSHIP

TOWNSHIP OFFICIALS

SUPERVISOR -----William D. Frey

CLERK ----- Jolene Upchurch

TREASURER -----Cindy Baum

TOWNSHIP BOARD

William D. Frey
Jolene Upchurch
Cindy Baum
Denise Gordy
Tad J. Cousino

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INDEPENDENT AUDITOR'S REPORT

Township Board of Erie Township
2060 Manhattan
Erie, MI 48133

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Erie, 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 the Township's management. Our responsibility is to express an opinion 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 financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Erie Township, Michigan as of June 30, 2007, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The management's discussion and analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquires 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 in it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Erie's basic financial statements. The required supplementary budgetary comparisons, and additional combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The required supplementary budgetary comparisons and combining 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.

McGuire & McDole

McGuire & McDole
Certified Public Accountants

September 21, 2007

Erie Township
Management's Discussion and Analysis
June 30, 2007

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 Township as a Whole

The Township's combined net assets decreased 5% from a year ago – decreasing from 9,535.7 thousand to 9,078.5 thousand. As we look at the governmental activities separately from the business-type activities, we can see the governmental activities experienced an increase, of approximately \$219 thousand during the year (5% increase). The business-type activities experienced a \$676.5 thousand decrease in net assets, primarily due to an assessment adjustment. In a condensed format, the table below shows a comparison (in thousands of dollars) of the net assets as of the current date to the prior year:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current Assets	\$ 2,747.4	\$ 2,791.9	\$ 2,410.1	\$ 3,927.1	\$ 5,157.5	\$ 6,719.0
Noncurrent Assets	3,431.1	3,257.6	5,302.6	4,751.7	8,733.7	8,009.3
Total Assets	<u>6,178.5</u>	<u>6,049.5</u>	<u>7,712.7</u>	<u>8,678.8</u>	<u>13,891.2</u>	<u>14,728.3</u>
Long-Term Debt Outstanding	1,140.2	1,299.2	3,030.0	3,340.0	4,170.2	4,639.2
Other Liabilities	267.9	199.1	374.6	354.2	642.5	553.3
Total Liabilities	<u>1,408.1</u>	<u>1,498.3</u>	<u>3,404.6</u>	<u>3,694.2</u>	<u>4,812.7</u>	<u>5,192.5</u>
Net Assets						
Invested in Capital Assets-						
Net of Debt	3,024.2	2,850.7	1,962.6	1,116.7	4,986.8	3,967.4
Restricted	12.4	3.0	77.2	70.4	89.5	73.4
Unrestricted (Deficit)	<u>1,733.8</u>	<u>1,697.4</u>	<u>2,268.3</u>	<u>3,797.5</u>	<u>4,002.1</u>	<u>5,494.9</u>
Total Net Assets	<u>\$ 4,770.3</u>	<u>\$ 4,551.1</u>	<u>\$ 4,308.1</u>	<u>\$ 4,984.6</u>	<u>\$ 9,078.5</u>	<u>\$ 9,535.7</u>

Unrestricted net assets--the part of net assets that can be used to finance day to day operations, increased by \$36,000 for the governmental activities. This represents an increase of approximately 2%. The current level of unrestricted net assets for our governmental activities stands at \$1,734,000, or about 110% of expenditures.

Erie Township
Management's Discussion and Analysis
June 30, 2007

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Program Revenues						
Charges for Services	\$ 45.2	\$ 45.6	\$ 102.0	\$ 76.2	\$ 147.2	\$ 121.8
Operating Grants and Contributions	0.7	2.5	-	-	0.7	2.5
Capital Grants and Contributions	-	-	-	722.7	-	722.7
General Revenues						
Property Taxes	379.2	356.8	-	-	379.2	356.8
State-Shared Revenues	330.0	339.8	-	-	330.0	339.8
Franchise Fees and Permits	775.3	742.0	-	-	775.3	742.0
Unrestricted Investment Earnings	107.2	81.9	137.3	128.8	244.6	210.7
Transfers and Other Revenue	157.3	205.6	-	-	-	-
	<u>1,795.0</u>	<u>1,774.2</u>	<u>239.3</u>	<u>927.7</u>	<u>2,034.4</u>	<u>2,701.9</u>
Program Expenses						
General Government	507.5	517.0	-	-	507.5	517.0
Public Safety	815.1	806.1	-	-	815.1	806.1
Highways and Streets	127.2	189.6	-	-	127.2	189.6
Recreation and Culture	58.3	52.3	-	-	58.3	52.3
Interest on Long-Term Debt	67.6	62.2	-	-	67.6	62.2
Water and Sewer	-	-	915.8	383.2	915.8	383.2
	<u>1,575.8</u>	<u>1,627.2</u>	<u>915.8</u>	<u>383.2</u>	<u>2,491.6</u>	<u>2,010.4</u>
Total Expenses						
Change in Net Assets	<u>\$ 219.2</u>	<u>\$ 147.0</u>	<u>\$ (676.5)</u>	<u>\$ 544.5</u>	<u>\$ (457.3)</u>	<u>\$ 691.5</u>

The Township's net assets continue to remain healthy. The total revenues decreased due to assessments and other revenue while total expenses increased by 24%. As a result, net assets declined by \$1,149,000, compared to a prior year increase of \$433,100

Governmental Activities

The Township's total governmental revenues increased by approximately \$21,000, primarily due to the net increase of property taxes, franchise fees and permits, investment earnings, and the decrease of transfers and other revenue.

Expenses decreased by \$51,000 during the year. This was primarily the result of decreased overall expenses.

Business-Type Activities

The Township's business-type activities consist of the Water and Sewer Fund. Water is provided through the South County Water System. The Township's water activity accounts for local line extensions and connection fees. We provide sewage treatment to approximately five entities through the Bedford Township sewage treatment plant.

The Township's Funds

Our analysis of the Township's major funds begins on page 7, 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 Township's major funds for 2006-07 include the General Fund, the Law Enforcement Fund, and the Public and Private Improvement Fund.

The General Fund pays for most of the Township's governmental services and fire protection operations, which incurred expenses of approximately \$150,000 in 2006-07. Fire equipment purchases and related debt are funded through a special millage recorded in the Fire Equipment Fund. Police services are also funded by a special millage recorded in the Law Enforcement Fund.

General Fund Budgetary Highlights

During the fiscal period 2006-07, the Township Board amended the budget to reflect changes which took place during the year. The most significant changes in revenue was a \$91,010 increase in transfers and a \$41,000 decrease in fund balance. Additionally there were a few minor changes resulting in an overall budget increase of \$4,000.

The expenditure budget reflects total expenditures of \$83,917 less than anticipated. All departments except four were within budget allocation.

Capital Asset and Debt Administration

At June 30, 2007, the Township had \$8,733,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Monroe County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The state's budget deficit makes it highly unlikely that there will be any increase in state revenue sharing and possibly a small decrease. The Lost Peninsula project continues to remain at a standstill because of the negotiations with the City of Toledo regarding water lines, so we do not anticipate any increase in development there until that problem is resolved.

Despite the decline in the housing market, the Township's taxable value for the 2007-08 fiscal year has a six percent increase over last year.

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 the clerk's office.

ERIE TOWNSHIP
GOVERNMENT WIDE STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government		
	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 2,114,811	\$ 793,055	\$ 2,907,866
Receivables (Net of Allowance for Uncollectibles):			
Accounts	-	18,896	18,896
Assessments	3,500	1,472,456	1,475,956
Tap-Ins	-	66,337	66,337
Loans	60,694	-	60,694
Interest	-	-	-
Due From State of Michigan	108,672	-	108,672
Internal Balances	(3,488)	3,488	-
Prepaid Expenses	12,034		12,034
Restricted Cash With Fiscal Agent	451,144	55,861	507,005
	<u>2,747,367</u>	<u>2,410,093</u>	<u>5,157,460</u>
Capital Assets:			
Construction in Progress	549,757	-	549,757
Land	124,685	-	124,685
Buildings and System	1,986,966	6,392,830	8,379,796
Improvements Other than Buildings	169,754	-	169,754
Machinery and Equipment	2,243,906	-	2,243,906
Less Accumulated Depreciation	(1,643,990)	(1,090,207)	(2,734,197)
Total Capital Assets (Net of Accumulated Depreciation)	<u>3,431,078</u>	<u>5,302,623</u>	<u>8,733,701</u>
Total Assets	<u>6,178,445</u>	<u>7,712,716</u>	<u>13,891,161</u>
Liabilities			
Accounts Payable	33,227	17,178	50,405
Accrued Wages	16,024	-	16,024
Accrued Vacation	8,666	-	8,666
Accrued Payroll Taxes	1,754	-	1,754
Accrued Interest Payable	27,759	47,417	75,176
Noncurrent Liabilities:			
Due Within One Year	180,474	310,000	490,474
Due in More Than One Year	1,140,198	3,030,000	4,170,198
Total Liabilities	<u>1,408,102</u>	<u>3,404,595</u>	<u>4,812,697</u>
Net Assets			
Invested in Capital Assets Net of Related Debt	3,024,205	1,962,623	4,986,828
Restricted for:			
Veteran's Memorial	3,019	-	3,019
Metro Fees	9,355		9,355
Repair and Maintenance	-	77,158	77,158
Unrestricted	<u>1,733,764</u>	<u>2,268,340</u>	<u>4,002,104</u>
Total Net Assets	<u>\$ 4,770,343</u>	<u>\$ 4,308,121</u>	<u>\$ 9,078,464</u>

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP

**GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 507,515	\$ 45,213	\$ -	\$ -	\$ (462,302)	\$ -	\$ (462,302)
Public Safety	815,130	-	736	-	(814,394)	-	(814,394)
Highways and Streets	127,221	-	-	-	(127,221)	-	(127,221)
Culture and Recreation	58,330	-	-	-	(58,330)	-	(58,330)
Interest on Long-Term Debt	67,617	-	-	-	(67,617)	-	(67,617)
Total Governmental Activities	<u>1,575,813</u>	<u>45,213</u>	<u>736</u>	<u>-</u>	<u>(1,529,864)</u>	<u>-</u>	<u>(1,529,864)</u>
Business-Type Activities:							
Water and Sewer	<u>915,805</u>	<u>101,990</u>	<u>-</u>	<u>-</u>		<u>(813,815)</u>	<u>(813,815)</u>
Total Primary Government	<u>\$ 2,491,618</u>	<u>\$ 147,203</u>	<u>\$ 736</u>	<u>\$ -</u>	<u>(1,529,864)</u>	<u>(813,815)</u>	<u>(2,343,679)</u>
General Revenues:							
Property Taxes					379,177	-	379,177
State Shared Revenues					330,038	-	330,038
Franchise Fees and Permits					775,325	-	775,325
Unrestricted Investment Earnings					107,213	137,343	244,556
Miscellaneous					157,314	-	157,314
Transfers					-	-	-
Total General Revenues and Transfers					<u>1,749,067</u>	<u>137,343</u>	<u>1,886,410</u>
Change in Net Assets					219,203	(676,472)	(457,269)
Net Assets - Beginning					<u>4,551,140</u>	<u>4,984,593</u>	<u>9,535,733</u>
Net Assets - Ending					<u>\$ 4,770,343</u>	<u>\$ 4,308,121</u>	<u>\$ 9,078,464</u>

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

Assets	<u>General</u>	<u>Law Enforcement</u>	<u>Public and Private Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 83,326	\$ 52,452	\$ 1,807,633	\$ 171,400	\$ 2,114,811
Assessments Receivable	-	-	3,500	-	3,500
Loans Receivable	-	-	60,694	-	60,694
Prepaid Expenses	12,034	-	-	-	12,034
Due From State of Michigan	108,672	-	-	-	108,672
Due From Other Funds	41,682	-	-	1,751	43,433
Restricted Cash With Fiscal Agent	-	-	451,144	-	451,144
Total Assets	<u>\$ 245,714</u>	<u>\$ 52,452</u>	<u>\$ 2,322,971</u>	<u>\$ 173,151</u>	<u>\$ 2,794,288</u>
 Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 27,797	\$ 3,735	\$ -	\$ 1,694	\$ 33,227
Accrued Wages	7,854	8,170	-	-	16,024
Accrued Payroll Taxes	1,754	-	-	-	1,754
Due to Other Funds	1,751	41,668	3,502	-	46,921
Deferred Revenue	-	-	64,194	-	64,194
Total Liabilities	<u>39,156</u>	<u>53,573</u>	<u>67,696</u>	<u>1,694</u>	<u>162,120</u>
Fund Balances:					
Reserved for:					
Veteran's Memorial	3,019	-	-	-	3,019
Metro Fees	9,355	-	-	-	9,355
Unreserved, reported in:					
General Fund	194,184	-	-	-	194,184
Special Revenue Funds	-	(1,121)	2,255,275	171,457	2,425,610
Total Fund Balances	<u>206,558</u>	<u>(1,121)</u>	<u>2,255,275</u>	<u>171,457</u>	<u>2,632,168</u>
Total Liabilities and Fund Balances	<u>\$ 245,714</u>	<u>\$ 52,452</u>	<u>\$ 2,322,971</u>	<u>\$ 173,151</u>	

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.	3,431,078
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	64,194
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,357,097)</u>

Net Assets of Governmental Activities **\$ 4,770,343**

See Accompanying Notes to the Financial Statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Law Enforcement</u>	<u>Public and Private Improvement</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
Revenues:					
Taxes and Penalties	\$ 106,198	\$ 121,206	\$ -	\$ 151,773	\$ 379,177
Licenses and Permits	133,440	5,024	604,927	31,934	775,325
State Grants	330,038	-	-	-	330,038
Federal Grants	-	736	-	-	736
Charges for Services	45,213	-	-	-	45,213
Fines and Forfeits	5,063	120,011	-	-	125,074
Interest	15,502	1,400	85,292	5,019	107,213
Other	29,605	7,752	19,896	20	57,273
Total Revenues	<u>665,059</u>	<u>256,129</u>	<u>710,115</u>	<u>188,746</u>	<u>1,820,049</u>
Expenditures:					
Current:					
General Government	476,291	-	6,281	-	482,572
Public Safety	149,594	460,558	-	68,025	678,177
Highways and Streets	59,697	-	388,447	-	448,144
Recreational and Cultural	54,502	-	-	-	54,502
Debt Service:					
Principal	-	-	46,950	93,602	140,552
Interest and Fiscal Charges	-	-	40,177	22,688	62,865
Total Expenditures	<u>740,084</u>	<u>460,558</u>	<u>481,855</u>	<u>184,315</u>	<u>1,866,812</u>
Excess of Revenue Over (Under) Expenditures					
	<u>(75,025)</u>	<u>(204,429)</u>	<u>228,260</u>	<u>4,431</u>	<u>(46,763)</u>
Other Financing Sources (Uses):					
Operating Transfers In	115,060	197,534	-	57,025	369,619
Operating Transfers Out	(12,025)	-	(357,594)	-	(369,619)
Total Other Financing Sources (Uses)	<u>103,035</u>	<u>197,534</u>	<u>(357,594)</u>	<u>57,025</u>	<u>-</u>
Excess of Revenue & Other Financing Sources Over Expenditures & Other Financing Uses					
	28,010	(6,895)	(129,334)	61,456	(46,763)
Fund Balance - Beginning	<u>178,548</u>	<u>5,774</u>	<u>2,384,609</u>	<u>110,001</u>	
Fund Balance - Ending	<u>\$ 206,558</u>	<u>\$ (1,121)</u>	<u>\$ 2,255,275</u>	<u>\$ 171,457</u>	

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

-Governmental funds report capital outlays as expenditures; in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	152,046
-Special assessment and similar revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(24,709)
-Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	140,552
-Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,923)
Change in Net Assets of Governmental Activities	<u>\$ 219,203</u>

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUND STATEMENT OF NET ASSETS
JUNE 30, 2007

	<i>Water and Sewer</i>	
Assets	<i>Current Year</i>	<i>Prior Year</i>
Current Assets:		
Cash and Cash Equivalents	\$ 793,055	\$ 837,811
Due From Other Funds	3,488	10,463
Current Portion - Tap-Ins Receivable	8,222	9,000
Current Portion - Assessments Receivable	163,600	140,000
Accounts Receivable	18,896	19,216
Total Current Assets	987,261	1,016,490
Noncurrent Assets:		
Restricted Cash	55,861	801,463
Long-Term Portion of Tap-Ins Receivable	58,115	65,559
Long-Term Portion of Assessments Receivable	1,308,856	2,043,605
Capital Assets	6,392,830	5,660,175
Less Accumulated Depreciation	(1,090,207)	(908,483)
Total Noncurrent Assets	6,725,455	7,662,319
Total Assets	7,712,716	8,678,809
Liabilities		
Current Liabilities:		
Accounts Payable	17,178	17,469
Accrued Interest Payable	47,417	41,747
Current Portion of Noncurrent Liabilities	310,000	295,000
	374,595	354,216
Non-current Liabilities:		
Bonds Payable	3,030,000	3,340,000
Total Liabilities	3,404,595	3,694,216
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,962,623	1,116,692
Restricted For Repair and Maintenance	77,158	70,429
Unrestricted	2,268,340	3,797,472
Total Net Assets	\$ 4,308,121	\$ 4,984,593

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP**PROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Water and Sewer</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Operating Revenue:		
Charges for Service - Sewers	\$ 73,940	\$ 63,345
Tap Fees	28,050	12,800
Other Revenue	<u>-</u>	<u>35</u>
Total Operating Revenue	<u>101,990</u>	<u>76,180</u>
Operating Expenses:		
Depreciation	181,724	181,143
Sewer Usage	67,295	57,586
Other	<u>497,394</u>	<u>500</u>
Total Operating Expenses	<u>746,413</u>	<u>239,229</u>
Operating Income (Loss)	<u>(644,423)</u>	<u>(163,049)</u>
Non-Operating Revenue (Expenses):		
Assessment Revenue	-	722,665
Interest Income	137,343	128,805
Interest Expense	<u>(169,392)</u>	<u>(143,945)</u>
Total Non-Operating Revenue (Expenses)	<u>(32,049)</u>	<u>707,525</u>
Change in Net Assets	(676,472)	544,476
Total Net Assets - Beginning	<u>4,984,593</u>	<u>4,440,117</u>
Total Net Assets - Ending	<u>\$ 4,308,121</u>	<u>\$ 4,984,593</u>

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
PROPRIETARY FUND STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

	<i>Water and Sewer</i>	
	<i>Current Year</i>	<i>Prior Year</i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 101,774	\$ 91,600
Payments to suppliers	(67,586)	(52,211)
Net Cash Provided by Operating Activities	34,188	39,389
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Assessment Collections	235,158	205,282
Proceeds from Bonds	-	815,000
Principal Paid on Bonds	(295,000)	(260,000)
Interest Paid on Debt	(169,392)	(143,945)
Purchase of Fixed Assets	(732,655)	(153,097)
Net Cash Provided (Used) by Capital and Related Financing Activities	(961,889)	463,240
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchase) Sale of Investments	-	259,014
Interest Revenue	137,343	128,805
Net Cash Provided (Used) by Investing Activities	137,343	387,819
Net Increase (Decrease) In Cash and Cash Equivalents	(790,358)	890,448
Cash and Cash Equivalents - Beginning	1,639,274	748,826
Cash and Cash Equivalents - Ending	\$ 848,916	\$ 1,639,274
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (644,423)	\$ (163,049)
Depreciation	181,724	181,143
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:		
Due From Other Funds	6,975	-
Taps Receivable	8,222	20,250
Adjustment of Assessment Receivable	476,000	-
Accounts Receivable	321	(4,330)
Accrued Interest Payable	5,660	-
Accounts Payable	(291)	5,375
Net Cash Provided by Operating Activities	\$ 34,188	\$ 39,389

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
FIDUCIARY FUND -- STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Pension Trust Fund</u>	<u>Agency Fund Type (Property Tax Collection Fund)</u>
Assets		
Cash and Cash Equivalents	\$ -	\$ 32
Investments at Fair Value:		
Mutual Funds	<u>252,708</u>	<u>-</u>
Total Assets	252,708	<u>\$ 32</u>
Liabilities		
Due to Others	<u>-</u>	<u>\$ 32</u>
Total Liabilities		
Net Assets		
Held in Trust for Pension Benefits	<u>\$ 252,708</u>	

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
FIDUCIARY FUND STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	<i>Pension Trust Fund</i>
Additions:	
Contributions	
Employer	\$ 38,260
Plan Members	<u>17,391</u>
Total Contributions	55,651
Investment Income	
Net Appreciation (Depreciation) in Fair Value of Investments	<u>41,922</u>
Total Additions	<u>97,573</u>
Deductions:	
Participant Withdrawals	37,144
Administration Fees	<u>2,501</u>
Total Deductions	<u>39,645</u>
Net Change in Net Assets	57,928
Net Assets - Beginning	<u>194,780</u>
Net Assets - Ending	<u><u>\$ 252,708</u></u>

See Accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - *Summary of Significant Accounting Policies*

NOTE 2 - *Reconciliation of Government-Wide and Fund Financial Statements*

NOTE 3 - *Stewardship, Compliance and Accountability*

NOTE 4 - *Deposits and Investments*

NOTE 5 - *Receivables*

NOTE 6 - *Capital Assets*

NOTE 7 - *Interfund Receivables, Payables and Transfers*

NOTE 8 - *Leases*

NOTE 9 - *Long-term Debt*

NOTE 10 - *Restricted Assets*

NOTE 11 - *Risk Management*

NOTE 12 - *Other Post-Employment Benefits*

NOTE 13 - *Employee Retirement Plan*

NOTE 14 - *Pending Litigation*

NOTE 15 - *Deferred Compensation Plan*

NOTE 16 - *Monroe County Joint Powers Water Contracts (South County Water System)*

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Erie Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Erie Township:

A - Reporting Entity

The Local Governmental Unit is governed by an elected five member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Erie Township has no component units.

B - Government-Wide and Fund 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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered available only when cash is received by the government.

Erie Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in Erie Township as of the preceding December 31st. Although Erie Township 2006 ad valorem tax is levied and collectible on December 1, 2006, it is Erie Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). The 2006 taxable valuation of Erie Township totaled \$127.9 million, on which ad valorem taxes levied consisted of .8087 mills for Erie Township operating purposes, .9451 mills for police protection, .1.1815 mills for fire equipment, raising \$103,340 for operating, \$120,771 for police protection, and \$150,984 for fire equipment. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable - current or as tax revenue.

The government 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 Law Enforcement Fund accounts for all police protection expenses and related tax revenue.

The Public and Private Improvement Fund accounts for landfill revenues and block grant loans.

The government reports the following major proprietary funds:

The Water and Sewer Fund accounts for the tap-ins, special assessments, construction and related debt of the water distribution system and the sewage collection system.

Additionally, the government reports the following fund types:

The pension trust fund accounts for the activities of the township employees retirement system which accumulates resources for pension benefit payments to qualified employees.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes tap fees as 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.

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

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

Inventories and Prepaid Items--Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets--Revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of Erie Township's water and sewer lines.

Capital Assets--Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 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. Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Improvements Other than Buildings	20 years
Machinery and Equipment	3 to 15 years
Water and Sewer Lines	30 to 60 years

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Vacation and Sick Leave) --It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-Term Obligations --In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. 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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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.

Comparative Data/Reclassifications --Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Use of Estimates -- Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 2--RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds and net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$1,357,097 are as follows:

Bonds and notes payable	\$ 1,320,672
Accrued interest payable	27,759
Compensated absences	<u>8,666</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 1,357,097</u>

NOTE 2--RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures; in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$152,046 are as follows:

Capital outlay	\$ 380,178
Depreciation	<u>(228,132)</u>
	<u>\$ 152,046</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$7,462 are as follows:

Compensated absences	\$ (2,829)
Accrued interest	<u>4,752</u>
	<u>\$ 1,923</u>

NOTE 3--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end. On or before the 1st day of April the Supervisor shall prepare and submit to the Township Board a recommended budget within the tax limit and other revenue sources of the Township covering the next fiscal year. A public hearing on the budget shall be held before its final adoption. On or before the end of the fiscal year, the Township Board shall adopt a budget for the ensuing fiscal year. The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level. (i.e., The level at which expenditures may not legally exceed appropriations). The Supervisor is authorized to transfer budgeted amounts between line-items within an activity category; however, any revisions that alter the total expenditures of any activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc ., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds--During the year, Erie Township incurred expenditures in budgeted activities which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Actual Expenditure</u>	<u>Budget Appropriation</u>
General Fund--Legal	\$ 27,621	\$ 27,000
General Fund--Building and Grounds	\$ 108,653	\$ 108,536
General Fund--Public Safety--Fire Department - Morin Pointe	\$ 67,979	\$ 66,738
General Fund--Public Safety--Erie Fire Department	\$ 81,615	\$ 78,061
General Fund--Transfers	\$ 12,025	\$ -

Fund Deficits--The Local Governmental Unit has no accumulated fund balance/retained earning deficits.

NOTE 4--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Erie Township's Board has designated two banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

Erie Township's deposits and investment policy are in accordance with statutory authority.

At year-end, Erie Township's deposits and investments were reported in the basic financial statements in the following categories:

<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 2,114,811	\$ 793,055	\$ 32	\$ 2,907,898
Restricted Cash	451,144	55,861	-	507,005
Total	<u>\$ 2,565,955</u>	<u>\$ 848,916</u>	<u>\$ 32</u>	<u>\$ 3,414,903</u>
				<u>\$ 200,000</u>
				Federal Depository Insurance Coverage

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township evaluates each financial institution and assesses the risk level of each one, those with adequate risk levels are used for deposits. The Township has policy for this risk.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not recover the value of its investments or collateral securities that are in the custody of an outside party. The Township has only investments in mutual funds in the amount of \$252,708 which are uninsured, unregistered and held by counterparties for the particular securities. The Township has no policy for this risk.

NOTE 4--DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value on investments will decrease as a result of a rise in interest rates. The Township has no policy for this risk. The Township has no policy with respect to investment maturities.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by a nationally recognized statistical rating organizations. The Township follows the state guidelines and has no investments in this category. The Township has no policy for this risk.

NOTE 5--RECEIVABLES

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

	<u>Public and Private Improvement</u>	<u>Water and sewer</u>	<u>Total</u>
Accounts	\$ -	\$ 18,896	\$ 18,896
Special Assessments	3,500	1,472,455	1,475,955
Loans	60,694	-	60,694
Tap-Ins	-	66,337	66,337
Gross Receivables	<u>64,194</u>	<u>1,557,688</u>	<u>1,621,882</u>
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivables	<u>\$ 64,194</u>	<u>\$ 1,557,688</u>	<u>\$ 1,621,882</u>

Governmental funds report deferred revenue in connection with receivables for revenue 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 current fiscal year, the various components of deferred revenue are as follows:

Loans and Grants	<u>\$ 60,694</u>
Special Assessments	<u>3,500</u>
Total	<u>\$ 64,194</u>

NOTE 6--CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 124,685	\$ -	\$ -	\$ 124,685
Construction in Progress	228,834	320,923	-	549,757
	<u>353,519</u>	<u>320,923</u>	<u>-</u>	<u>674,442</u>
Capital Assets Being Depreciated:				
Buildings	1,986,966	-	-	1,986,966
Improvements Other Than Buildings	169,754	-	-	169,754
Machinery and Equipment	2,208,549	80,706	(45,349)	2,243,906
	<u>4,365,269</u>	<u>80,706</u>	<u>(45,349)</u>	<u>4,400,626</u>
Subtotal				
	<u>4,365,269</u>	<u>80,706</u>	<u>(45,349)</u>	<u>4,400,626</u>
Less Accumulated Depreciation for:				
Buildings	515,994	49,674	-	565,668
Improvements Other Than Buildings	108,441	8,487	-	116,928
Machinery and Equipment	836,772	169,971	(45,349)	961,394
	<u>1,461,207</u>	<u>228,132</u>	<u>(45,349)</u>	<u>1,643,990</u>
Subtotal				
	<u>1,461,207</u>	<u>228,132</u>	<u>(45,349)</u>	<u>1,643,990</u>
Net Capital Assets Being Depreciated	<u>2,904,062</u>	<u>(147,426)</u>	<u>-</u>	<u>2,756,636</u>
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 3,257,581</u>	<u>\$ 173,497</u>	<u>\$ -</u>	<u>\$ 3,431,078</u>
 <u>Business-Type Activities</u>				
Capital Assets Being Depreciated:				
Lines and Connections	\$ 5,660,175	\$ 732,655	\$ -	\$ 6,392,830
Less Accumulated Depreciation for:				
Lines and Connections	908,483	181,724	-	1,090,207
	<u>4,751,692</u>	<u>550,931</u>	<u>-</u>	<u>5,302,623</u>
Net Capital Assets Being Depreciated	<u>4,751,692</u>	<u>550,931</u>	<u>-</u>	<u>5,302,623</u>
Business-Type Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 4,751,692</u>	<u>\$ 550,931</u>	<u>\$ -</u>	<u>\$ 5,302,623</u>

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

<u>Governmental Activities</u>	
General Government	\$ 37,783
Public Safety	175,636
Recreation and Culture	14,713
Total Governmental Activities	<u>\$ 228,132</u>
 <u>Business-Type Activities</u>	
Water and Sewer	<u>\$ 181,724</u>

NOTE 7--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Law Enforcement	\$ 41,668
	Public and Private Improvement	14
Building	General	1,751
Water - Sewer	Public and Private Improvement	3,488
Total		<u>\$ 46,921</u>

Interfund Transfers

	<u>Transfers In</u>			<u>Total</u>
	<u>Law Enforcement</u>	<u>General</u>	<u>Non-Major Governmental Funds</u>	
<u>Transfers Out</u>				
General Fund	\$ -	\$ -	\$ 12,025	\$ 12,025
Public and Private Improvement	197,534	115,060	45,000	357,594
	<u>\$ 197,534</u>	<u>\$ 115,060</u>	<u>\$ 57,025</u>	<u>\$ 369,619</u>

NOTE 8--LEASES

Erie Township had no operating lease obligations at June 30, 2007.

NOTE 9--LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

NOTE 9--LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:						
County Contractual Obligations:						
Road Bonds - 2005	4.50%	2017-18	\$ 1,032,900	\$ (46,950)	\$ 985,950	\$ 70,425
Installment Purchase Agreements:						
Fire Vehicles	5.50%	2009-10	406,873	(93,602)	313,271	98,822
Police Vehicle	6.95%	2008-09	-	17,558	17,558	8,479
Police Radar Speed	6.95%	2008-09	-	3,893	3,893	2,748
Total Governmental Activities			<u>\$ 1,439,773</u>	<u>\$ (119,101)</u>	<u>\$ 1,320,672</u>	<u>\$ 180,474</u>
Business-Type Activities:						
County Contractual Obligations:						
2001 Township Water Line	5.0-5.5%	2014-15	\$ 1,545,000	\$ (155,000)	\$ 1,390,000	\$ 160,000
2002 Township Water Line	3.5-4.7%	2016-17	1,275,000	(105,000)	1,170,000	105,000
2006 Township Water Line	4.2-4.55%	2020-21	815,000	(35,000)	780,000	45,000
Total Business-Type Activities			<u>\$ 3,635,000</u>	<u>\$ (295,000)</u>	<u>\$ 3,340,000</u>	<u>\$ 310,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 180,474	\$ 54,276	\$ 310,000	\$ 152,922
2009	184,949	46,053	320,000	138,765
2010	180,574	37,340	320,000	123,936
2011	93,900	28,998	335,000	108,936
2012	93,900	26,328	340,000	93,079
2013 and after	586,875	88,949	1,715,000	257,263
Total	<u>\$ 1,320,672</u>	<u>\$ 281,944</u>	<u>\$ 3,340,000</u>	<u>\$ 874,901</u>

NOTE 10--RESTRICTED ASSETS

The balances of the restricted asset accounts in the governmental funds are as follows:

Road Improvements	<u>\$ 451,144</u>
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The balances of the restricted asset accounts in the enterprise funds are as follows:

Debt Retirement	2,847
Construction	53,014
	<u>\$ 55,861</u>

NOTE 11--RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from the prior year.

NOTE 11--RISK MANAGEMENT (Continued)

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE 12--OTHER POST-EMPLOYMENT BENEFITS

The Township does not have a plan set up for post-employment benefits other than a pension plan.

NOTE 13--EMPLOYEE RETIREMENT PLAN

Defined Contribution Pension Plan

The Township provides pension benefits for all of its permanent employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus any investment earnings. The plan was established and may be amended by the Township Board.

Erie Township contributes eleven percent of base wages for each employee with the employee having an optional contribution of up to ten percent. An employee is fully vested after twenty-one months of service. An insurance company (Manulife Financial) administers the plan and the Township makes monthly contributions. The Township's total payroll for this year was \$524,108. The Township made the required contribution of \$38,260, on covered payroll of \$347,818. Employee contributions totaled \$17,391.

All full time employees participate in the plan.

Note 14 -- Pending Litigation

At present, there are no cases of litigation pending that would have a material effect on the financial statements.

NOTE 15--DEFERRED COMPENSATION PLAN

The Erie Township Board offers all Erie Township employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Erie Township's financial statements.

Note 16 -- Monroe County Joint Powers Water Contracts (South County Water System)

Erie Township, in conjunction with three other communities, has entered into a contract with the Monroe County Drain Commission to provide a water supply and water mains for each of the communities. This is considered a joint venture without an equity interest.

Each community's liability is computed annually using assessed property valuation as a basis. Therefore, Erie Township's liability under this contract is presently undeterminable but, at this time, is estimated to be approximately 12.32% of the contract amount. The South County Water System currently makes all payments of principal and interest on these contracts, but the units of government will still be liable for principal should South County Water System not be able to meet the obligation.

Note 16 -- Monroe County Joint Powers Water Contracts (South County Water System) (Continued)

Summary financial information as of, and for the fiscal year ended December 31, 2006 is as follows:

	<u>South County</u> <u>Water System</u>
Cash and Investments	\$ 7,064,739
Other Assets	24,646,411
Total Assets	<u>31,711,150</u>
Total Liabilities	<u>4,812,892</u>
Total Net Assets	<u>\$ 26,898,258</u>
Total Revenue	\$ 4,677,819
Total Expenses	3,497,735
Net Change in Net Assets	<u>\$ 1,180,084</u>
Current Portion of Long-Term Debt	\$ 140,000
Long-Term Debt, Less Current Portion	4,119,700
Total Debt	<u>\$ 4,259,700</u>

Complete financial statements for this joint entity are in the 2006 Financial Statements of the Monroe County Drain Commission County Agency.

Required Supplementary Information

ERIE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<i>Budgeted Amounts</i>		<i>Actual Amounts</i>	<i>Variance with Final Budget - Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
Beginning Fund Balance	\$ 100,000	\$ 58,990	\$ 178,548	\$ 119,558
Resources (Inflows)				
Taxes	106,200	106,200	106,198	(2)
Licenses and Permits	175,000	133,501	133,440	(61)
State Grants	350,000	350,000	330,038	(19,962)
Charges for Services	50,650	50,650	45,213	(5,437)
Fines & Forfeits	3,000	3,000	5,063	2,063
Interest	4,500	4,500	15,502	11,002
Other	30,550	26,150	29,605	3,455
Transfers from Other Funds	-	91,010	115,060	24,050
Total Resources (Inflows)	<u>719,900</u>	<u>765,011</u>	<u>780,119</u>	<u>15,108</u>
Amounts Available for Appropriation	<u>819,900</u>	<u>824,001</u>	<u>958,667</u>	<u>134,666</u>
Charges to Appropriations (Outflows)				
General Government:				
Township Board	18,690	17,490	15,570	1,920
Supervisor	43,660	42,960	42,696	264
Elections	13,250	17,010	15,503	1,507
Audit	11,500	15,125	15,125	-
Assessing	55,777	49,787	47,153	2,634
Legal	12,000	27,000	27,621	(621)
Clerk	47,660	47,660	47,022	638
Board of Review	2,100	2,100	1,371	729
Treasurer	46,350	46,350	45,793	557
Building and Grounds	96,550	108,536	108,653	(117)
Cemeteries	8,025	5,425	4,341	1,084
Planning Commission	8,700	9,297	9,296	1
Board of Zoning Appeals	1,610	3,195	3,085	110
Storm Water Management	4,530	2,330	2,143	187
Other - Unclassified	154,920	157,744	90,919	66,825
Total General Government	<u>525,322</u>	<u>552,009</u>	<u>476,291</u>	<u>75,718</u>
Public Safety:				
Fire Department - Morin Pointe	72,650	66,738	67,979	(1,241)
Fire Department - Erie	76,673	78,061	81,615	(3,554)
Total Public Safety	<u>149,323</u>	<u>144,799</u>	<u>149,594</u>	<u>(4,795)</u>
Highways and Streets				
Maintenance	<u>87,600</u>	<u>70,938</u>	<u>59,697</u>	<u>11,241</u>
Culture and Recreation				
Recreation Commission	55,325	55,325	53,893	1,432
Library	2,330	930	609	321
Total Culture and Recreation	<u>57,655</u>	<u>56,255</u>	<u>54,502</u>	<u>1,753</u>
Transfers to Other Funds	<u>-</u>	<u>-</u>	<u>12,025</u>	<u>(12,025)</u>
Total Charges to Appropriations	<u>819,900</u>	<u>824,001</u>	<u>752,109</u>	<u>83,917</u>
Budgetary Fund Balance -- June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,558</u>	<u>\$ 218,583</u>

ERIE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<i>Budgeted Amounts</i>		<i>Actual Amounts</i>	<i>Variance with Final Budget - Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
Beginning Fund Balance	\$ 100,000	\$ 68,511	\$ 5,774	\$ (62,737)
Resources (Inflows)				
Taxes	120,000	120,000	121,206	1,206
Federal Grants	-	-	736	736
Licenses and Fees	5,200	5,200	5,024	(176)
Fines and Forfeits	145,000	145,000	120,011	(24,989)
Interest	1,000	1,000	1,400	400
Other	14,000	14,000	7,752	(6,248)
Transfers from Other Funds	166,045	197,534	197,534	-
Total Resources (Inflows)	<u>451,245</u>	<u>482,734</u>	<u>453,663</u>	<u>(29,071)</u>
Amounts Available for Appropriation	<u>551,245</u>	<u>551,245</u>	<u>459,437</u>	<u>(91,808)</u>
Charges to Appropriations (Outflows)				
Public Safety:				
Wages			248,809	
Benefits			74,022	
Supplies			27,171	
Training			773	
Legal			22,348	
Other			85,656	
Capital			1,779	
Total Charges to Appropriations	<u>551,245</u>	<u>551,245</u>	<u>460,558</u>	<u>90,687</u>
Budgetary Fund Balance -- June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,121)</u>	<u>\$ (1,121)</u>

ERIE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
PUBLIC AND PRIVATE IMPROVEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<i>Budgeted Amounts</i>		<i>Actual Amounts</i>	<i>Variance with Final Budget - Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
Beginning Fund Balance	\$ 1,505,000	\$ 1,613,997	\$ 2,384,609	\$ 770,612
Resources (Inflows)				
Licenses and Permits	500,000	500,000	604,927	104,927
Interest	30,064	30,064	85,292	55,228
Other	9,900	9,900	19,896	9,996
Total Resources (Inflows)	<u>539,964</u>	<u>539,964</u>	<u>710,115</u>	<u>170,151</u>
Amounts Available for Appropriation	<u>2,044,964</u>	<u>2,153,961</u>	<u>3,094,724</u>	<u>940,763</u>
Charges to Appropriations (Outflows)				
General Government:				
Community Development	20,000	20,000	324	19,676
Other - Unclassified	1,697,348	1,476,517	712	1,475,805
Capital	34,000	34,000	5,245	28,755
Total General Government	<u>1,751,348</u>	<u>1,530,517</u>	<u>6,281</u>	<u>1,524,236</u>
Highways and Streets				
Maintenance	<u>207,450</u>	<u>207,450</u>	<u>388,447</u>	<u>(180,997)</u>
Debt Service				
Principal	65,000	65,000	46,950	18,050
Interest and Fees	17,450	17,450	40,177	(22,727)
	<u>82,450</u>	<u>82,450</u>	<u>87,127</u>	<u>(4,677)</u>
Transfers to Other Funds	<u>3,716</u>	<u>333,544</u>	<u>357,594</u>	<u>(24,050)</u>
Total Charges to Appropriations	<u>2,044,964</u>	<u>2,153,961</u>	<u>839,449</u>	<u>1,314,512</u>
Budgetary Fund Balance -- June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,255,275</u>	<u>\$ 2,255,275</u>

Additional Information

ERIE TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	<i>Special Revenue</i>		<i>Total</i>
	<i>Building</i>	<i>Fire</i>	<i>Nonmajor</i>
	<i>Inspection</i>	<i>Equipment</i>	<i>Governmental</i>
			<i>Funds</i>
<i>Assets</i>			
Cash and Cash Equivalents	\$ 31,491	\$ 139,909	\$ 171,400
Investments	-		-
Due From Other Funds	1,751	-	1,751
Total Assets	\$ 33,242	\$ 139,909	\$ 173,151
 <i>Liabilities and Fund Balance</i>			
<i>Liabilities:</i>			
Accounts Payable	\$ 1,694	\$ -	\$ 1,694
Total Liabilities	1,694	-	1,694
 <i>Fund Balance:</i>			
Unreserved	31,548	139,909	171,457
Total Liabilities and Fund Balance	\$ 33,242	\$ 139,909	\$ 173,151

ERIE TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Building Inspection</u>	<u>Fire Equipment</u>	
Revenues:			
Taxes & Penalties	\$ -	\$ 151,773	\$ 151,773
Licenses & Permits	31,934	-	31,934
Interest		5,019	5,019
Other	20		20
	<hr/>	<hr/>	<hr/>
Total Revenue	31,954	156,792	188,746
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current			
Public Safety	68,025	-	68,025
Debt Service:			
Principal	-	93,602	93,602
Interest and Fiscal Charges	-	22,688	22,688
	<hr/>	<hr/>	<hr/>
Total Expenditures	68,025	116,290	184,315
	<hr/>	<hr/>	<hr/>
Excess of Revenue Over (Under) Expenditures	(36,071)	40,502	4,431
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):			
Operating Transfers In	57,025	-	57,025
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	57,025	-	57,025
	<hr/>	<hr/>	<hr/>
Excess of Revenue & Other Sources Over (Under) Expenditures & Other Uses	20,954	40,502	61,456
	<hr/>	<hr/>	<hr/>
Fund Balance - Beginning	10,594	99,407	110,001
	<hr/>	<hr/>	<hr/>
Fund Balance - Ending	<u>\$ 31,548</u>	<u>\$ 139,909</u>	<u>\$ 171,457</u>