

### Auditing Procedures Report

Issued under P.A. 2 of 1988, 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 Charter Township of Fruitport	County Muskegon
Fiscal Year End 3/31/07	Opinion Date 7/27/07	Date Audit Report Submitted to State 8/22/07	

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

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"/>	No single audit	
Certified Public Accountant (Firm Name) BRICKLEY DELONG, PLC		Telephone Number 231-726-5800	
Street Address 316 MORRIS AVENUE, SUITE 500		City MUSKEGON	State MI
		Zip 49443	
Authorizing CPA Signature <i>Timothy D. Arter, CPA for Brickley DeLong, P.C.</i>		Printed Name TIMOTHY D. ARTER	License Number 10253

Charter Township of Fruitport  
Muskegon County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended March 31, 2007

Charter Township of Fruitport

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As management of the Charter Township of Fruitport, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### **FINANCIAL HIGHLIGHTS**

Assets of the Township exceeded liabilities at the close of the fiscal year by \$19,829,827 (net assets). Of this amount, \$8,679,882 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors.

Governmental activities had net assets totaling \$2,213,639 while business-type activities ended the year with \$17,616,188 in total net assets.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The 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 the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

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 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 mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The business-type activities of the Township include water distribution and sewer services.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories-governmental funds, proprietary funds and fiduciary funds.

**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, 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. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower, 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 short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Public Safety Fund, which are considered major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary Funds.** The Township has two enterprise proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for the Sewer and Water funds, both of which are major funds.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

**Notes to 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. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and Public Safety Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplemental information on budgetary information.

### Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2007, the Township's net assets from governmental activities totaled \$2,213,639 (11%) and \$17,616,188 (89%) from business-type activities, creating a total government-wide net assets total of \$19,829,827.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental activities actually depict a balance of \$870,731. This represents the amount of discretionary resources that can be used for general governmental operations.

For governmental activities, the Township purchased \$250,000 in land with a land contract. This increased capital assets and noncurrent liabilities.

The business-type activities show a total of \$17,616,188 in net assets and \$7,809,151 in unrestricted net assets. The Sewer Fund and Water Fund unrestricted net assets are \$3,394,728 and \$4,414,423, respectively.

For business-type activities, capital assets and the corresponding invested in capital assets, net of related debt increased due to the ongoing expansion of the Township's water and sewer systems.

**Management's Discussion and Analysis**

**Net Assets**

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Current assets and other assets	\$ 1,629,328	\$ 1,718,733	\$ 8,868,316	\$ 8,955,178	\$ 10,497,644	\$ 10,673,911
Capital assets	1,474,950	1,270,985	14,959,175	14,353,930	16,434,125	15,624,915
Total assets	3,104,278	2,989,718	23,827,491	23,309,108	26,931,769	26,298,826
Current liabilities	241,508	170,063	502,756	436,135	744,264	606,198
Noncurrent liabilities	649,131	509,723	5,708,547	5,926,286	6,357,678	6,436,009
Total liabilities	890,639	679,786	6,211,303	6,362,421	7,101,942	7,042,207
Net assets						
Invested in capital assets, net of related debt	843,208	822,740	9,114,859	8,303,100	9,958,067	9,125,840
Restricted	499,700	444,564	692,178	1,017,891	1,191,878	1,462,455
Unrestricted	870,731	1,042,628	7,809,151	7,625,696	8,679,882	8,668,324
Total net assets	\$ 2,213,639	\$ 2,309,932	\$ 17,616,188	\$ 16,946,687	\$ 19,829,827	\$ 19,256,619

**Governmental Activities**

Net assets of the Township's governmental activities decreased by \$96,293 (4%) during the 2007 fiscal year. The following table shows these results.

Property taxes increased \$113,564 due to growth in taxable value. Public safety expenses increased \$210,587 as both the fire department and police department added personnel to provide needed services to the growing Township. Public works expenses are down by \$269,449 due to the paving of Harvey Street and Mount Garfield Road in the previous fiscal year.

**Business-type Activities**

At the end of the fiscal year, the net assets for business-type activities increased \$669,501 or 4%. Two funds comprise the business-type activities. The Sewer Fund and Water Fund experienced an increase in net assets for the year of \$50,463 and \$619,038, respectively.

The Township's capital grants and contributions in the business-type activities decreased \$851,840 due to fewer new connections to the Township's utility systems this year.

**Change in Net Assets**

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues						
Charges for services	\$ 326,233	\$ 354,679	\$ 1,404,147	\$ 1,385,042	\$ 1,730,380	\$ 1,739,721
Operating grants	-	8,438	-	-	-	8,438
Capital grants and contributions	4,405	-	838,461	1,690,301	842,866	1,690,301
General revenues						
Property taxes	1,757,603	1,644,039	-	-	1,757,603	1,644,039
Franchise fees	79,997	77,840	-	-	79,997	77,840
Grants and contributions not restricted	790,074	807,438	-	-	790,074	807,438
Unrestricted investment earnings	53,155	56,101	425,234	380,096	478,389	436,197
Miscellaneous	12,302	25,955	11,694	17,298	23,996	43,253
Gain on sale of capital assets	-	-	2,800	-	2,800	-
Total revenues	3,023,769	2,974,490	2,682,336	3,472,737	5,706,105	6,447,227

**Management's Discussion and Analysis**

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Expenses:						
General government	\$ 749,338	\$ 783,593	\$ -	\$ -	\$ 749,338	\$ 783,593
Public safety	1,854,549	1,643,962	-	-	1,854,549	1,643,962
Public works	272,627	542,076	-	-	272,627	542,076
Community and economic development	22,547	21,303	-	-	22,547	21,303
Culture and recreation	192,723	179,418	-	-	192,723	179,418
Interest on long term debt	28,278	24,439	-	-	28,278	24,439
Sewer Fund	-	-	600,529	524,429	600,529	524,429
Water Fund	-	-	1,412,306	1,540,931	1,412,306	1,540,931
Total expenses	<u>3,120,062</u>	<u>3,194,791</u>	<u>2,012,835</u>	<u>2,065,360</u>	<u>5,132,897</u>	<u>5,260,151</u>
Change in net assets before transfers	(96,293)	(220,301)	669,501	1,407,377	573,208	1,187,076
Transfers	-	50,000	-	(50,000)	-	-
Change in net assets	<u>(96,293)</u>	<u>(170,301)</u>	<u>669,501</u>	<u>1,357,377</u>	<u>573,208</u>	<u>1,187,076</u>
Net assets - Beginning	<u>2,309,932</u>	<u>2,480,233</u>	<u>16,946,687</u>	<u>15,589,310</u>	<u>19,256,619</u>	<u>18,069,543</u>
Net assets - Ending	<u>\$ 2,213,639</u>	<u>\$ 2,309,932</u>	<u>\$ 17,616,188</u>	<u>\$ 16,946,687</u>	<u>\$ 19,829,827</u>	<u>\$ 19,256,619</u>

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

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the 2007 fiscal year, the governmental funds reported a combined fund balance of \$1,526,487. This number represents the fund balance of \$1,027,333 in the General Fund, \$82,459 in the Public Safety Fund and \$416,695 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of \$20,156, pay for capital projects of \$95,380, and pay for racetrack projects of \$178,385.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year 2007, the unreserved General Fund fund balance was \$828,792 and the total General Fund fund balance was \$1,027,333. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 67% of the General Fund expenditures.

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the Sewer Fund and Water Fund increased by \$50,463 and \$619,038, respectively. The result was an overall net increase in the proprietary funds of \$669,501.

### General Fund Budget

During the current fiscal year, the Township made several amendments to its original General Fund budget. The most significant of those is listed below:

- Property tax revenues were originally budgeted for \$555,474 and were amended up to \$562,874 because of additional revenue received by the Township to reimburse it for the cost of preparing summer taxes.
- Cemetery expenditures were originally budgeted for \$53,000 and were amended up to \$66,664 due to cemetery improvements.
- Bike path expenditures were originally budgeted for \$207,000 and were amended down to \$167,449 because of delays in expected projects and the reallocation of resources to other departments.
- Principal expenditures were originally budgeted for \$2,600 and were amended up to \$18,310 because of debt payment requirements of the new land contract.

### Budget Variations

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- General Fund property tax revenues were \$582,632, \$19,758 more than budgeted because penalties and interest and administration fees were all higher than anticipated.
- General Fund state shared revenues were \$790,074, \$19,180 less than budgeted because of continued cuts in revenue sharing at the State.
- Other revenues were \$77,832, \$34,985 less than budgeted because break monies from the race track were significantly less than originally expected.
- Township board expenditures were \$71,530, \$27,870 less than budgeted because of lower than expected professional fees.
- General Fund road expenditures were \$105,557, \$17,143 less than budgeted because new road construction costs were less than anticipated.
- General Fund bike path expenditures were \$13,168, \$154,281 less than budgeted because new bike path construction was delayed.
- Racetrack expenditures were \$55,845, \$23,705 less than originally budgeted because of delays in planned projects.

- Capital outlay expenditures were \$256,000, \$140,000 more than originally budgeted because the Township budgeted for the purchase of land with a land contract at net cost rather than gross cost. This was partially offset by budgeted improvements to the Township hall that were delayed.
- Proceeds from long-term debt were \$250,000, \$250,000 more than originally budgeted because the Township budget for the purchase of land with a land contract at net cost rather than gross cost.

**Capital Assets**

The Township’s investment in capital assets for its governmental and business-type activities as of March 31, 2007 totaled \$16,434,125 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, machinery, equipment, utility systems and vehicles.

Major governmental capital asset events during the current year included the following:

- Two new police vehicles were purchased for \$25,547.
- A new parks truck was purchased for \$19,617.
- A new backhoe was purchased for \$6,000.
- Ten acres of land for a potential future Township hall were purchased for \$250,000.
- The Sewer Fund began work on the Airline Road Sewer Main and Hile Street lift station. Phase I engineering for the Sternberg Square was completed.
- The Water Fund completed work on the Brooks Road, East Fruitport Road, Ellis Road, and Harvey Wilson water main projects. The total cost of these projects, which includes costs incurred in previous years was \$1,274,726.
- The Water Fund also has various other water main and improvement projects in process at March 31, 2007.

**Capital Assets  
(Net of Accumulated Depreciation)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Land	\$ 678,669	\$ 421,385	\$ -	\$ -	\$ 678,669	\$ 421,385
Construction in progress	-	-	551,597	860,077	551,597	860,077
Land improvements	17,775	18,783	-	-	17,775	18,783
Buildings and improvements	337,024	350,654	-	-	337,024	350,654
Furniture and equipment	91,708	96,062	32,474	48,965	124,182	145,027
Vehicles	349,774	384,101	21,782	28,484	371,556	412,585
Utility systems	-	-	14,353,322	13,416,404	14,353,322	13,416,404
<b>Total</b>	<b>\$ 1,474,950</b>	<b>\$ 1,270,985</b>	<b>\$ 14,959,175</b>	<b>\$ 14,353,930</b>	<b>\$ 16,434,125</b>	<b>\$ 15,624,915</b>

Additional information on the Township’s capital assets can be found in Note D of the “Notes to Financial Statements” of this report.

**Long-Term Debt**

At the end of the fiscal year, the Township had total outstanding debt of \$6,848,678 consisting of general obligations bonds, special assessment debt, installment purchase agreements, land contract agreements and compensated absences. The special assessment debt of \$1,065,000 is backed by the full-faith and credit of the Township.

**Outstanding Debt**

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
General obligations bonds	\$ -	\$ -	\$ 4,949,282	\$ 4,945,906	\$ 4,949,282	\$ 4,945,906
Special assessment bonds	-	-	1,065,000	1,175,000	1,065,000	1,175,000
Installment purchase agreements	181,526	220,782	-	-	181,526	220,782
Land contract agreements	450,216	227,463	-	-	450,216	227,463
Compensated absences	150,389	139,478	52,265	46,381	202,654	185,859
<b>Total</b>	<b>\$ 782,131</b>	<b>\$ 587,723</b>	<b>\$ 6,066,547</b>	<b>\$ 6,167,287</b>	<b>\$ 6,848,678</b>	<b>\$ 6,755,010</b>

The Township’s total debt decreased by \$174,212 during the fiscal year. This decrease was due to the normal debt payoffs as provided for in the fiscal year 2007 budget, partially offset by a new land contract of \$250,000, additional borrowings related to the County wastewater disposal system and an increase in compensated absences.

Additional information on the Township’s long-term debt can be found in Note I of the “Notes to Financial Statements” of this report.

**General Economic Overview**

The Township’s General Fund has two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 76% of the General Fund revenue sources. In fiscal 2007, state revenue sharing is expected to decrease slightly. Property tax revenues are expected to increase due to growth by at least 3%.

The Township’s General Fund expenditures for operations are expected to remain flat as the Township attempts to control costs in a weak economy. The Township has budgeted \$270,000 for an addition to the fire station to relocate the Township’s police department. The Township also has budgeted \$23,000 for a new fire rescue vehicle.

The Township continues to expand water and sewer service to new areas of the Township as funds are available. Both the Water and Sewer funds are expected to continue to grow as new users hook up to the Township system. The Township, in conjunction with its wholesale provider of water, is considering raising utility rates next fiscal year.

The Township continues to pursue grants to enhance its infrastructure. It is attempting to secure funds through the State of Michigan to improve the I-96 and Sternberg corridor. A grant for sewer expansion on Pontaluna Road from Sheridan Road to Airline Road in the Village of Fruitport is also being pursued. The Township is also attempting to obtain a grant in excess of \$1 million from the State of Michigan for an additional four to nine miles of bike paths.

### **Requests for Information**

This financial report is designed to provide a general overview of the Charter Township of Fruitport's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Charter Township of Fruitport, 6543 Airline Road, Fruitport, Michigan, 49415, (231) 865-3151.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

July 27, 2007

Township Board  
Charter Township of Fruitport  
Fruitport, Michigan

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 Charter Township of Fruitport, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Fruitport, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fruitport, Michigan, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - x and 29 - 30 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Charter Township of Fruitport  
STATEMENT OF NET ASSETS  
March 31, 2007

ASSETS

	Governmental activities	Business-type activities	Total
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 1,274,216	\$ 4,806,377	\$ 6,080,593
Receivables	119,003	523,882	642,885
Due from other governmental units	127,795	74,700	202,495
Internal balances	44,585	(44,585)	-
Inventories	-	10,000	10,000
Prepaid items	62,422	18,235	80,657
Total current assets	1,628,021	5,388,609	7,016,630
<b>NONCURRENT ASSETS</b>			
Restricted assets	-	804,278	804,278
Capital assets, net			
Nondepreciable	678,669	551,597	1,230,266
Depreciable	796,281	14,407,578	15,203,859
Access rights, net	-	147,271	147,271
Bond issuance costs, net	-	22,695	22,695
Special assessments receivable	1,307	2,505,463	2,506,770
Total noncurrent assets	1,476,257	18,438,882	19,915,139
Total assets	3,104,278	23,827,491	26,931,769
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	86,191	121,578	207,769
Due to other governmental units	22,317	23,178	45,495
Bonds and other obligations due within one year	133,000	358,000	491,000
Total current liabilities	241,508	502,756	744,264
<b>NONCURRENT LIABILITIES</b>			
Bonds and other obligations, less amounts due within one year	649,131	5,708,547	6,357,678
Total liabilities	890,639	6,211,303	7,101,942
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	843,208	9,114,859	9,958,067
Restricted for:			
Street lights	321,315	-	321,315
Racetrack projects	178,385	-	178,385
Debt service	-	692,178	692,178
Unrestricted	870,731	7,809,151	8,679,882
Total net assets	\$ 2,213,639	\$ 17,616,188	\$ 19,829,827

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2007

<i>Functions/Programs</i>	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for services	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities						
General government	\$ 749,338	\$ 139,338	\$ -	\$ (610,000)	\$ -	\$ (610,000)
Public safety	1,854,549	107,534	4,405	(1,742,610)	-	(1,742,610)
Public works	272,627	3,039	-	(269,588)	-	(269,588)
Community and economic development	22,547	21,978	-	(569)	-	(569)
Culture and recreation	192,723	54,344	-	(138,379)	-	(138,379)
Interest on long-term debt	28,278	-	-	(28,278)	-	(28,278)
Total governmental activities	3,120,062	326,233	4,405	(2,789,424)	-	(2,789,424)
Business-type activities						
Sewer	600,529	216,872	223,624	-	(160,033)	(160,033)
Water	1,412,306	1,187,275	614,837	-	389,806	389,806
Total business-type activities	2,012,835	1,404,147	838,461	-	229,773	229,773
Total government	\$ 5,132,897	\$ 1,730,380	\$ 842,866	(2,789,424)	229,773	(2,559,651)
General revenues						
Property taxes, levied for				(2,789,424)		
General purposes				582,632	-	582,632
Specific purposes				1,174,971	-	1,174,971
Franchise fees				79,997	-	79,997
Grants and contributions not restricted to specific programs				790,074	-	790,074
Unrestricted investment earnings				53,155	425,234	478,389
Miscellaneous				12,302	11,694	23,996
Gain on sale of capital assets				-	2,800	2,800
Total general revenues				2,693,131	439,728	3,132,859
Change in net assets				(96,293)	669,501	573,208
Net assets at April 1, 2006				2,309,932	16,946,687	19,256,619
Net assets at March 31, 2007				\$ 2,213,639	\$ 17,616,188	\$ 19,829,827

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**BALANCE SHEET**  
 Governmental Funds  
 March 31, 2007

	General Fund	Public Safety Fund	Other governmental funds	Total governmental funds
<b>ASSETS</b>				
Cash and investments	\$ 811,973	\$ 141,157	\$ 321,086	\$ 1,274,216
Receivables				
Property taxes	39,475	62,373	11,540	113,388
Special assessments	2,210	-	4,712	6,922
Due from other governmental units	127,795	-	-	127,795
Due from other funds	170,548	-	99,990	270,538
Prepaid items	20,156	39,086	3,180	62,422
Total assets	\$ 1,172,157	\$ 242,616	\$ 440,508	\$ 1,855,281
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 3,164	\$ 12,841	\$ 13,398	\$ 29,403
Accrued liabilities	23,476	21,353	1,059	45,888
Due to other governmental units	16,887	-	5,430	22,317
Due to other funds	99,990	125,963	-	225,953
Deferred revenue	1,307	-	3,926	5,233
Total liabilities	144,824	160,157	23,813 23,813	328,794
<b>Fund balances</b>				
<b>Reserved for:</b>				
Prepaid items	20,156	-	-	20,156
Capital projects	-	-	95,380	95,380
Racetrack projects	178,385	-	-	178,385
<b>Unreserved</b>				
Designated, reported in General Fund	190,000	-	-	190,000
<b>Undesignated, reported in</b>				
General Fund	638,792	-	-	638,792
Special revenue funds	-	82,459	321,315	403,774
Total fund balances	1,027,333	82,459	416,695	1,526,487
Total liabilities and fund balances	\$ 1,172,157	\$ 242,616	\$ 440,508	\$ 1,855,281

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS**  
 March 31, 2007

Total fund balance—governmental funds \$ 1,526,487

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  
 are not reported in the governmental funds.

Cost of capital assets	\$ 2,460,235	
Accumulated depreciation	<u>(985,285)</u>	1,474,950

Accrued interest in governmental activities is not reported in the governmental funds. (10,900)

Special assessment revenue is not recognized until it is receivable in the current  
 period and therefore is shown as deferred revenue in the governmental funds. 5,233

Long-term liabilities in governmental activities are not due and payable in the  
 current period and are not reported in the governmental funds.

Bonds and contracts payable	(631,742)	
Compensated absences	<u>(150,389)</u>	<u>(782,131)</u>

Net assets of governmental activities in the Statement of Net Assets \$ 2,213,639

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Governmental Funds  
 For the year ended March 31, 2007

	General Fund	Public Safety Fund	Other governmental funds	Total governmental funds
<b>REVENUES</b>				
Property taxes	\$ 582,632	\$ 998,099	\$ 176,872	\$ 1,757,603
Licenses and permits	106,075	-	-	106,075
Intergovernmental revenues - State	790,074	4,405	-	794,479
Charges for services	220,215	-	-	220,215
Fines and forfeitures	9,273	-	-	9,273
Investment earnings	40,832	758	11,565	53,155
Other	77,832	21	5,962	83,815
	<u>1,826,933</u>	<u>1,003,283</u>	<u>194,399</u>	<u>3,024,615</u>
<b>EXPENDITURES</b>				
Current				
General government	675,776	-	-	675,776
Public safety	-	1,776,555	-	1,776,555
Public works	118,725	-	131,771	250,496
Community and economic development	22,547	-	-	22,547
Culture and recreation	70,270	-	110,194	180,464
Other governmental functions	77,834	-	-	77,834
Debt service				
Principal	19,531	46,972	-	66,503
Interest and fees	6,619	22,659	-	29,278
Capital outlay	256,000	25,547	19,617	301,164
	<u>1,247,302</u>	<u>1,871,733</u>	<u>261,582</u>	<u>- 3,380,617</u>
Excess of revenues over (under) expenditures	579,631	(868,450)	(67,183)	(356,002)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	250,000	-	-	250,000
Transfers in	-	864,584	126,922	991,506
Transfers out	(991,506)	-	-	(991,506)
	<u>(741,506)</u>	<u>864,584</u>	<u>126,922</u>	<u>250,000</u>
Net change in fund balances	(161,875)	(3,866)	59,739	(106,002)
Fund balances at April 1, 2006	<u>1,189,208</u>	<u>86,325</u>	<u>356,956</u>	<u>1,632,489</u>
Fund balances at March 31, 2007	<u>\$ 1,027,333</u>	<u>\$ 82,459</u>	<u>\$ 416,695</u>	<u>\$ 1,526,487</u>

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2007

Net change in fund balances—total governmental funds \$ (106,002)

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

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (104,483)	
Capital outlay	<u>308,448</u>	203,965

Debt proceeds are other financing sources in the governmental funds, but the proceeds increase long-term debt in the Statement of Net Assets. (250,000)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 66,503

Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid. 1,000

Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds. (10,911)

Governmental funds recognize special assessments as revenue as they become current, however, they are recognized in full when levied in the Statement of Net Assets. (848)

Change in net assets of governmental activities \$ (96,293)

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**STATEMENT OF NET ASSETS**  
 Proprietary Funds  
 March 31, 2007

ASSETS

	Business-type Activities - Enterprise funds		
	Sewer	Water	Total
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 2,075,924	\$ 2,730,453	\$ 4,806,377
Receivables			
Accounts	30,343	172,701	203,044
Special assessments	159,472	118,912	278,384
Interest	24,320	18,134	42,454
Due from other governmental units	52,686	22,014	74,700
Inventories	-	10,000	10,000
Prepaid items	2,127	16,108	18,235
Total current assets	2,344,872	3,088,322	5,433,194
<b>NONCURRENT ASSETS</b>			
Restricted assets	366,473	437,805	804,278
Capital assets			
Utility systems	5,731,331	12,320,852	18,052,183
Machinery	8,195	165,838	174,033
Vehicles	16,765	16,746	33,511
Construction in progress	22,929	528,668	551,597
Less accumulated depreciation	(852,487)	(2,999,662)	(3,852,149)
Net capital assets	4,926,733	10,032,442	14,959,175
Advances to other funds	-	359,030	359,030
Access rights, net	147,271	-	147,271
Bond issuance costs, net	22,695	-	22,695
Special assessments receivable	1,435,251	1,070,212	2,505,463
Total noncurrent assets	6,898,423	11,899,489	18,797,912
Total assets	9,243,295	14,987,811	24,231,106
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	550	536	1,086
Accrued liabilities	58,964	61,528	120,492
Due to other governmental units	-	23,178	23,178
Due to other funds	11,257	33,328	44,585
Bonds and other obligations, due within one year	200,000	158,000	358,000
Total current liabilities	270,771	276,570	547,341
<b>NONCURRENT LIABILITIES</b>			
Advances from other funds	359,030	-	359,030
Bonds and other obligations, less amounts due within one year	3,225,375	2,483,172	5,708,547
Total noncurrent liabilities	3,584,405	2,483,172	6,067,577
Total liabilities	3,855,176	2,759,742	6,614,918
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,683,618	7,431,241	9,114,859
Restricted for debt service	309,773	382,405	692,178
Unrestricted	3,394,728	4,414,423	7,809,151
Total net assets	\$ 5,388,119	\$ 12,228,069	\$ 17,616,188

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
 Proprietary Funds  
 For the year ended March 31, 2007

	Business-type Activities - Enterprise funds		
	Sewer	Water	Total
REVENUES			
Charges for services	\$ 216,872	\$ 1,187,275	\$ 1,404,147
OPERATING EXPENSES			
Administration	26,107	57,329	83,436
Operations	250,124	959,361	1,209,485
Depreciation and amortization	138,787	258,802	397,589
Total operating expenses	415,018	1,275,492	1,690,510
Operating loss	(198,146)	(88,217)	(286,363)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	205,433	219,801	425,234
Connection fees	223,624	604,837	828,461
Other	5,063	6,631	11,694
Gain on sale of capital assets	-	2,800	2,800
Interest expense	(185,511)	(136,814)	(322,325)
Total nonoperating revenues (expenses)	248,609	697,255	945,864
Income before contributions	50,463	609,038	659,501
Capital contributions	-	10,000	10,000
Change in net assets	50,463	619,038	669,501
Net assets at April 1, 2006	5,337,656	11,609,031	16,946,687
Net assets at March 31, 2007	\$ 5,388,119	\$ 12,228,069	\$ 17,616,188

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**STATEMENT OF CASH FLOWS**  
Proprietary Funds  
For the year ended March 31, 2007

	Business-type Activities - Enterprise funds		
	Sewer	Water	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 204,084	\$ 1,163,950	\$ 1,368,034
Receipts from interfund services provided	-	3,969	3,969
Payments to suppliers	(118,903)	(558,085)	(676,988)
Payments to employees	(138,459)	(440,075)	(578,534)
Payments for interfund services used	(16,716)	(50,058)	(66,774)
Net cash provided by (used for) operating activities	(69,994)	119,701	49,707
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	-	152,540	152,540
Connection fees	438,792	639,056	1,077,848
Advances from other funds (net)	(4,059)	4,059	-
Purchases of capital assets	(39,204)	(1,018,598)	(1,057,802)
Principal paid on capital debt	(94,226)	(137,855)	(232,081)
Interest paid on capital debt	(126,668)	(136,473)	(263,141)
Proceeds from sale of capital assets	-	2,800	2,800
Other receipts	5,063	6,631	11,694
Net cash provided by (used for) capital and related financing activities	179,698	(487,840)	(308,142)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment earnings	205,433	219,801	425,234
Net increase (decrease) in cash and investments	315,137	(148,338)	166,799
Cash and investments at April 1, 2006	2,127,260	3,316,596	5,443,856
Cash and investments at March 31, 2007	\$ 2,442,397	\$ 3,168,258	\$ 5,610,655
<b>Reconciliation of cash and investments to the statement of net assets</b>			
Cash and investments	\$ 2,075,924	\$ 2,730,453	\$ 4,806,377
Restricted assets	366,473	437,805	804,278
	\$ 2,442,397	\$ 3,168,258	\$ 5,610,655
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities</b>			
Operating loss	\$ (198,146)	\$ (88,217)	\$ (286,363)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities			
Depreciation and amortization expense	138,787	258,802	397,589
Change in assets and liabilities			
Receivables, net	(12,788)	(19,356)	(32,144)
Internal balances	2,102	(2,988)	(886)
Prepaid items	(2,127)	(3,219)	(5,346)
Accounts payable	550	(29,520)	(28,970)
Accrued liabilities	1,628	4,199	5,827
Net cash provided by (used for) operating activities	\$ (69,994)	\$ 119,701	\$ 49,707
<b>Noncash financing activities</b>			
Assumption of additional County debt	\$ 120,203	\$ -	\$ 120,203

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Fiduciary Funds  
March 31, 2007

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ <u>25</u>
<b>LIABILITIES</b>	
Due to other governmental units	\$ <u>25</u>

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Charter Township of Fruitport (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

***Reporting Entity***

The Township is a municipal corporation governed by an elected seven-member Board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

***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 Township. 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.

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 requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

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.

***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. Revenues are 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 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.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued*

Property taxes, franchise 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. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The 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 Public Safety Fund is used to account for a special tax millage levied by the Township for the operations and capital expenditures of the police and fire departments.

The Township reports the following two major proprietary funds:

The Sewer Fund accounts for the collection system and pays for access to the county's sewage treatment plant.

The Water Fund operates the Township's water distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues 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 revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Charter Township of Fruitport  
NOTES TO FINANCIAL STATEMENTS—CONTINUED  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity*

**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 the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

**Receivables and Payables**

Activity 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". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. 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 state taxable value for real/personal property of the Township totaled approximately \$405,933,000. The ad valorem taxes levied consisted of 1.0002, 2.464 and .5000 mills for the Township's general operating, public safety and street lighting purposes. These amounts are recognized in the respective General Fund, Public Safety Fund and Street Light Fund.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Certain cash and investments of the Water and Sewer funds are held at Muskegon County where their use is restricted for bond and interest redemption and for future system expansion. Other resources of the Water and Sewer funds are classified as restricted assets as they are set aside for repayment of bonds and their use is limited by applicable bond covenants.

**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 \$5,000 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.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Utility systems	50
Land improvements	20-30
Furniture and equipment	5-20
Vehicles	3-15
Access rights	20

**Compensated Absences**

Township employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time during the anniversary year following the one in which it was earned. Upon termination, employees are paid for unused vacation at their current rates. Unused sick leave is accumulated up to 250 days for employees. Sick leave is paid to employees upon retirement under limits that vary by employee group. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Long-Term Obligations**

In the government-wide financial statements and 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 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.

**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.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to March 1, the Township Board proposes an operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level for the General Fund and the fund level for all other governmental funds. The Township Board made several supplemental budgetary appropriations throughout the year.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
 March 31, 2007

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued**

**Excess of Expenditures Over Appropriations**

During the year ended March 31, 2007, actual expenditures exceeded appropriations for:

	Amended budget	Actual
General Fund		
Capital outlay	\$ 116,000	\$ 256,000

These overexpenditures were funded with available fund balance.

**NOTE C—DEPOSITS AND INVESTMENTS**

As of March 31, 2007, the Township had the following investments:

	Fair value	Weighted average maturity (Months)	Moody's	Percent
<b>Investment Type</b>				
External investment pool	\$ 9,200	1	not rated	2.6 %
U.S. Agency obligations	244,750	24	AAA	70.1
Negotiable certificates of deposit	95,315	28	not rated	27.3
Total fair value	\$ 349,265			100.0 %
Portfolio weighted average maturity		24		

The Township voluntarily invests certain excess funds in an external investment pool (Pool). The Pool is an external investment pool of “qualified” investments for Michigan municipalities. The Pool is not regulated nor registered with the SEC. The fair value of the Township’s investments is the same as the fair value of the Pool.

**Interest rate risk.** The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township 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. More than 5 percent of the Township’s investments are in negotiable certificates of deposit issued by Flagstar Bank and in obligations issued by the Federal Home Loan Bank. These investments are 27.29 percent and 70.08 percent, respectively, of the Township’s investments.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
 March 31, 2007

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, \$6,383,004 of the Township's bank balance of \$6,596,378 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

**Restricted Assets**

Restrictions are placed on assets by bond ordinance and Township Board action. At March 31, 2007, restricted cash and investments in the Township are restricted as follows:

<b>Business-type activities</b>		
Sewer Fund		
Debt	\$	366,473
Water Fund		
Debt and capital improvements		<u>437,805</u>
	\$	<u><u>804,278</u></u>

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Balance</u> April 1, 2006	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> March 31, 2007
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 421,385	\$ 257,284	\$ -	\$ 678,669
<b>Capital assets, being depreciated:</b>				
Land improvements	20,173	-	-	20,173
Buildings and improvements	678,900	-	-	678,900
Furniture and equipment	124,486	6,000	-	130,486
Vehicles	<u>984,843</u>	<u>45,164</u>	<u>78,000</u>	<u>952,007</u>
Total capital assets, being depreciated	1,808,402	51,164	78,000	1,781,566

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
 March 31, 2007

**NOTE D—CAPITAL ASSETS—Continued**

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2007</u>
<b>Governmental activities:—Continued</b>				
<b>Less accumulated depreciation:</b>				
Land improvements	\$ 1,390	\$ 1,008	\$ -	\$ 2,398
Buildings and improvements	328,246	13,630	-	341,876
Furniture and equipment	28,424	10,354	-	38,778
Vehicles	600,742	79,491	78,000	602,233
Total accumulated depreciation	<u>958,802</u>	<u>104,483</u>	<u>78,000</u>	<u>985,285</u>
Total capital assets, being depreciated, net	<u>849,600</u>	<u>(53,319)</u>	<u>-</u>	<u>796,281</u>
Capital assets, net	<u>\$ 1,270,985</u>	<u>\$ 203,965</u>	<u>\$ -</u>	<u>\$ 1,474,950</u>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Construction in progress	\$ 860,077	\$ 982,521	\$ 1,291,001	\$ 551,597
<b>Capital assets, being depreciated:</b>				
Utility systems	16,761,182	1,291,001	-	18,052,183
Machinery	205,010	-	30,977	174,033
Vehicles	33,511	-	-	33,511
Total capital assets, being depreciated	<u>16,999,703</u>	<u>1,291,001</u>	<u>30,977</u>	<u>18,259,727</u>
<b>Less accumulated depreciation:</b>				
Utility systems	3,344,778	354,083	-	3,698,861
Machinery	156,045	16,491	30,977	141,559
Vehicles	5,027	6,702	-	11,729
Total accumulated depreciation	<u>3,505,850</u>	<u>377,276</u>	<u>30,977</u>	<u>3,852,149</u>
Total capital assets, being depreciated, net	<u>13,493,853</u>	<u>913,725</u>	<u>-</u>	<u>14,407,578</u>
Capital assets, net	<u>\$ 14,353,930</u>	<u>\$ 1,896,246</u>	<u>\$ 1,291,001</u>	<u>\$ 14,959,175</u>

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
 March 31, 2007

**NOTE D—CAPITAL ASSETS—Continued**

**Depreciation**

Depreciation expense has been charged to functions as follows:

**Governmental activities:**

General government	\$ 3,010
Public safety	67,083
Public works	22,131
Culture and recreation	12,259
	<u>\$ 104,483</u>

**Business-type activities:**

Water	\$ 227,825
Sewer	118,474
	<u>\$ 346,299</u>

**NOTE E—ACCESS RIGHTS**

Access rights activity for the year ended March 31, 2007 was as follows:

	Balance April 1, 2006	Additions	Deductions	Balance March 31, 2007
Business-type activities				
Access rights	\$ 215,997	\$ 120,203	\$ -	\$ 336,200
Less accumulated amortization	170,361	18,568	-	188,929
Access rights, net	\$ 45,636	\$ 101,635	\$ -	\$ 147,271

**Amortization**

Amortization expense has been charged to sewer.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
 March 31, 2007

**NOTE F—BOND ISSUANCE COSTS**

Bond issuance cost activity for the year ended March 31, 2007 was as follows:

	Balance April 1, 2006	Additions	Deductions	Balance March 31, 2007
Business-type activities				
Bond issuance costs	\$ 34,914	\$ -	\$ -	\$ 34,914
Less accumulated amortization	<u>10,474</u>	<u>1,745</u>	<u>-</u>	<u>12,219</u>
Bond issuance costs, net	<u>\$ 24,440</u>	<u>\$ (1,745)</u>	<u>\$ -</u>	<u>\$ 22,695</u>

**Amortization**

Amortization expense has been charged to interest.

**NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of March 31, 2007 is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Public Safety Fund	\$ 125,963
General Fund	Sewer Fund	11,257
General Fund	Water Fund	33,328
Recreation Fund	General	5,396
Revolving Road Fund	General	<u>94,594</u>
		<u>\$ 270,538</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Advances to/from other funds:**

The Water Fund has advanced \$359,030 to the Sewer Fund to fund capital improvements.

**Interfund transfers:**

	<u>Transfers in:</u>			
	<u>Public Safety</u>	<u>Other governmental funds</u>	<u>Total</u>	<u>Purpose</u>
Transfers out:				
General Fund	<u>\$ 864,584</u>	<u>\$ 126,922</u>	<u>\$ 991,506</u>	Operations subsidy

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
 March 31, 2007

**NOTE H—DEFERRED REVENUE**

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 current fiscal year, the governmental funds reported \$5,233 in deferred revenue which was comprised of unavailable special assessments.

**NOTE I—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2007.

	Balance April 1, 2006	Additions	Reductions	Balance March 31, 2007	Due within one year
<b>Governmental activities:</b>					
Installment purchase agreements	\$ 220,782	\$ -	\$ 39,256	\$ 181,526	\$ 40,500
Land contract agreements	227,463	250,000	27,247	450,216	17,500
Compensated absences	139,478	88,561	77,650	150,389	75,000
	<u>587,723</u>	<u>338,561</u>	<u>144,153</u>	<u>782,131</u>	<u>133,000</u>
Governmental activity long-term liabilities	\$ <u>587,723</u>	\$ <u>338,561</u>	\$ <u>144,153</u>	\$ <u>782,131</u>	\$ <u>133,000</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 4,945,906	\$ 120,203	\$ 116,827	\$ 4,949,282	\$ 222,000
Special assessment debt	1,175,000	-	110,000	1,065,000	110,000
Compensated absences	46,381	42,908	37,024	52,265	26,000
	<u>6,167,287</u>	<u>163,111</u>	<u>263,851</u>	<u>6,066,547</u>	<u>358,000</u>
Business-type activity long-term liabilities	\$ <u>6,167,287</u>	\$ <u>163,111</u>	\$ <u>263,851</u>	\$ <u>6,066,547</u>	\$ <u>358,000</u>

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
 March 31, 2007

**NOTE I—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**Governmental activities:**

**Installment purchase agreements:**

\$175,000 Fire Station Contract due in semi-annual installments of \$5,833 through December 2008; plus interest at 5.7%	\$ 23,333
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\$386,961 Fire Truck contract due in annual installments of \$28,859 to \$34,546 through April 2011; plus interest at 4.6%	158,193
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**Land contract agreements:**

\$76,000 Land Contract due in quarterly installments of \$1,850 including interest at 7.5% through October 2018	57,908
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\$206,800 Land Contract due in quarterly installments of \$5,000 including interest at 7.5% through January 2019	158,921
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\$250,000 Land Contract due in quarterly installments of \$3,750 including interest at 4% through September 2031	233,387
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Compensated absences	150,389
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	\$ <u>782,131</u>
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**Business-type activities:**

**General obligation bonds:**

\$68,362 Muskegon County Wastewater Management System - Number One Refunding Bond Issue of 2002 due in annual installments of \$20,440 to \$20,636 through July 2008; interest at 5%	\$ 41,076
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\$2,680,000 Muskegon County Wastewater Management System - Number One 1999 Series due in annual installments of \$100,000 to \$250,000 through May 2020; interest rates varying from 4.7% to 6.5%	2,430,000
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Less bond discount	(16,864)
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Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
 March 31, 2007

**NOTE I—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**Business-type activities:**

**General obligation bonds:**

\$2,925,000 - Muskegon County Water Supply System - Number One Bonds, Series II due in annual installments of \$101,250 to \$247,500 through May 2020; interest rates varying from 4.75% to 6.75%	\$ 2,385,000
Less bond discount	(22,881)
\$180,250 Muskegon County Wastewater Management contract payable beginning in 2008; interest at 1.625%	132,951

**Special assessment debt:**

\$750,000 1994 Special Assessment Bonds due in annual installments of \$45,000 to \$70,000 through October 2013; interest at 8%	400,000
\$330,000 1995 Special Assessment Bonds due in annual installments of \$15,000 to \$25,000 through October 2009; interest at 5.5%	65,000
\$585,640 2000 Special Assessment Sewer Bonds due in annual installments of \$28,395 to \$31,944 through January 2021; interest rates varying from 4.75% to 5%	425,918
\$239,360 2000 Special Assessment Water Bonds due in annual installments of \$11,605 to \$13,060 through January 2021; interest rates varying from 4.75% to 5%	<div style="border-top: 1px solid black;">174,082</div> <div style="border-top: 1px solid black;">6,014,282</div>
Compensated absences	<div style="border-top: 1px solid black;">52,265</div>
	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 6,066,547</div>

The special assessment bonds are backed by the full faith and credit of the Township.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
 March 31, 2007

**NOTE I—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

The \$2,925,000 Muskegon County Water Supply System Number One Series II bond issue is a joint debt agreement entered into by the Township and the City of Norton Shores. Under the agreement, the County issued debt and constructed a water supply system for the benefit of both governmental units. The County owns and maintains the system and upon full payment by either local unit of its allocated portion of the debt, the County may convey full ownership of the respective portions of the system to the local unit. Each local unit's share of the debt is based on user charges and the state's equalized valuation on real property.

The County of Muskegon wastewater contracts payable represent agreements with Muskegon County relating to the construction of sewage treatment facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The Township has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 20 years. The contractual obligation is secured by the full faith and credit of the Township. Current debt service requirements are funded by sewer revenues.

The Township was in compliance in all material respects with all the revenue bond ordinances at March 31, 2007.

Annual debt service requirements to maturity for debt outstanding as of March 31, 2007 follows:

Year ending March 31,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2008	\$ 58,000	\$ 33,636	\$ 332,000	\$ 306,515
2009	60,000	30,528	487,000	285,931
2010	51,000	27,445	334,000	265,467
2011	54,000	24,714	369,000	244,014
2012	57,000	21,827	385,000	222,634
2013-2017	135,000	77,030	2,157,000	773,033
2018-2022	100,000	33,332	1,990,027	209,917
2023-2027	56,000	18,352	-	-
2028-2032	60,742	5,926	-	-
	<u>\$ 631,742</u>	<u>\$ 272,790</u>	<u>\$ 6,054,027</u>	<u>\$ 2,307,511</u>

**NOTE J—DESIGNATED FUND BALANCE AND NET ASSETS**

Unreserved fund balances designated for specific purposes as of March 31, 2007 were as follows:

General Fund	
Designated for bike paths	\$ 90,000
Designated for new township hall	<u>100,000</u>
	<u>\$ 190,000</u>

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE J—DESIGNATED FUND BALANCE AND NET ASSETS—Continued**

Unrestricted net assets designated for specific purposes as of March 31, 2007 were as follows:

Sewer Fund	
Designated for repayment of debt	\$ <u>2,072,240</u>

**NOTE K—OTHER INFORMATION**

**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; injuries to employees and natural disasters. The Township manages its liability, property and insurance coverage as a member of the Michigan Township Participating Plan (MTPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MTPP for its insurance coverage. The MTPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Related Party Transactions**

In prior years, the government purchased two pieces of land using land contracts. The seller of the land is a close relative to a board member. The balance of the two land contracts at March 31, 2007 are \$216,829. During the year ended March 31, 2007, the Township paid principal and interest of \$27,400 on the land contracts.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
 March 31, 2007

**NOTE K—OTHER INFORMATION—Continued**

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

**Post-Retirement Health Care**

The Township has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were no retired employees receiving benefits. The Township finances the Plan on a pay-as-you-go basis. For the year ended March 31, 2007, the Township's post-retirement health care cost under the Plan was approximately \$17,000.

**Commitments**

At March 31, 2007, the Township had entered into various agreements for construction projects. Below is a summary of those agreements.

<u>Fund</u>	<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
General	Police addition to fire station	\$ -	\$ 270,000
Water	Water system expansion	528,668	40,935
Sewer	Sewer system expansion	22,929	134,508

**NOTE L—RETIREMENT PLAN**

**Defined Contribution Pension Plan**

The Township maintains a defined contribution retirement plan administered by Manulife Financial USA that covers substantially all full-time employees. The Township contributes 10 percent of each eligible employee's salary to the plan. Township employees contribute nothing to the plan. The Township's contribution for the year ended March 31, 2007 was \$160,651.

**NOTE M—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 43 percent of General Fund revenues.

**NOTE N—SUBSEQUENT EVENTS**

Subsequent to year end, the Township entered into various contracts of approximately \$205,000 for improvements in the Sewer and Water funds. The Township also entered into agreements to purchase a new police car for \$21,729 and a fire vehicle for \$23,944. These costs will be paid by available net assets.

**REQUIRED SUPPLEMENTARY INFORMATION**

Charter Township of Fruitport  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended March 31, 2007

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 555,474	\$ 562,874	\$ 582,632	\$ 19,758
Licenses and permits	115,200	115,200	106,075	(9,125)
Intergovernmental revenues - State	809,254	809,254	790,074	(19,180)
Charges for services	214,842	214,842	220,215	5,373
Fines and forfeitures	2,200	2,200	9,273	7,073
Investment earnings	41,000	41,000	40,832	(168)
Other	105,550	112,817	77,832	(34,985)
Total revenues	1,843,520	1,858,187	1,826,933	(31,254)
<b>EXPENDITURES</b>				
Current				
General government				
Township board	99,400	99,400	71,530	27,870
Supervisor	102,329	102,329	98,907	3,422
Elections	22,500	29,585	25,287	4,298
Assessing	145,942	145,942	132,173	13,769
Clerk	59,052	59,126	54,613	4,513
Treasurer	126,544	133,944	119,537	14,407
General office	74,100	74,208	61,697	12,511
Board of review	2,300	2,300	2,727	(427)
Building and grounds	56,750	51,473	51,473	-
Cemetery	53,000	66,664	57,832	8,832
Public works				
Roads	122,700	122,700	105,557	17,143
Bike path	207,000	167,449	13,168	154,281
Community and economic development				
Planning	25,380	25,380	18,206	7,174
Zoning	11,700	11,700	4,341	7,359
Culture and recreation				
Racetrack	79,550	79,550	55,845	23,705
Library	19,234	19,234	14,425	4,809
Other governmental functions	68,000	77,834	77,834	-
Debt service				
Principal	2,600	18,310	19,531	(1,221)
Interest and fees	5,000	6,619	6,619	-
Capital outlay	112,000	116,000	256,000	(140,000)
Total expenditures	1,395,081	1,409,747	1,247,302	162,445
Excess of revenues over (under) expenditures	448,439	448,440	579,631	131,191
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	-	-	250,000	250,000
Transfers out	(984,588)	(984,588)	(991,506)	(6,918)
Total other financing sources (uses)	(984,588)	(984,588)	(741,506)	243,082
Net change in fund balance	\$ (536,149)	\$ (536,148)	(161,875)	\$ 374,273
Fund balance at April 1, 2006			1,189,208	
Fund balance at March 31, 2007			\$ 1,027,333	

Charter Township of Fruitport  
 Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
 Public Safety Fund  
 For the year ended March 31, 2007

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,007,253	\$ 1,007,253	\$ 998,099	\$ (9,154)
Intergovernmental revenues - State	-	4,405	4,405	-
Investment earnings	-	-	758	758
Other	-	-	21	21
Total revenues	1,007,253	1,011,658	1,003,283	(8,375)
<b>EXPENDITURES</b>				
Current				
Public safety				
Police	934,742	961,511	968,619	(7,108)
Fire	813,736	824,184	807,936	16,248
Debt service				
Principal	46,857	46,973	46,972	1
Interest and fees	23,030	23,031	22,659	372
Capital outlay	53,476	20,547	25,547	(5,000)
Total expenditures	1,871,841	1,876,246	1,871,733	4,513
Excess of revenues over (under) expenditures	(864,588)	(864,588)	(868,450)	(3,862)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	864,588	864,588	864,584	(4)
Net change in fund balance	\$ -	\$ -	(3,866)	\$ (3,866)
Fund balance at April 1, 2006			86,325	
Fund balance at March 31, 2007			\$ 82,459	

**OTHER SUPPLEMENTAL INFORMATION**

**Charter Township of Fruitport**  
**COMBINING BALANCE SHEET**

Other Governmental Funds

March 31, 2007

	<u>Total other governmental funds</u>	<u>Special Revenue</u>		<u>Capital Projects Revolving Road</u>
		<u>Recreation</u>	<u>Street Light</u>	
<b>ASSETS</b>				
Cash and investments	\$ 321,086	\$ -	\$ 321,086	\$ -
Receivables				
Property taxes	11,540	-	11,540	-
Special assessments	4,712	-	-	4,712
Due from other funds	99,990	5,396	-	94,594
Prepaid items	3,180	3,180	-	-
	<u>440,508</u>	<u>8,576</u>	<u>332,626</u>	<u>99,306</u>
Total assets	\$ <u>440,508</u>	\$ <u>8,576</u>	\$ <u>332,626</u>	\$ <u>99,306</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 13,398	\$ 2,087	\$ 11,311	\$ -
Accrued liabilities	1,059	1,059	-	-
Due to other governmental units	5,430	5,430	-	-
Deferred revenue	3,926	-	-	3,926
	<u>23,813</u>	<u>8,576</u>	<u>11,311</u>	<u>3,926</u>
Total liabilities	23,813	8,576	11,311	3,926
 Fund balances				
Reserved for capital projects	95,380	-	-	95,380
Unreserved	321,315	-	321,315	-
	<u>416,695</u>	<u>-</u>	<u>321,315</u>	<u>95,380</u>
Total fund balances	416,695	-	321,315	95,380
Total liabilities and fund balances	\$ <u>440,508</u>	\$ <u>8,576</u>	\$ <u>332,626</u>	\$ <u>99,306</u>

Charter Township of Fruitport  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Other Governmental Funds  
 For the year ended March 31, 2007

	Total other governmental funds	Special Revenue		Capital Projects Revolving Road
		Recreation	Street Light	
REVENUES				
Property taxes	\$ 176,872	\$ -	\$ 176,872	\$ -
Investment earnings	11,565	29	11,536	-
Other	5,962	2,860	-	3,102
Total revenues	194,399	2,889	188,408	3,102
EXPENDITURES				
Current				
Public works	131,771	-	131,771	-
Culture and recreation	110,194	110,194	-	-
Capital outlay	19,617	19,617	-	-
Total expenditures	261,582	129,811	131,771	-
Excess of revenues over (under) expenditures	(67,183)	(126,922)	56,637	3,102
OTHER FINANCING SOURCES				
Transfers in	126,922	126,922	-	-
Net change in fund balances	59,739	-	56,637	3,102
Fund balances at April 1, 2006	356,956	-	264,678	92,278
Fund balances at March 31, 2007	\$ 416,695	\$ -	\$ 321,315	\$ 95,380

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

July 27, 2007

Township Board  
Charter Township of Fruitport  
Fruitport, Michigan

In planning and performing our audit of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Charter Township of Fruitport 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 the Charter Township of Fruitport's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Fruitport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Fruitport's internal control.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached deficiencies in internal control that we consider to be a significant deficiencies.

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



## SIGNIFICANT DEFICIENCIES

Recommendation 1: All budget amendments must be made prior to year end.

During our audit, we noted that the Township was making budget amendments after year end in violation of Public Act 2 of 1968.

We recommend that the Township make all of its budget amendments prior to March 31 to ensure compliance with State law.

We consider the following items contained in our July 31, 2006 letter as still applicable:

Recommendation 2: General ledger account balances should be regularly analyzed for their accuracy in relation to supporting documentation.

Recommendation 5: Fixed asset acquisitions should be charged to the proper asset account.