

AUDITED FINANCIAL STATEMENTS  
TOWNSHIP OF LAKETON, MICHIGAN

March 31, 2007

### Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Laketon	County Muskegon
Fiscal Year End March 31, 2007	Opinion Date June 19, 2007	Date Audit Report Submitted to State June 26, 2007	

We affirm that:

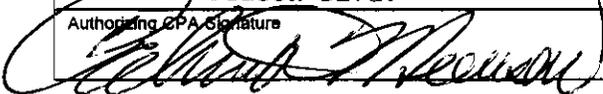
We are certified public accountants licensed to practice in Michigan.

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

- YES NO Check each applicable box below. (See instructions for further detail.)
- 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.
  - 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.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - 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.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - 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).
  - 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.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Calvin D. Meeusen, C.P.A., PLLC		Telephone Number (616) 846-6210		
Street Address 1014 S. Beacon Blvd.		City Grand Haven	State MI	Zip 49417
Authorizing CPA Signature 		Printed Name Calvin D. Meeusen, C.P.A.		License Number 1101006731

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**CALVIN D. MEEUSEN, C.P.A., PLLC**

**CALVIN D. MEEUSEN**

**CERTIFIED PUBLIC ACCOUNTANT**

**1014 S. BEACON BLVD. • GRAND HAVEN, MI 49417  
(616) 846-6210 FAX (616) 846-5111**

**348 WAVERLY RD., SUITE 126 • HOLLAND, MI 49424  
(616) 395-8477**

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT**

To the Township Board  
Township of Laketon, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Township of Laketon, 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 Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

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

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying required supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board. My audit was conducted

for the purpose of forming opinions on the financial statements that collectively comprise the Township of Laketon basic financial statements. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 Calvin D. Meeusen C.P.A. PLLC

Calvin D. Meeusen, C.P.A., PLLC  
Grand Haven, Michigan  
June 19, 2007

Township of Laketon, Michigan  
Management's Discussion and Analysis  
March 31, 2007

**Using this Management's Discussion and Analysis**

This annual report is intended to supplement the Township's financial statements for fiscal year ending March 31, 2007. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and changes in Fund Balance and the Governmental Fund Balance Sheet) tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**The Township as a Whole**

The Township's total net assets are \$8,677,879 as of March 31, 2007. Unrestricted net assets, which represents net assets that can be used to finance day to day operations, comprise 53.1% of that total. The current level of unrestricted net assets for our governmental activities stands at \$951,661 or about 43% of current year operating expenditures.

Government-Wide Financial Analysis:

The first table presented is a summary of the government-wide statement of net assets for the Township. 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 \$2,277,656 (26%) and \$6,400,223 (74%) from business-type activities, creating a total government-wide net asset total of \$8,677,879.

In examining the composition of these net assets, the reader should note that governmental activities net assets are primarily invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the residents and they are not available to pay salaries, operational expenses, or fund capital projects.

Table 1  
Township of Laketon Net Assets

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Assets</u>						
Current and						
other assets	\$ 970,815	\$1,328,683	\$3,675,804	\$3,904,261	\$4,646,619	\$5,232,944
Capital assets,						
net of						
accumulated						
depreciation	<u>1,325,995</u>	<u>518,577</u>	<u>2,956,264</u>	<u>3,136,000</u>	<u>4,282,259</u>	<u>3,654,577</u>
<b>Total</b>	2,296,810	1,847,260	6,632,068	7,040,261	8,928,878	8,887,521

Township of Laketon, Michigan  
Management's Discussion and Analysis  
March 31, 2007

Table 1- Township of Laketon Net Assets-continued

<u>Liabilities</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current	\$ 19,154	\$ 8,183	\$ 48,275	\$ 39,652	\$ 67,429	\$ 47,835
Noncurrent	-	-	183,570	212,939	183,570	212,939
<b>Total</b>	<b>19,154</b>	<b>8,183</b>	<b>231,845</b>	<b>252,591</b>	<b>250,999</b>	<b>260,774</b>
 <u>Net Assets</u>						
Capital Assets,						
Net of Debt	1,325,995	518,577	2,743,325	2,894,842	4,069,320	3,413,419
Unrestricted	951,661	1,320,500	3,656,898	3,892,828	4,608,559	5,213,328
<b>Total net assets</b>	<b>\$2,277,656</b>	<b>\$1,839,077</b>	<b>\$6,400,223</b>	<b>\$6,787,670</b>	<b>\$8,677,879</b>	<b>\$8,626,747</b>

The Township's net assets continue to remain healthy. The Township has enough unrestricted cash on hand at the end of the year to fund normal operating expenses in similar circumstances for over 12 months.

**Governmental Activities**

Governmental activities increased the Township's net assets by \$438,579, accounting for all of the total growth in net assets. Table 2 depicts this occurrence which will be discussed in more detail later in this analysis.

The Township's total revenues in the General Fund increased by approximately 1.4%, primarily due to an increase in property taxes.

As reflected in Table 2 revenues for the General Fund are higher due to increased charges for services, an increase in Property Taxes and Investment earnings.

**Business-Type Activities**

The Township's business-type activities consist of the sewer and water funds. Revenues for business-type activities were \$315,508, a decrease of 8.2%. We provide sewage treatment to approximately 30% of township residents through the Muskegon County wastewater treatment plant. We provide water to approximately 15% of township residents which comes from the Muskegon County water system.

The decrease in revenues is a result of no expansion projects in the water and sewer system and is unrelated to the expenditures of the building renovation in the Township Hall.

At the end of the fiscal year, the net assets for business-type activities decreased by \$387,447.

Township of Laketon, Michigan  
Management's Discussion and Analysis  
March 31, 2007

**Business-Type Activities-Continued**

Table 2  
Township of Laketon, Changes in Net Assets

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b><u>Revenues</u></b>						
<b>Program</b>						
Charges for Services	\$ 209,282	\$ 243,562	\$ 315,508	\$ 343,838	\$ 524,790	\$ 587,400
<b>General</b>						
Property taxes	575,762	557,169	-	113,492	575,762	670,661
State grants	500,895	507,179	-	-	500,895	507,179
Investment earnings	35,716	23,375	143,185	122,006	178,901	145,381
Other	<u>73,031</u>	<u>84,335</u>	<u>-</u>	<u>-</u>	<u>73,031</u>	<u>84,335</u>
<b>Total</b>	<b>1,394,686</b>	<b>1,415,620</b>	<b>458,693</b>	<b>579,336</b>	<b>1,853,379</b>	<b>1,994,956</b>
<b><u>Expenses</u></b>						
Legislative	8,688	8,400	-	-	8,688	8,400
General government	741,269	653,432	-	-	741,269	653,432
Public safety	368,848	369,378	-	-	368,848	369,378
Public works	204,998	216,078	-	-	204,998	216,078
Other	92,304	66,371	-	-	92,304	66,371
Sewer fund	-	-	337,403	342,077	337,403	342,077
Water fund	<u>-</u>	<u>-</u>	<u>48,737</u>	<u>35,285</u>	<u>48,737</u>	<u>35,285</u>
<b>Total</b>	<b><u>1,416,107</u></b>	<b><u>1,313,659</u></b>	<b><u>386,140</u></b>	<b><u>377,362</u></b>	<b><u>1,802,247</u></b>	<b><u>1,691,021</u></b>
<b>Excess of Revenues Over (Under)</b>						
<b>Expenses Before Transfers</b>						
	(21,421)	101,961	72,553	201,974	51,132	303,935
<b>Transfers</b>						
	<u>460,000</u>	<u>-</u>	<u>(460,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease)</b>						
in Net Assets	438,579	101,961	(387,447)	201,974	51,132	303,935
<b>Net Assets -</b>						
Beginning of Year	<u>1,839,077</u>	<u>1,737,116</u>	<u>6,787,670</u>	<u>6,585,696</u>	<u>8,626,747</u>	<u>8,322,812</u>
<b>Net Assets -</b>						
End of Year	<u>\$2,277,656</u>	<u>\$1,839,077</u>	<u>\$6,400,223</u>	<u>\$6,787,670</u>	<u>\$8,677,879</u>	<u>\$8,626,747</u>

**The Township's Funds**

An analysis of the Township's major funds begins on page 11 following the entity wide financial statements. The fund financial statements provide detailed information about the significant funds,

Township of Laketon, Michigan  
Management's Discussion and Analysis  
March 31, 2007

**The Township's Funds-Continued**

not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds include the General Fund, Building Department Fund, Sewage Disposal System Fund and the Water Supply System Fund.

The General Fund pays the Township's general operating expenditures, the most significant of which are General Government and Public Safety.

**General Fund Budgetary Highlights**

Over the course of the year, the Township Board did not make budget amendments to take into account the Township Hall building addition which was constructed during the year. Township expenditures overall were over budget, resulting in total expenditures of \$2,094,661, which was \$801,212 over budget. The General Fund's fund balance decreased from \$1,089,404 a year ago to \$927,989 at March 31, 2007.

**Capital Asset and Debt Administration**

At March 31, 2007 the Township had \$4,282,259 (net of accumulated depreciation of \$5,121,488) invested in a broad range of capital assets including land, land improvements, sewer system, water system, buildings and machinery and equipment. We continue to make payments on the sewer bonds that were issued for wastewater collection and treatment system improvements in accordance with the Schedule of Indebtedness. All of the payments were paid on time.

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

The Township's budget for the next fiscal year projects property taxes to increase by approximately 3% due to increases in property values and newly assessed residential properties from housing developments. State revenue sharing allocations are a budgetary concern at this time. The State of Michigan has experienced significant budgeting problems and as they look for solutions, state shared revenues may decrease. The amount of revenue sharing is uncertain at this time but is expected to approximate last year's amount. Salaries are a large expenditure of the funds and represented approximately 25% of this year's total budget.

The Township is still anticipating the expansion of public utilities to a large portion of the Township (public sewer and water). The water will be funded by a grant for a portion of the Township. The remainder will be funded through development and hook up fees projected in the Township.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and other interested parties with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact us at (231) 744-2454.

Township of Laketon, Michigan

STATEMENT OF NET ASSETS

March 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 824,621	\$2,013,339	\$2,837,960
Investments (approximate market value \$1,484,129)	-	1,513,309	1,513,309
Receivables			
Taxes	37,185	-	37,185
Accounts	-	90,413	90,413
Assessments	20,361	42,068	62,429
Investment interest	-	4,615	4,615
Due from other governmental units	84,283	-	84,283
Internal balances (net)	(12,060)	12,060	-
Prepaid expenses	16,425	-	16,425
Capital assets, net	<u>1,325,995</u>	<u>2,956,264</u>	<u>4,282,259</u>
Total assets	<u>2,296,810</u>	<u>6,632,068</u>	<u>8,928,878</u>
<b>LIABILITIES</b>			
Accounts payable	-	18,252	18,252
Accrued liabilities	3,685	654	4,339
Due to fiduciary fund	15,469	-	15,469
Non-current liabilities			
Bonds due within one year	-	29,369	29,369
Bonds due in more than one year	<u>-</u>	<u>183,570</u>	<u>183,570</u>
Total liabilities	<u>19,154</u>	<u>231,845</u>	<u>250,999</u>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	1,325,995	2,743,325	4,069,320
Unrestricted	<u>951,661</u>	<u>3,656,898</u>	<u>4,608,559</u>
Total Net Assets	<u>\$2,277,656</u>	<u>\$6,400,223</u>	<u>\$8,677,879</u>

The Notes to Financial Statements are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF ACTIVITIES

Year ended March 31, 2007

	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for services	Governmental activities	Business-type activities	Total
<b>Primary Government</b>					
<b>Governmental activities</b>					
Legislative	\$ 8,688	\$ -	\$ (8,688)	\$ -	\$ (8,688)
General government	741,269	110,370	(630,899)	-	(630,899)
Public safety	368,848	82,633	(286,215)	-	(286,215)
Public works	204,998	16,279	(188,719)	-	(188,719)
Recreation and cultural	92,304	-	(92,304)	-	(92,304)
<b>Total governmental activities</b>	<b>1,416,107</b>	<b>209,282</b>	<b>(1,206,825)</b>	<b>-</b>	<b>(1,206,825)</b>
<b>Business-type activities</b>					
Sewer	337,403	311,825	-	(25,578)	(25,578)
Water	48,737	3,683	-	(45,054)	(45,054)
<b>Total business-type activities</b>	<b>386,140</b>	<b>315,508</b>	<b>-</b>	<b>(70,632)</b>	<b>(70,632)</b>
<b>Total primary government</b>	<b>1,802,247</b>	<b>524,790</b>	<b>(1,206,825)</b>	<b>(70,632)</b>	<b>(1,277,457)</b>
<b>General revenues</b>					
Property taxes			575,762	-	575,762
State grants			500,895	-	500,895
Investment earnings			35,716	143,185	178,901
Other			73,031	-	73,031
Transfers			460,000	(460,000)	-
<b>Total general revenue and transfers</b>			<b>1,645,404</b>	<b>(316,815)</b>	<b>1,328,589</b>
Change in net assets			438,579	(387,447)	51,132
Net assets at April 1, 2006			1,839,077	6,787,670	8,626,747
Net assets at March 31, 2007			\$2,277,656	\$6,400,223	\$8,677,879

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

BALANCE SHEET  
GOVERNMENTAL FUNDS

March 31, 2007

	<u>General Fund</u>	<u>Building Department</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 700,520	\$ 124,101	\$ 824,621
Receivables			
Taxes	37,185	-	37,185
Assessments-current	4,112	-	4,112
Assessments-deferred	16,249	-	16,249
Prepaid expenses	16,425	-	16,425
Due from other funds	120,790	-	120,790
Due from other governmental units	<u>84,283</u>	<u>-</u>	<u>84,283</u>
Total Assets	<u>\$ 979,564</u>	<u>\$ 124,101</u>	<u>\$1,103,665</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accrued liabilities	\$ 3,685	\$ -	\$ 3,685
Due to other funds	27,529	120,790	148,319
Deferred revenue	<u>20,361</u>	<u>-</u>	<u>20,361</u>
Total Liabilities	<u>51,575</u>	<u>120,790</u>	<u>172,365</u>
Fund Equity:			
Fund balance			
Undesignated	<u>927,989</u>	<u>3,311</u>	<u>931,300</u>
Total Fund Equity	<u>927,989</u>	<u>3,311</u>	<u>931,300</u>
Total Liabilities and Fund Equity	<u>\$ 979,564</u>	<u>\$ 124,101</u>	<u>\$1,103,665</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

March 31, 2007

Total fund balance-governmental funds \$ 931,300

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	\$2,029,785	
Accumulated depreciation	<u>(703,790)</u>	1,325,995

Special assessment receivables are expected to be collected over several years, and are not available to pay for current year expenditures.	<u>20,361</u>
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Net assets of governmental activities in the Statement of Net Assets	<u>\$2,277,656</u>
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The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year ended March 31, 2007

	<u>General Fund</u>	<u>Building Department</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 575,762	\$ -	\$ 575,762
Licenses and permits	2,569	-	2,569
State grants	500,895	-	500,895
Charges for services	110,370	80,064	190,434
Interest and rentals	42,331	5,288	47,619
Other revenue	<u>56,319</u>	<u>25,200</u>	<u>81,519</u>
TOTAL REVENUES	1,288,246	110,552	1,398,798
Expenditures			
Current:			
Legislative	8,688	-	8,688
General government	703,706	-	703,706
Public safety	366,638	-	366,638
Public works	81,422	119,157	200,579
Recreation and cultural	92,304	-	92,304
Capital outlay	<u>841,903</u>	<u>9,707</u>	<u>851,610</u>
TOTAL EXPENDITURES	<u>2,094,661</u>	<u>128,864</u>	<u>2,223,525</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(806,415)	(18,312)	(824,727)
Other financing sources (uses)			
Operating transfers in	690,000	45,000	735,000
Operating transfers out	<u>(45,000)</u>	<u>(230,000)</u>	<u>(275,000)</u>
Total other financing sources (uses)	<u>645,000</u>	<u>(185,000)</u>	<u>460,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(161,415)	(203,312)	(364,727)
Fund balance - April 1	<u>\$1,089,404</u>	<u>206,623</u>	<u>1,296,027</u>
Fund balance - March 31	\$ <u>927,989</u>	\$ <u>3,311</u>	\$ <u>931,300</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

Net change in fund balances-total governmental funds: \$(364,727)

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	\$ (44,192)	
Capital outlay	<u>851,610</u>	807,418

Special assessment revenues reported in the statement of activities in previous years that did not provide current financial resources in the governmental funds until the current year.	<u>(4,112)</u>	
--	----------------	--

Change in net assets of governmental activities		<u>\$ 438,579</u>
---	--	-------------------

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

March 31, 2007

ASSETS

	<u>Enterprise Funds</u>		
	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Total</u>
<b>Current Assets</b>			
Cash	\$1,697,835	\$ 315,504	\$2,013,339
Investments (approximate market value \$1,484,129)	1,513,309	-	1,513,309
<b>Receivables</b>			
Assessments - Current	-	10,843	10,843
Accounts	82,288	8,125	90,413
Investment interest	4,615	-	4,615
Due from other funds	<u>-</u>	<u>12,060</u>	<u>12,060</u>
Total current assets	3,298,047	346,532	3,644,579
<b>Non Current Assets</b>			
Property, plant and equipment	6,612,893	576,539	7,189,432
Construction in progress	184,530	-	184,530
Less accumulated depreciation	<u>(4,232,497)</u>	<u>(185,201)</u>	<u>(4,417,698)</u>
Capital assets, net	<u>2,564,926</u>	<u>391,338</u>	<u>2,956,264</u>
<b>Other assets</b>			
Assessments receivable	<u>-</u>	<u>31,225</u>	<u>31,225</u>
Total Assets	\$5,862,973	\$ 769,095	\$6,632,068
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ -	\$ 18,252	\$ 18,252
Accrued interest	654	-	654
Bonds payable, due within one year	<u>29,369</u>	<u>-</u>	<u>29,369</u>
Total current liabilities	30,023	18,252	48,275
<b>Non Current Liabilities</b>			
Bonds payable, less amounts due in one year	<u>183,570</u>	<u>-</u>	<u>183,570</u>
Total non current liabilities	183,570	-	183,570
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,351,987	391,338	2,743,325
Unreserved	<u>3,297,393</u>	<u>359,505</u>	<u>3,656,898</u>
Total net assets	<u>\$5,649,380</u>	<u>\$ 750,843</u>	<u>\$6,400,223</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF REVENUES AND EXPENSES  
AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year ended March 31, 2007

	<u>Enterprise Funds</u>		
	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ <u>274,092</u>	\$ <u>975</u>	\$ <u>275,067</u>
	274,092	975	275,067
Operating expenses			
Salaries and wages	19,120	19,120	38,240
Office supplies	2,434	-	2,434
Professional and contractual services	41,561	15,203	56,764
Depreciation	165,322	14,414	179,736
Usage charge	94,901	-	94,901
Miscellaneous	<u>2,052</u>	<u>-</u>	<u>2,052</u>
	<u>325,390</u>	<u>48,737</u>	<u>374,127</u>
Operating income (loss)	(51,298)	(47,762)	(99,060)
Non operating revenues (expenses)			
Connection fees	37,733	2,708	40,441
Interest revenue	126,244	17,942	144,186
Interest expense	(12,013)	-	(12,013)
Gain (loss) on sale of investments	<u>(1,001)</u>	<u>-</u>	<u>(1,001)</u>
Operating income (loss) before transfers	99,665	(27,112)	72,553
Transfers to Other Funds	<u>(230,000)</u>	<u>(230,000)</u>	<u>(460,000)</u>
Change in net assets	(130,335)	(257,112)	(387,447)
Total net assets -April 1	<u>5,779,715</u>	<u>1,007,955</u>	<u>6,787,670</u>
Total net assets - March 31	<u>\$5,649,380</u>	<u>\$ 750,843</u>	<u>\$6,400,223</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year ended March 31, 2007

	Enterprise Funds		
	Sewage Disposal System	Water Supply System	Total
Cash flows from operating activities:			
Receipts from customers	\$ 277,985	\$ 70,653	\$ 348,638
Payments to suppliers	(151,396)	(15,203)	(166,599)
Payments to employees	<u>(19,120)</u>	<u>(19,120)</u>	<u>(38,240)</u>
Net cash provided by operating activities	107,469	36,330	143,799
Cash Flows From Noncapital Financing Activities			
Operating subsidies and transfers to other funds	(230,000)	(230,000)	(460,000)
Cash Flows From Capital and Related Financing Activities			
Connection fees	37,733	2,709	40,442
Proceeds from the sale of fixed assets	-	-	-
Purchases of capital assets	-	-	-
Principal and interest paid on capital debt	(40,563)	-	(40,563)
Other receipts	<u>7,143</u>	<u>-</u>	<u>7,143</u>
Net cash (used) by capital and related financing activities	4,313	2,709	7,022
Cash Flows From Investing Activities			
Net changes in investments	(155,259)	-	(155,259)
Investment earnings	<u>124,563</u>	<u>17,942</u>	<u>142,505</u>
Net cash provided by investing activities	<u>(30,696)</u>	<u>17,942</u>	<u>(12,754)</u>
Net decrease in cash	(148,914)	(173,019)	(321,933)
Cash at April 1, 2006	<u>1,846,749</u>	<u>488,523</u>	<u>2,335,272</u>
Cash at March 31, 2007	<u>1,697,835</u>	<u>315,504</u>	<u>2,013,339</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (loss)	(51,298)	(47,762)	(99,060)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation expense	165,322	14,414	179,736
Change in Assets and Liabilities:			
Receivables-net	3,893	51,426	55,319
Accounts and other payables	<u>(10,448)</u>	<u>18,252</u>	<u>7,804</u>
Net Cash Provided by Operating Activities	\$ <u>107,469</u>	\$ <u>36,330</u>	\$ <u>143,799</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

FIDUCIARY FUND - STATEMENT OF NET ASSETS

March 31, 2007

	<u>Agency Fund</u>
	Current Tax <u>Collection</u>
ASSETS	
Cash	\$ 3,587
Dues from other funds	<u>15,469</u>
	<u>\$ 19,056</u>
LIABILITIES	
Due to county	<u>\$ 19,056</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Laketon have been prepared in conformity with accounting principles generally accepted in the United States of America 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 policies are described below.

1. Reporting Entity

The Township of Laketon (Muskegon County) is a general law township which operates under an elected Township Board form of government and provides services to its residents in many areas including public safety, highways and streets, sanitation, parks and recreation, planning and zoning and general administrative services.

2. 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 activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and user charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function. 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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures (when applicable), expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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

The Township reports the following major governmental funds:

The General Fund is the Township'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 Building Department Fund accounts for the collection of building department permit fees in the Township.

The Township reports the following major proprietary funds:

The Sewage Disposal System Fund accounts for the activities of the sewage disposal system. The main source of revenue for the fund comes from user charges.

The Water Supply System Fund accounts for the activities of the water supply system. User charges are the operating revenues of the fund.

The Township reports the following fiduciary fund:

The Current Tax Collection Fund accounts for revenues received from tax payers and distributed to various entities including the county, township and school district per predetermined millages.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. 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.

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, if any. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating 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. Operating expenses for the 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 non-operating revenues and expenses.

4. Assets, Liabilities, and Net Assets or Equity

a. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and certificate of deposits. 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.

The Township considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

4. Assets, Liabilities, and Net Assets or Equity-Continued

b. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes attach as an enforceable lien on property and are levied as follows: Summer taxes on July 1 are payable through September 14; winter taxes on December 1, are payable through February 14. The Township bills and collects its own property taxes and also taxes for the local and intermediate school districts and the county. Collection of these taxes and remittance of them to the districts and the county are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized in the period for which they are levied. The Township is permitted by law to levy taxes up to 3.9 mills per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and no millage for the payment and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended March 31, 2007, was 2.8994 mills.

c. Capital Assets

Capital assets, which include property, plant, 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 at least \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost 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, if any, are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

4. Assets, Liabilities, and Net Assets or Equity-Continued

<u>Assets</u>	<u>Years</u>
Land improvements	15-30
Buildings and improvements	15-55
Equipment	5-15

e. Compensated Absences

Township employees earn vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave do not accumulate past March 31 of each fiscal year. No portion of unused sick leave is paid to employees at the time of termination or retirement. It is the Township's policy to recognize the cost of sick leave at the time payments are made.

e. 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 or proprietary fund type statement of net assets.

f. 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.

g. 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.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On or about March 31, the Township Board submits to the general public a proposed operating budget for the fiscal year commencing the following April 1. The operating budget included proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. The Township Board is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the general public.
- e. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.
- f. Appropriations for the general fund lapse at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by the Township Board as of March 31, 2007.

2. Risk Management

The Township of Laketon is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits claims and participates in the Michigan Municipal Workmen's Compensation Fund for workmen's compensation claims and the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents). Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The local units in the State of Michigan established and created the above mentioned pools pursuant to the provisions of Act 138 of the Michigan Public Acts of 1982. These Pools are to provide for joint and cooperative action relative to Members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE C- DEPOSITS AND INVESTMENTS

1. Deposits

The Township's deposits are in several financial institutions and are carried at cost; the deposits are composed of interest bearing and non-interest bearing demand deposits and certificates of deposit.

As of March 31, 2007, the Township's carrying amount of deposits was \$2,841,547, and the bank balance was \$2,894,520. Of the bank balance, \$478,109 was covered by federal depository insurance, the remainder being uninsured. The balances include money held by Muskegon County.

2. Investments

Michigan Compiled Laws, Section 129.91, authorizes the township to deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Investments accumulated under an eligible deferred compensation plan may be placed, at the authorization of a governing body with a financial institution authorized to do business in this State, a State or Federally licensed investment company or insurance company authorized to do business in this State, or trust established by public employers for the investment of deferred compensation or retirement plans. Such funds shall be invested as directed by the governing body.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township has surplus funds invested with Merrill Lynch, Pierce, Fenner and Smith and in Municipal Investment Funds with National City Bank.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE C - DEPOSITS AND INVESTMENTS-CONTINUED

3. Summary

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Fund</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 824,621	\$2,013,339	\$ 3,587	\$2,841,547
Investments	<u>-</u>	<u>1,513,309</u>	<u>-</u>	<u>1,513,309</u>
Total	<u>\$ 824,621</u>	<u>\$3,526,648</u>	<u>\$ 3,587</u>	<u>\$4,354,856</u>

The GASB Statement No. 3 risk disclosures for the Township's investments are as follows:

	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,513,309</u>	<u>\$1,513,309</u>	<u>\$1,484,129</u>

Township investments are categorized to give an indication of the level of risk assumed by the Township at March 31, 2007.

1. Insured or Registered, or Securities held by the Township or the Township's agent in the Township's name.
2. Uninsured and Unregistered with Securities held by the Dealer's Trust Department or its agent in the Township's name.
3. Uninsured and Unregistered, with Securities held by the Dealer, or the Dealer's Trust Department or Agent but not in the Township's name.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Details of interfund receivables and payables at March 31, 2007, as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Water	\$ 12,060	General	\$ 27,529
Tax Collection	<u>15,469</u>		
	27,529		<u>27,529</u>
General	<u>120,790</u>	Building Dept.	<u>120,790</u>
	<u>\$ 148,319</u>		<u>\$148,319</u>

NOTE E - CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 65,016	\$ -	\$ -	\$ 65,016
Total capital assets, not being depreciated	<u>65,016</u>	<u>-</u>	<u>-</u>	<u>65,016</u>
Capital assets, being depreciated:				
Land improvements	492,960	-	-	492,960
Buildings and improvements	365,903	821,635	-	1,187,538
Equipment	<u>254,296</u>	<u>29,975</u>	<u>-</u>	<u>284,271</u>
Total capital assets, being depreciated	1,113,159	851,610	-	1,964,769
Less accumulated depreciation for:				
Land improvements	288,077	19,809	-	307,886
Buildings and improvements	175,748	11,001	-	186,749
Equipment	<u>195,773</u>	<u>13,382</u>	<u>-</u>	<u>209,155</u>
Total accumulated depreciation	<u>659,598</u>	<u>44,192</u>	<u>-</u>	<u>703,790</u>
Total capital assets, being depreciated, net	<u>453,561</u>	<u>807,418</u>	<u>-</u>	<u>1,260,979</u>
Capital Assets, net	<u>518,577</u>	<u>807,418</u>	<u>-</u>	<u>1,325,995</u>

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE E-CAPITAL ASSETS-CONTINUED

	Balance April 1, 2006	<u>Additions</u>	<u>Deductions</u>	Balance March 31, 2007
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Construction in progress	184,530	-	-	184,530
Total capital assets, not being depreciated	184,530	-	-	184,530
Capital assets being depreciated:				
Sewage disposal system	6,612,893	-	-	6,612,893
Water supply system	576,539	-	-	576,539
Total capital assets, being depreciated	7,189,432	-	-	7,189,432
Less accumulated depreciation:				
Sewage disposal system	4,067,174	165,322	-	4,232,496
Water supply system	170,788	14,414	-	185,202
Total accumulated depreciation	4,237,962	179,736	-	4,417,698
Total capital assets, being depreciated, net	2,951,470	(179,736)	-	2,771,734
Capital assets, net	<u>3,136,000</u>	<u>(179,736)</u>	<u>-</u>	<u>2,956,264</u>
Government activities:				
Depreciation				
Depreciation expense was charged to functions as follows:				
General government				\$ 37,563
Public safety				2,210
Public works				<u>4,419</u>
				<u>\$ 44,192</u>
Business-type activities:				
Depreciation				
Depreciation expense was charged to functions as follows:				
Sewer				\$165,322
Water				<u>14,414</u>
				<u>\$179,736</u>

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE F - 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:

	<u>Balance</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31, 2007</u>	<u>Due within</u> <u>one year</u>
Business-type activities:					
Contracts payable	\$ <u>241,158</u>	<u>-</u>	\$ <u>28,219</u>	\$ <u>212,939</u>	\$ <u>29,369</u>
	\$ <u>241,158</u>	<u>-</u>	\$ <u>28,219</u>	\$ <u>212,939</u>	\$ <u>29,369</u>

The Township has a 1.0% interest in the total issue of the Wastewater Management System Revenue Bonds of \$17,000,000 due in annual installments of \$3,100 to \$8,500 through July 1, 2026, plus interest at 4.0% to 5.0% per annum

\$ 160,650

The Township has a 1.245% interest in the total issue of the Wastewater Improvement Refunding Bonds of \$6,990,000 due in annual installments of \$26,269 to \$26,020 through July 1, 2008, plus interest at 5.0% per annum

52,289

\$ 212,939

The wastewater improvement bonds were issued for the acquisition, construction and financing of capital improvements to the existing wastewater management system.

The Township contracted with the County of Muskegon for the continued construction of a wastewater management system. Under terms of the contract, the County shall be the owner. To defray the cost of the system, the County issued bonds in the aggregate principal sum of \$17,000,000. The Township has a 1% interest totaling \$170,000. The Township will meet its contractual obligation for the principal and interest payments by rate charges to users of the system.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE F - LONG TERM DEBT - CONTINUED

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

Year ending March 31, 2007	Business-type activities	
	Principal	Interest
2008	\$ 29,369	\$ 10,147
2009	30,570	8,677
2010	8,500	7,102
2011	8,500	6,735
2012	8,500	6,363
2013-2017	42,500	26,079
2018-2022	42,500	15,931
2023-2027	<u>42,500</u>	<u>5,315</u>
Total	\$ <u>212,939</u>	\$ <u>86,349</u>

NOTE G - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township maintains two enterprise funds which provide sewer and water services for its residents. Segment information for the year ended March 31, 2007, was as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues	\$ 274,092	\$ 975	\$ 275,067
Depreciation expense	165,322	14,414	179,736
Operating income (loss)	(51,298)	(47,762)	(99,060)
Change in net assets	(130,335)	(257,112)	(387,447)
Net working capital	3,268,024	328,280	3,596,304
Total assets	5,862,973	769,095	6,632,068
Long-term liabilities - payable			
from operating revenues	183,570	-	183,570
Total net assets	5,649,380	750,843	6,400,223

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE H - PENSION PLAN

The Township has a pension plan covering qualified employees in which the Township contributes all of the required contributions (money purchase plan) for the year. Total contributions by the Township for the year ended March 31, 2007, were \$77,633. All costs during the year associated with the plan were paid currently.

NOTE I - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures have been reported on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level. During the year ended March 31, 2007, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Total appropriations</u>	<u>Actual expenditures</u>	<u>Budget variance</u>
General fund			
Elections	\$ 20,600	\$ 32,686	\$ 12,086
Building and Grounds	344,000	390,909	46,909
Planning Commission	35,000	38,425	3,425
Street lighting	32,000	36,160	4,160
Parks	79,500	88,804	9,304
Library	-	3,500	3,500
Capital Outlay	34,000	841,903	807,903
Sanitation	38,500	40,777	2,277

REQUIRED SUPPLEMENTAL INFORMATION

Township of Laketon, Michigan  
Budgetary Comparison Schedule  
GENERAL FUND

Year ended March 31, 2007

	<u>Budgeted Amounts</u>		Actual	Variance with final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 555,100	\$ 555,100	\$ 575,762	\$ 20,662
Licenses and permits	4,000	4,000	2,569	(1,431)
State grants	475,000	475,000	500,895	25,895
Charges for services	92,500	92,500	110,370	17,870
Interest and rentals	4,500	4,500	42,331	37,831
Other revenue	<u>21,350</u>	<u>21,350</u>	<u>56,319</u>	<u>34,969</u>
Total Revenues	1,152,450	1,152,450	1,288,246	135,796
<b>EXPENDITURES</b>				
Legislative				
Governing body				
Salaries and wages	<u>16,788</u>	<u>16,788</u>	<u>8,688</u>	<u>8,100</u>
Total Legislative	16,788	16,788	8,688	8,100
General government				
Supervisor				
Salaries and wages	49,887	49,887	49,860	27
Elections				
Salaries and wages	16,100	16,100	21,011	(4,911)
Office supplies	1,000	1,000	6,412	(5,412)
Education	500	500	-	500
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>5,263</u>	<u>(2,263)</u>
	20,600	20,600	32,686	(12,086)
Auditor				
Professional and contractual services	5,000	5,000	4,705	295
Engineering				
Professional and contractual services	2,500	2,500	-	2,500
Assessor				
Wages	1,600	1,600	546	1,054
Professional and contractual services	42,000	42,000	42,000	-
Miscellaneous	<u>4,600</u>	<u>4,600</u>	<u>2,023</u>	<u>2,577</u>
	48,200	48,200	44,569	3,631
Attorney				
Professional and contractual services	22,000	22,000	19,832	2,168

Township of Laketon, Michigan  
Budgetary Comparison Schedule  
GENERAL FUND-CONTINUED

Year ended March 31, 2007

	<u>Budgeted Amounts</u>			<u>Variance with final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General government-continued				
Clerk				
Salaries and wages	42,876	42,876	42,876	-
Treasurer				
Salaries and wages	36,960	36,960	36,960	-
Building and Grounds				
Salaries and wages	18,000	18,000	14,552	3,448
Supplies	15,000	15,000	13,989	1,011
Postage	4,200	4,200	3,260	940
Telephone	5,500	5,500	5,893	(393)
Insurance, bonds and pension	256,700	256,700	277,184	(20,484)
Public utilities	12,000	12,000	13,769	(1,769)
Repairs and maintenance	5,000	5,000	8,998	(3,998)
Advertising	1,000	1,000	754	246
Education	3,500	3,500	1,486	2,014
Unemployment	1,000	1,000	-	1,000
Transportation	3,500	3,500	2,555	945
Rent	-	-	4,329	(4,329)
Muskegon Area First	5,600	5,600	4,207	1,393
Miscellaneous	<u>13,000</u>	<u>13,000</u>	<u>39,933</u>	<u>(26,933)</u>
	344,000	344,000	390,909	(46,909)
Cemetery				
Salaries and wages	47,500	47,500	44,504	2,996
Administration	11,800	11,800	-	11,800
Telephone	600	600	585	15
Public utilities	1,400	1,400	1,417	(17)
Repairs and maintenance	4,500	4,500	3,549	951
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>713</u>	<u>287</u>
	66,800	66,800	50,768	16,032
Service Building and Grounds				
Wages	29,000	29,000	25,221	3,779
Maintenance	3,000	3,000	2,150	850

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan  
Budgetary Comparison Schedule  
GENERAL FUND-CONTINUED

Year ended March 31, 2007

	Budgeted Amounts			Variance with final Budget -Favorable (Unfavorable)
	Original	Final	Actual	
General government-continued				
Service Building and Grounds-continued				
Gas and oil	3,500	3,500	3,170	330
Utilities	100	100	-	100
	35,600	35,600	30,541	5,059
 Total General Government	 674,423	 674,423	 703,706	 (29,283)
 Public Safety				
Fire Department				
Professional and contractual services	255,738	255,738	255,744	(6)
Hydrant rental	46,000	46,000	21,900	24,100
	301,738	301,738	277,644	24,094
 Police Protection				
Professional and contractual services	72,000	72,000	47,888	24,112
	72,000	72,000	47,888	24,112
 Planning Commission				
Salaries and wages	22,000	22,000	20,733	1,267
Office supplies	1,000	1,000	-	1,000
Professional services	5,000	5,000	6,433	(1,433)
Advertising	3,000	3,000	1,413	1,587
Miscellaneous	4,000	4,000	9,846	(5,846)
	35,000	35,000	38,425	(3,425)
 Appeal Board				
Salaries and wages	2,000	2,000	931	1,069
Advertising	2,000	2,000	1,716	284
Miscellaneous	1,000	1,000	34	966
	5,000	5,000	2,681	2,319
 Total Public Safety	 413,738	 413,738	 366,638	 47,100
 Public Works				
Drains				
Drain projects	2,000	2,000	2,000	-
 Street lighting				
Public utilities	32,000	32,000	36,160	(4,160)

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan  
Budgetary Comparison Schedule  
GENERAL FUND-CONTINUED

Year ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with final Budget -Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Public Works-continued				
Road construction				
Road projects	2,000	2,000	2,213	(213)
Street signs and posts	<u>500</u>	<u>500</u>	<u>272</u>	<u>228</u>
	2,500	2,500	2,485	15
Sanitation				
Wages	10,500	10,500	10,054	446
Landfill rental	28,000	28,000	28,723	(723)
Miscellaneous	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>(2,000)</u>
	<u>38,500</u>	<u>38,500</u>	<u>40,777</u>	<u>(2,277)</u>
Total Public Works	75,000	75,000	81,422	(6,422)
Recreation and Cultural				
Parks				
Salaries and wages	31,000	31,000	30,793	207
Public utilities	5,000	5,000	6,127	(1,127)
Repairs and maintenance	8,000	8,000	12,349	(4,349)
Professional services	3,000	3,000	-	3,000
Recreation program				
Reeths Puffer	26,500	26,500	30,873	(4,373)
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>8,662</u>	<u>(2,662)</u>
	79,500	79,500	88,804	(9,304)
Library				
Professional and contractual services	<u>-</u>	<u>-</u>	<u>3,500</u>	<u>(3,500)</u>
Total Recreation and Cultural	79,500	79,500	92,304	(12,804)
Capital Outlay				
General	<u>34,000</u>	<u>34,000</u>	<u>841,903</u>	<u>(807,903)</u>
TOTAL EXPENDITURES	<u>\$1,293,449</u>	<u>\$1,293,449</u>	<u>\$2,094,661</u>	<u>\$(801,212)</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

Budgetary Comparison Schedule  
BUILDING DEPARTMENT FUND

Year ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$100,550	\$100,550	\$ 80,064	\$ (20,486)
Interest revenue	2,000	2,000	5,288	3,288
Reimbursements	28,850	28,850	25,200	(3,650)
Other revenue	<u>50</u>	<u>50</u>	<u>-</u>	<u>(50)</u>
 TOTAL REVENUES	 131,450	 131,450	 110,552	 (20,898)
Expenditures				
Salaries and wages	38,717	38,717	40,121	(1,404)
Contracted services	68,400	68,400	52,155	16,245
Office supplies	500	500	162	338
Administration	41,081	41,081	16,583	24,498
Miscellaneous	3,000	3,000	10,136	(7,136)
Capital Outlay	<u>-</u>	<u>-</u>	<u>9,707</u>	<u>(9,707)</u>
 TOTAL EXPENDITURES	 151,698	 151,698	 128,864	 22,834
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (20,248)	 (20,248)	 (18,312)	 1,936
Other financing sources (uses)				
Operating transfers in	-	-	45,000	45,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>(230,000)</u>	<u>(230,000)</u>
 Total other financing sources (uses)	 <u>-</u>	 <u>-</u>	 <u>(185,000)</u>	 <u>(185,000)</u>
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 (20,248)	 (20,248)	 (203,312)	 (183,064)
 Fund balance - April 1	 <u>206,623</u>	 <u>206,623</u>	 <u>206,623</u>	 <u>-</u>
 Fund balance - March 31	 <u>\$ 186,375</u>	 <u>\$ 186,375</u>	 <u>\$ 3,311</u>	 <u>\$(183,064)</u>

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

Township of Laketon, Michigan

SCHEDULE OF INDEBTEDNESS

March 31, 2007

Enterprise Fund

Contracts payable

Muskegon County Wastewater Management System -

Number 2 - Revenue Bonds - Series 2002

2002 Refunding bonds

The accompanying notes are an integral part of this statement.

<u>Date of issue</u>	<u>Amount of issue</u>	<u>Interest rate</u>	<u>Date of maturity</u>	<u>March 31 2006</u>	<u>March 31 2007</u>	<u>Annual interest payable</u>
1-15-02	170,000	3.70	7/01/06	1,700	-	-
		4.00	7/01/07	3,100	3,100	7,532
		4.125	7/01/08	4,550	4,550	7,376
		4.250	7/01/09	8,500	8,500	7,102
		4.375	7/01/10	8,500	8,500	6,735
		4.375	7/01/11	8,500	8,500	6,363
		4.50	7/01/12	8,500	8,500	5,986
		4.50	7/01/13	8,500	8,500	5,604
		4.50	7/01/14	8,500	8,500	5,221
		4.625	7/01/15	8,500	8,500	4,833
		4.750	7/01/16	8,500	8,500	4,435
		4.80	7/01/17	8,500	8,500	4,029
		5.00	7/01/18	8,500	8,500	3,613
		5.00	7/01/19	8,500	8,500	3,188
		5.00	7/01/20	8,500	8,500	2,763
		5.00	7/01/21	8,500	8,500	2,338
		5.00	7/01/22	8,500	8,500	1,913
		5.00	7/01/23	8,500	8,500	1,488
5.00	7/01/24	8,500	8,500	1,063		
5.00	7/01/25	8,500	8,500	638		
5.00	7/01/26	8,500	8,500	213		
				<u>162,350</u>	<u>160,650</u>	<u>82,433</u>
11-06-02	87,025	5.00	7/01/06	26,519	-	-
		5.00	7/01/07	26,269	26,269	2,615
		5.00	7/01/08	26,020	26,020	1,301
				<u>78,808</u>	<u>52,289</u>	<u>3,916</u>
				<u>\$ 241,158</u>	<u>\$ 212,939</u>	<u>\$ 86,349</u>

**CALVIN D. MEEUSEN, C.P.A., PLLC**

**CALVIN D. MEEUSEN**

**CERTIFIED PUBLIC ACCOUNTANT**

1014 S. BEACON BLVD. • GRAND HAVEN, MI 49417  
(616) 846-6210 FAX (616) 846-5111

348 WAVERLY RD., SUITE 126 • HOLLAND, MI 49424  
(616) 395-8477

June 19, 2007

Members of the Township Board  
Township of Laketon, Michigan

In connection with my examination of the financial statements of the Township of Laketon as of March 31, 2007, I have reviewed the accounting policies and procedures employed by the Township and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Township of Laketon, Michigan, for the year ended March 31, 2007, and have issued our report thereon dated June 19, 2007. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Township of Laketon, Michigan, to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". For the purpose of this report, we have classified the significant internal accounting controls in the following categories: Cycles of the entity's Activity, Financial Statement Captions and Accounting Applications. Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Township of Laketon, Michigan, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purposes described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Township taken as a whole. However, my study and evaluation disclosed that the internal controls are not adequate to reduce to a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Township may occur and not be detected within a timely period. This is because of a lack of segregation of duties due to the limited number of accounting personnel. Accordingly, substantive testing has been increased to reduce to an acceptable level the audit risk associated with this situation.

This report is intended solely for the use of management and the State of Michigan, Michigan Department of Treasury, and should not be used for any other purpose.

A budget is required by the State Constitution, State Statutes and P. A. 621 of 1989 as amended, and is the only basis for spending. A local unit cannot overspend its adopted budget unless a change in the budget is approved by the Township Board. During the past fiscal year the Township overspent in several departments and underspent in other departments. In order to prevent this from happening in the future, I would suggest that financial statements be submitted to the Board at least quarterly, which would show departmentally the adopted budget, amount spent to date, and the unexpended balance in the account. Then, if it became apparent that a department needed additional funds, the Board could amend the budget to cover the anticipated deficiency. Any amendment to the adopted budget or any transfer of monies between funds should be authorized by resolution of the Board and recorded in the minutes. This comment is a carryover from last year.

All general ledger accounts in all funds should be reviewed, at minimum, on a monthly basis for reasonableness and completeness. Discrepancies and problems, if found, could then be easily corrected in a more timely manner.

Township personnel should obtain, on a periodic basis, information from Muskegon County concerning new bond issues, use of bond proceeds for construction and other costs, interest income on township monies and bond principal and interest payments deemed to be paid from water purchases and sewage treatment charges. This information should then be entered into the Township's accounting records.

The Township should consider using more financial institutions in order to maximize Federal Deposit Insurance Corporation (FDIC) coverage on their bank accounts. The Township had deposits of \$2,841,547 of which approximately \$2,363,438 was not covered by the FDIC.

Members of the Township Board  
Township of Laketon, Michigan

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In conclusion, I wish to state that I have had excellent cooperation from all personnel involved in the recordkeeping area and look forward to more of the same in the future.

All of the above comments and recommendations have been discussed with Township officials who have indicated to me that the Township will attempt to comply with them. These comments and recommendations are intended to be only of a constructive nature as I am sure they will continue to improve your accounting system. I would be available at any time in order to discuss these comments and recommendations.

Respectfully submitted,

A handwritten signature in black ink that reads "Calvin D. Meeusen, C.P.A., PLLC". The signature is written in a cursive style with a large initial "C".

Calvin D. Meeusen, C.P.A., PLLC