

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 Township of Rose	County Ogemaw
Fiscal Year End 3/31/07	Opinion Date 8/19/07	Date Audit Report Submitted to State 9/19/07	

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 NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) James M. Anderson, P.C.		Telephone Number 989-563-2450		
Street Address P.O. Box 255		City Roscommon	State MI	Zip 48653
Authorizing CPA Signat	Printed Name James M. Anderson, CPA		License Number 1101017419	

Digitally signed by James M. Anderson, CPA
DN: cn=James M. Anderson, c=US, o=James M. Anderson, P.C., email=jmia@m33access.com
Date: 2007.09.19 16:14:54 -04'00'

TOWNSHIP OF ROSE
OGEMAW COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2007

TOWNSHIP OFFICIALS

Supervisor

Louis McKellar

Clerk

Kelli Collins

Treasurer

Linda Graham

TRUSTEES

Linda Blair

Russell Oyster

TOWNSHIP OF ROSE

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Combining Balance Sheet - Governmental Funds	11-12
Reconciliation of Fund Balances on Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	13
Combining Statement of Revenue, Expenditures and Changes in Fund Balance-Governmental Funds	14
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	15
Fiduciary Fund:	
Statement of Fiduciary Net Assets	16
Statement of Changes in Fiduciary Net Assets	17
Notes to Financial Statements	18-28
Required Supplemental Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	29-33
Fire Protection Fund	34
Road Improvement Fund	35
Other Supplemental Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	37
Statement of Revenue, Expenditures and Changes in Fund Balance Budget and Actual - Nonmajor Governmental Funds:	
Gypsy Moth Fund	38
Private Road Fund	39



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

August 19, 2007

Township Board
Rose Township
Ogemaw County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Rose, 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 an opinion based on these financial statements 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.

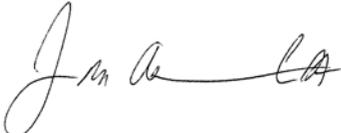
In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund activity, and the aggregate remaining fund information of the Township of Rose, as of March 31, 2007, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3-8 and budgetary comparison information on pages 29-39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

MEMBER MACPA and AICPA

Township Board
Rose Township
August 19, 2007
Page 2

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Rose's basic financial statements. The introductory section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

A handwritten signature in cursive script, appearing to read "J M Anderson, P.C.", written in black ink.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

TOWNSHIP OF ROSE
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Rose Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007.

Financial Highlights

- . The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$956,745 (*net assets*). Of this amount, \$785,632 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations.
- . The Township's total net assets increased by \$81,964.
- . As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$475,728, an increase of \$23,068 in comparison with the prior year.
- . At the end of the current fiscal year, unreserved fund balance for the general fund was \$475,728 or 276% of total general expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1)Government-wide financial statements, 2)Fund financial statements, and 3)Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

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 most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

TOWNSHIP OF ROSE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, health and welfare and recreation and cultural. The Township does not have any business-type activities as of and for the year ended March 31, 2007.

The Government-wide financial statements can be found on pages 9-10 of this report.

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 two categories: governmental 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 *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

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

The Township maintains five governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire Protection, Road Improvement, Gypsy Moth and Private Road Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

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

TOWNSHIP OF ROSE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 notes to the financial statements can be found on pages 18-28 of this report.

Government-wide Financial Analysis

A portion of the Township's net assets (17%) reflects its investments in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

	<u>Governmental Activities</u>
Current and Other Assets	\$ 789,452
Capital Assets, Net	<u>171,113</u>
Total Assets	960,565
Current Liabilities	<u>3,820</u>
Total Liabilities	3,320
Net Assets:	
Invested in Capital Assets, Net of Related Debt	171,113
Unrestricted	<u>785,632</u>
Total Net Assets	<u><u>\$ 956,745</u></u>

TOWNSHIP OF ROSE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Township's net assets increased by \$81,964 during the current fiscal year. Unrestricted net assets - the part of net assets that can be used to finance day to day operations, increased by \$78,297 or 8%, during fiscal year 2007.

Township's Changes in Net Assets

	<u>Governmental Activities</u>
Revenue:	
Program Revenue:	
Charges for services	\$ 21,507
Operating Grants and Contributions	11,421
General Revenue:	
Property Taxes	177,750
State-Shared Revenues	101,448
Interest	13,926
Other	<u>12,436</u>
Total Revenue	<u>338,488</u>
Expenses:	
General Government	129,386
Public Safety	61,666
Public Works	52,676
Health and welfare	5,550
Recreation and cultural	<u>7,246</u>
Total Expenses	<u>256,524</u>
Increase in Net Assets	81,964
Net Assets, Beginning of Year	<u>874,781</u>
Net Assets, End of Year	<u><u>\$ 956,745</u></u>

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TOWNSHIP OF ROSE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$785,632, an increase of \$78,297 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 276% of total general fund expenditures.

The fund balance of the General Fund increased by \$23,068 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Fire Protection, Road Improvement, Gypsy Moth and Private Road Ends.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounted to \$171,113 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$14,407 for the fiscal year.

Township's Capital Assets
(net of depreciation)

Land	\$ 31,341
Buildings and Improvements	122,176
Machinery and Equipment	<u>17,596</u>
Total	<u><u>\$ 171,113</u></u>

Additional information on the Township's capital assets can be found in note F on page 24 of this report.

TOWNSHIP OF ROSE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2007-2008 fiscal year:

- . The State of Michigan has made significant cuts in their operating budgets due to a down turn of the economy. For 2006-2007, the Township received \$97,142 in state shared revenues, representing 49% of the revenues in the General Fund. The amounts of state shared revenues for future periods is uncertain and will affect the Township's budget.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Rose Township
P.O. Box 38
Lupton, MI 48635**

TOWNSHIP OF ROSE
STATEMENT OF NET ASSETS
MARCH 31, 2007

ASSETS	<u>Governmental Activities</u>
Current Assets:	
Cash and investments	\$ 746,335
Receivables:	
Accounts Receivable	934
Delinquent Taxes	20,146
Other Governmental Units	<u>22,037</u>
Total Current Assets	789,452
Non-Current Assets:	
Capital Assets - Net	<u>171,113</u>
Total Assets	<u>960,565</u>
 LIABILITIES	
Current Liabilities:	
Accounts Payable	1,117
Accrued Liabilities	<u>2,703</u>
Total Current Liabilities	<u>3,820</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	171,113
Unrestricted	<u>785,632</u>
 Total Net Assets	 <u><u>\$ 956,745</u></u>

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

TOWNSHIP OF ROSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
GOVERNMENTAL ACTIVITIES					
General Government	\$ (129,386)	\$ 7,581	\$ -0-	\$ -0-	\$ (121,805)
Public Safety	(61,666)	-0-	-0-	-0-	(61,666)
Public Works	(52,676)	13,926	11,089	-0-	(27,661)
Health and Welfare	(5,550)	-0-	-0-	-0-	(5,550)
Recreation and Cultural	<u>(7,246)</u>	<u>-0-</u>	<u>332</u>	<u>-0-</u>	<u>(6,914)</u>
Total Governmental Activities	<u>\$ (256,524)</u>	<u>\$ 21,507</u>	<u>\$ 11,421</u>	<u>\$ -0-</u>	<u>(223,596)</u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purpose					54,455
Public Safety					81,623
Public Works					41,672
State Shared Revenue not restricted to specific purposes					101,448
Miscellaneous					12,436
Investment Earnings					<u>13,926</u>
Total General Revenues					<u>305,560</u>
Change in Net Assets					81,964
Net Assets - April 1					<u>874,781</u>
Net Assets - March 31					<u>\$ 956,745</u>

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

TOWNSHIP OF ROSE
 COMBINING BALANCE SHEET
 GOVERNMENTAL FUNDS
 MARCH 31, 2007

ASSETS	<u>General</u>	<u>Fire Protection</u>
Cash and investments	\$ 455,834	\$ 188,639
Taxes receivable	6,122	9,304
Due from other Governmental Units	15,796	-0-
Accounts receivable	934	-0-
Due from other funds	<u>862</u>	<u>-0-</u>
Total Assets	<u>\$ 479,548</u>	<u>\$ 197,943</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 1,117	\$ -0-
Accrued liabilities	2,703	-0-
Due to other funds	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>3,820</u>	<u>-0-</u>
Fund Equity:		
Fund balance:		
Undesignated	<u>475,728</u>	<u>197,943</u>
Total Fund Equity	<u>475,728</u>	<u>197,943</u>
Total Liabilities and Fund Equity	<u>\$ 479,548</u>	<u>\$ 197,943</u>

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

<u>Road Improvement</u>	<u>Other Funds</u>	<u>Totals</u>
\$ 67,299	\$ 34,563	\$ 746,335
4,651	69	20,146
6,241	-0-	22,037
-0-	-0-	934
<u>-0-</u>	<u>-0-</u>	<u>862</u>
<u>\$ 78,191</u>	<u>\$ 34,632</u>	<u>\$ 790,314</u>

\$ -0-	\$ -0-	\$ 1,117
-0-	-0-	2,703
<u>-0-</u>	<u>862</u>	<u>862</u>
<u>-0-</u>	<u>-0-</u>	<u>4,682</u>

<u>78,191</u>	<u>33,770</u>	<u>785,632</u>
<u>78,191</u>	<u>33,770</u>	<u>785,632</u>
<u>\$ 78,191</u>	<u>\$ 34,632</u>	<u>\$ 790,314</u>

TOWNSHIP OF ROSE
RECONCILIATION OF FUND BALANCES ON BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
MARCH 31, 2007

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES \$ 785,632

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

Capital assets used in governmental activities are
not current financial resources and therefore are
not recorded in the funds. This represents the
amounts by which capital assets used in governmental
funds exceeds accumulated depreciation.

171,113

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 956,745

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

TOWNSHIP OF ROSE
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
 FUND BALANCE - GOVERNMENTAL FUND TYPES
 YEAR ENDED MARCH 31, 2007

	<u>General</u>	<u>Fire Protection</u>	<u>Road Improvements</u>	<u>Other Funds</u>	<u>Totals</u>
Revenues:					
Taxes and assessments	\$ 54,455	\$ 81,623	\$ 40,798	\$ 874	\$ 177,750
Intergovernmental	101,780	-0-	11,089	-0-	112,869
Charges for services	22,910	-0-	-0-	-0-	22,910
Interest	10,288	2,043	-0-	1,595	13,926
Other	<u>7,833</u>	<u>3,200</u>	<u>-0-</u>	<u>-0-</u>	<u>11,033</u>
Total Revenues	<u>197,266</u>	<u>86,866</u>	<u>51,887</u>	<u>2,469</u>	<u>338,488</u>
Expenditures:					
General government	128,250	-0-	-0-	-0-	128,250
Fire	-0-	61,508	-0-	-0-	61,508
Law enforcement	158	-0-	-0-	-0-	158
Health & Welfare	-0-	-0-	-0-	5,550	5,550
Sanitation	31,653	-0-	-0-	-0-	31,653
Road projects	-0-	-0-	18,865	2,070	20,935
Cemetery	4,920	-0-	-0-	-0-	4,920
Recreation & Cultural	<u>7,217</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>7,217</u>
Total Expenditures	<u>172,198</u>	<u>61,508</u>	<u>18,865</u>	<u>7,620</u>	<u>260,191</u>
Excess:					
Revenue over (under) expenditures	25,068	25,358	33,022	(5,151)	78,297
Other Financing Sources (Uses):					
Operating transfers in	-0-	-0-	-0-	2,000	2,000
Operating transfers out	<u>(2,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(2,000)</u>
Total Other Financing Sources (Uses)	<u>(2,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>2,000</u>	<u>-0-</u>
Excess:					
Revenue and other financing sources over (under) expenditures and other financing uses	23,068	25,358	33,022	(3,151)	78,297
Fund Balance - April 1	<u>452,660</u>	<u>172,585</u>	<u>45,169</u>	<u>36,921</u>	<u>707,335</u>
Fund Balance - March 31	<u>\$ 475,728</u>	<u>\$ 197,943</u>	<u>\$ 78,191</u>	<u>\$ 33,770</u>	<u>\$ 785,632</u>

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

TOWNSHIP OF ROSE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 78,297

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

Governmental funds report capital
outlays as expenditures. However in the
statement of activities, the cost of
these assets are capitalized and
depreciation charged to expense over
their useful life.

3,667

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 81,964

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

TOWNSHIP OF ROSE
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2007

ASSETS	
Cash and Investments	<u>\$ 523</u>
LIABILITIES	
Undistributed Collections	<u>523</u>
Total Liabilities	<u>523</u>
NET ASSETS	
Net Assets	<u><u>\$ -0-</u></u>

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

TOWNSHIP OF ROSE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2007

REVENUES		
Property Tax Collections		\$ 1,322,534
Interest Collections		20,964
Overpayments		<u>2,653</u>
Total Revenues		<u>1,346,151</u>
EXPENDITURES		
Property Taxes		1,322,534
Other		<u>23,617</u>
Total Expenditures		<u>1,346,151</u>
Excess of Revenues over Expenditures		-0-
Net Assets - April 1		<u>-0-</u>
Net Assets - March 31		<u>\$ -0-</u>

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

TOWNSHIP OF ROSE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

NOTE A: ENTITY

The Township of Rose is a general law township of the state of Michigan located in Ogemaw County, Michigan. It operates under an elected board and provides services to its residents in many areas including liquor law enforcement, fire, public works, community enrichment, and human services. As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present the Township of Rose (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Rose conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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. *Indirect expenses* are charged based upon a Township-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as *general revenues*.

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.

TOWNSHIP OF ROSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 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. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and select compensated absences are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services 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 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 Township.

The Township reports 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 *Fire Protection Fund* is used to account for all financial activity related to the Township's fire service. The main source of revenue is derived from property taxes.

The *Road Improvement Fund* is used to account for activity related to the Township's road projects. The major source of revenue is from property taxes.

TOWNSHIP OF ROSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The Township reports, in total, the following non-major governmental funds:

Gypsy Moth Fund
Private Road Fund

Additionally, the Township reports the following fund types:

Agency Funds are used to account for assets held on behalf of outside parties, including other governments.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2006, are recorded as revenue in the current year. The Township's taxable value for the 2006 tax year totaled \$45,229,426.

The tax rates for the year ended March 31, 2007, were as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General	.8279 mills per \$1,000
Fire	1.8028 mills per \$1,000
Road	.9012 mills per \$1,000

BUDGETS - Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. Unused appropriations for budgeted activities lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF ROSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure), is computed using the straight-line or sum-of-the-years digits method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings	30-50
Public domain infrastructure	8-50
Equipment	3-20

LONG-TERM OBLIGATIONS - In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWNSHIP OF ROSE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED MARCH 31, 2007

NOTE C - CASH AND INVESTMENTS

The balance sheet accounts and types of cash items are presented below:

	<u>Checking & Savings</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Governmental Activities	\$ 487,063	\$ 259,272	\$ 746,335
Agency Funds	523	-0-	523
Total	<u>\$ 487,586</u>	<u>\$ 259,272</u>	<u>\$ 746,858</u>

Deposits - At year-end, the carrying amount of the Township's deposits was \$746,858 and the bank balance was \$747,748. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 48% of the total bank balance was covered by federal depository insurance.

The Government Accounting Standards Board Statement No. 3 risk disclosures for Rose Township's cash deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 359,841	\$ 359,795
Uninsured and Uncollateralized	387,017	387,953
Total Deposits	<u>\$ 746,858</u>	<u>\$ 747,748</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

The Township has not adopted a policy that indicates how the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

TOWNSHIP OF ROSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The Township has adopted a policy that indicates how the Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Investments - P.A. 20 of 1943, authorizes the Township to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- d. United States governmental or Federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable consists of miscellaneous receivables of \$934.

TOWNSHIP OF ROSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE E - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of amounts due from the State of Michigan of \$15,796 and Ogemaw County of \$6,241.

NOTE F - CAPITAL ASSETS

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

<u>Primary Government</u>	<u>Beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Governmental activities:				
Land	<u>\$ 31,341</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 31,341</u>
Total capital Assets, not being depreciated	<u>31,341</u>	<u>-0-</u>	<u>-0-</u>	<u>31,341</u>
Capital assets, being depreciated:				
Building and improvements	241,976	10,544	-0-	252,520
Machinery and equipment	<u>54,526</u>	<u>3,863</u>	<u>-0-</u>	<u>58,389</u>
Total capital assets, being depreciated	<u>296,502</u>	<u>14,407</u>	<u>-0-</u>	<u>310,909</u>
Less accumulated depreciation for:				
Buildings and improvements	122,822	7,522	-0-	130,344
Machinery and equipment	<u>37,575</u>	<u>3,218</u>	<u>-0-</u>	<u>40,793</u>
Total accumulated depreciation	<u>160,397</u>	<u>10,740</u>	<u>-0-</u>	<u>171,137</u>
Net capital assets, being depreciated	<u>136,105</u>	<u>3,667</u>	<u>-0-</u>	<u>139,772</u>
Net governmental activities capital assets	<u>\$ 167,446</u>	<u>\$ 3,667</u>	<u>\$ -0-</u>	<u>\$ 171,113</u>

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

Governmental activities:	
General government	\$ 8,902
Public works	88
Recreation & cultural	<u>1,750</u>
Total depreciation expense - governmental activities	<u>\$ 10,740</u>

TOWNSHIP OF ROSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE G - PENSION PLAN

Plan Description - Rose Township participates in a defined benefit retirement plan administered by the Municipal Employee's Retirement System (MERS). The plan covers five active employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

TOWNSHIP OF ROSE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED MARCH 31, 2007

NOTE G - PENSION PLANS (CONTINUED)

GASB 25 INFORMATION (as of 12/31/06)

Actuarial Accrued Liability:

Retirees and beneficiaries currently receiving benefits	\$	30,386
Terminated employees not yet receiving benefits		-0-
Current Employees:		
Accumulated employee contributions including allocated investment income		15,265
Employer financed		30,609
Total actuarial accrued liability		76,260
Net assets available for benefits, at actuarial value (Market value is \$239,810)		236,502
Unfunded (over funded) actuarial accrued liability	\$	(160,242)

GASB 27 INFORMATION (as of 12/31/06)

Fiscal year beginning		April 1, 2008
Annual required contribution (ARC)	\$	-0-
Amortization factor used - underfunded liabilities (30 years)		0.054719
Amortization factor used - overfunded liabilities (10 years)		0.119963

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ -0-	100%	-0-
2005	-0-	100%	-0-
2006	-0-	100%	-0-

The Township was not required to contribute for the year ended March 31, 2007. Payments were based on contribution calculations made by MERS.

TOWNSHIP OF ROSE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED MARCH 31, 2007

NOTE G - PENSION PLAN (CONTINUED)

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date <u>December 31</u>	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % Of Covered Payroll
2004	\$ 211,462	\$ 64,318	\$ (147,144)	329%	\$ 36,443	-0-
2005	221,494	61,096	(160,398)	363%	38,322	-0-
2006	236,502	76,260	(160,242)	310%	40,300	-0-

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000, and 2004 valuations.

NOTE H - INSURANCE

The Township is exposed to various risks of losses to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Township participates in the Michigan Municipal Liability and Property Pool, as self-insured group. The pool is considered a public entity risk pool. The Township pays annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$1,000,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Township carries commercial insurance for other types of losses including employee health and accident insurance.

TOWNSHIP OF ROSE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED MARCH 31, 2007

NOTE I - JOINT AREA FIRE BOARD

Rose Township appropriated funds for fire protection through the Rose City Area Fire Board. The Board is a joint area fire board serving Klacking, Rose and Cumming Townships and the City of Rose City. The Township appoints one member to the joint venture's governing board, who then approve the annual budget. The by-laws also require approval of the budget by each member unit. The following financial information of the joint venture, obtained from the Rose City Area Fire Board, is as of December 31, 2006:

Total Assets	<u>\$ 338,850</u>	<u>Local contributions - 2006</u>	
Total Liabilities	<u>\$ 3,101</u>	City of Rose City	\$ 13,551
Net Assets	<u>\$ 335,749</u>	Rose Township	33,462
Total Revenues	\$ 104,124	Cumming Township	20,256
Total Expenditures	<u>114,394</u>	Klacking Township	<u>18,544</u>
Change in Net Assets	<u>\$ (10,270)</u>	Total	<u>\$ 85,813</u>

**REQUIRED
SUPPLEMENTARY
INFORMATION**

TOWNSHIP OF ROSE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes and Assessments:				
General property taxes	\$ 51,500	\$ 51,500	\$ 54,455	\$ 2,955
Total Taxes and Assessments	<u>51,500</u>	<u>51,500</u>	<u>54,455</u>	<u>2,955</u>
Intergovernmental:				
Federal	-0-	-0-	332	332
State shared revenues	98,000	98,000	97,142	(858)
State swamp tax	<u>4,300</u>	<u>4,300</u>	<u>4,306</u>	<u>6</u>
Total Intergovernmental	<u>102,300</u>	<u>102,300</u>	<u>101,780</u>	<u>(520)</u>
Charges for Services:				
Sanitation	18,000	18,000	17,257	(743)
Rent	<u>7,000</u>	<u>7,000</u>	<u>5,653</u>	<u>(1,347)</u>
Total Charges for Services	<u>25,000</u>	<u>25,000</u>	<u>22,910</u>	<u>(2,090)</u>
Interest	<u>6,500</u>	<u>6,500</u>	<u>10,288</u>	<u>3,788</u>
Other:				
Reimbursements	4,000	4,000	4,727	727
Cemetery lots	2,000	2,000	1,928	(72)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>1,178</u>	<u>178</u>
Total Other	<u>7,000</u>	<u>7,000</u>	<u>7,833</u>	<u>833</u>
Total Revenue	<u>192,300</u>	<u>192,300</u>	<u>197,266</u>	<u>4,966</u>

TOWNSHIP OF ROSE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government				
Township Board:				
Wages	\$ 8,000	\$ 8,000	\$ 8,000	\$ -0-
Payroll taxes	5,000	5,000	4,816	184
Office Supplies	250	250	124	126
Accounting	2,000	2,000	670	1,330
Contractual services	18,000	18,000	18,118	(118)
Dues	900	900	886	14
Insurance	10,000	10,000	8,637	1,363
Capital outlay	<u>1,750</u>	<u>1,750</u>	<u>1,543</u>	<u>207</u>
Total Township Board	<u>45,900</u>	<u>45,900</u>	<u>42,794</u>	<u>3,106</u>
Township Supervisor:				
Wages	7,800	7,800	7,800	-0-
Office supplies	150	180	180	-0-
Travel	<u>120</u>	<u>150</u>	<u>138</u>	<u>12</u>
Total Township Supervisor	<u>8,100</u>	<u>8,130</u>	<u>8,118</u>	<u>12</u>
Township Assessor:				
Office Supplies	<u>1,200</u>	<u>1,500</u>	<u>1,469</u>	<u>31</u>
Total Township Assessor	<u>1,200</u>	<u>1,500</u>	<u>1,469</u>	<u>31</u>

TOWNSHIP OF ROSE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government (continued)				
Election Board:				
Wages	\$ 2,000	\$ 4,500	\$ 3,763	737
Operating supplies	500	3,300	4,051	(751)
Transportation	200	200	366	(166)
Publication & Printing	<u>200</u>	<u>200</u>	<u>15</u>	<u>185</u>
Total Election Board	<u>2,900</u>	<u>8,200</u>	<u>8,195</u>	<u>5</u>
Township Clerk:				
Wages	13,200	13,200	13,380	(180)
Office supplies	1,500	1,500	955	545
Travel	<u>100</u>	<u>100</u>	<u>116</u>	<u>(16)</u>
Total Township Clerk	<u>14,800</u>	<u>14,800</u>	<u>14,451</u>	<u>349</u>
Township Treasurer:				
Wages	13,200	13,200	13,075	125
Office supplies	4,000	4,000	4,058	(58)
Miscellaneous	<u>200</u>	<u>200</u>	<u>-0-</u>	<u>200</u>
Total Township Treasurer	<u>17,400</u>	<u>17,400</u>	<u>17,133</u>	<u>267</u>
Board of Review:				
Wages	1,200	1,200	1,000	200
Operating supplies	50	50	5	45
Publication & printing	<u>200</u>	<u>200</u>	<u>40</u>	<u>160</u>
Total Board of Review	<u>1,450</u>	<u>1,450</u>	<u>1,045</u>	<u>405</u>
Township Hall:				
Wages	6,000	6,000	5,164	836
Payroll taxes	200	200	8	192
Operating supplies	1,600	1,600	1,563	37
Travel	50	50	66	(16)
Utilities	14,000	14,000	7,442	6,558
Street lights	-0-	-0-	4,158	(4,158)
Repairs and maintenance	4,000	4,000	4,854	(854)
Miscellaneous	1,200	1,200	327	873
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>11,463</u>	<u>8,537</u>
Total Township Hall	<u>47,050</u>	<u>47,050</u>	<u>35,045</u>	<u>12,005</u>
Total General Government	<u>138,800</u>	<u>144,430</u>	<u>128,250</u>	<u>16,180</u>

TOWNSHIP OF ROSE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cemetery:				
Payroll	\$ 3,000	\$ 3,000	\$ 2,875	\$ 125
Operating supplies	100	100	320	(220)
Repairs and maintenance	1,500	1,500	630	870
Transportation	50	50	165	(115)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>930</u>	<u>70</u>
Total Cemetery	<u>5,650</u>	<u>5,650</u>	<u>4,920</u>	<u>730</u>
Enforcement Officer:				
Wages	400	400	158	242
Operating supplies	50	50	-0-	50
Travel	<u>100</u>	<u>100</u>	<u>-0-</u>	<u>100</u>
Total Enforcement Officer	<u>550</u>	<u>550</u>	<u>158</u>	<u>392</u>
Sanitation:				
Wages	11,500	11,500	9,570	1,930
Operating supplies	350	350	112	238
Contract services	25,000	25,000	20,937	4,063
Advertising	-0-	-0-	79	(79)
Utilities	600	600	526	74
Repairs and Maintenance	<u>2,500</u>	<u>2,500</u>	<u>429</u>	<u>2,071</u>
Total Sanitation	<u>39,950</u>	<u>39,950</u>	<u>31,653</u>	<u>8,297</u>
Recreation:				
Wages	800	800	800	-0-
Contract services	500	1,700	1,000	700
Utilities	150	150	210	(60)
Repairs and Maintenance	300	300	267	33
Capital outlay	<u>1,200</u>	<u>1,200</u>	<u>1,721</u>	<u>(521)</u>
Total Recreation	<u>2,950</u>	<u>4,150</u>	<u>3,998</u>	<u>152</u>
Security Guard:				
Wages	<u>2,500</u>	<u>2,500</u>	<u>1,369</u>	<u>1,131</u>
Total Security Guard	<u>2,500</u>	<u>2,500</u>	<u>1,369</u>	<u>1,131</u>

TOWNSHIP OF ROSE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Library:				
Wages	\$ 350	\$ 350	\$ 350	\$ -0-
Contract services	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>-0-</u>
Total Library	<u>1,850</u>	<u>1,850</u>	<u>1,850</u>	<u>-0-</u>
Total Expenditures	<u>192,250</u>	<u>199,080</u>	<u>172,198</u>	<u>26,882</u>
Excess:				
Revenues over (under) expenditures	<u>50</u>	<u>(6,780)</u>	<u>25,068</u>	<u>31,848</u>
Other Financing Sources (Uses)				
Operating transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(2,000)</u>	<u>48,000</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(2,000)</u>	<u>48,000</u>
Excess:				
Revenue and other financing sources over (under) expenditures and other uses	(49,950)	(56,780)	23,068	79,848
Fund Balance - April 1	<u>449,403</u>	<u>449,403</u>	<u>452,660</u>	<u>3,257</u>
Fund Balance - March 31	<u>\$ 399,453</u>	<u>\$ 392,623</u>	<u>\$ 475,728</u>	<u>\$ 83,105</u>

TOWNSHIP OF ROSE
 FIRE PROTECTION FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 80,000	\$ 80,000	\$ 81,623	\$ 1,623
Interest	2,000	2,000	2,043	43
Other	2,000	2,000	3,200	1,200
Total Revenues	84,000	84,000	86,866	2,866
Expenditures:				
Contributions to other government units	60,000	60,000	61,508	(1,508)
Total Expenditures	60,000	60,000	61,508	(1,508)
Excess:				
Revenues over (under) expenditures	24,000	24,000	25,358	1,358
Fund Balance - April 1	171,277	171,277	172,585	1,308
Fund Balance - March 31	\$ 195,277	\$ 195,277	\$ 197,943	\$ 2,666

TOWNSHIP OF ROSE
ROAD IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 40,000	\$ 40,000	\$ 40,798	\$ 798
Federal	3,000	3,000	8,181	5,181
State	<u>2,500</u>	<u>2,500</u>	<u>2,908</u>	<u>408</u>
Total Revenues	<u>45,500</u>	<u>45,500</u>	<u>51,887</u>	<u>6,387</u>
Expenditures:				
Contracted Services	<u>90,000</u>	<u>90,000</u>	<u>18,865</u>	<u>71,135</u>
Total Expenditures	<u>90,000</u>	<u>90,000</u>	<u>18,865</u>	<u>71,135</u>
Excess:				
Revenues over (under) expenditures	<u>(44,500)</u>	<u>(44,500)</u>	<u>33,022</u>	<u>77,522</u>
Other Financing Sources:				
Operating Transfers in	<u>50,000</u>	<u>50,000</u>	<u>-0-</u>	<u>(50,000)</u>
Total Other Financing Sources	<u>50,000</u>	<u>50,000</u>	<u>-0-</u>	<u>(50,000)</u>
Excess:				
Revenues and Other Financing Sources Over (Under) Expenditures	5,500	5,500	33,022	27,522
Fund Balance - April 1	<u>45,269</u>	<u>45,269</u>	<u>45,169</u>	<u>(100)</u>
Fund Balance - March 31	<u>\$ 50,769</u>	<u>\$ 50,769</u>	<u>\$ 78,191</u>	<u>\$ 27,422</u>

**OTHER
SUPPLEMENTAL
INFORMATION**

TOWNSHIP OF ROSE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 MARCH 31, 2007

	SPECIAL REVENUE FUNDS		
ASSETS	Gypsy Moth	Private Road	Totals
Cash and investments	\$ 32,521	\$ 2,042	\$ 34,563
Taxes receivable	-0-	69	69
Total Assets	<u>\$ 32,521</u>	<u>\$ 2,111</u>	<u>\$ 34,632</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Due to other funds	\$ -0-	\$ 862	\$ 862
Total Liabilities	-0-	862	862
Fund Balance:			
Undesignated	32,521	1,249	33,770
Total Fund Equity	32,521	1,249	33,770
Total Liabilities and Fund Equity	<u>\$ 32,521</u>	<u>\$ 2,111</u>	<u>\$ 34,632</u>

TOWNSHIP OF ROSE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED MARCH 31, 2007

	<u>SPECIAL REVENUE FUNDS</u>		
	<u>Gypsy Moth</u>	<u>Private Road</u>	<u>Totals</u>
Revenues:			
Taxes	\$ -0-	\$ 874	\$ 874
Interest	<u>1,595</u>	<u>-0-</u>	<u>1,595</u>
Total Revenues	<u>1,595</u>	<u>874</u>	<u>2,469</u>
Expenditures:			
Services	<u>5,550</u>	<u>2,070</u>	<u>7,620</u>
Total Expenditures	<u>5,550</u>	<u>2,070</u>	<u>7,620</u>
Excess:			
Revenues over (under) expenditures	<u>(3,955)</u>	<u>(1,196)</u>	<u>(5,151)</u>
Other Financing Sources:			
Operating transfers in	<u>-0-</u>	<u>2,000</u>	<u>2,000</u>
Total Other Financing Sources	<u>-0-</u>	<u>2,000</u>	<u>2,000</u>
Excess:			
Revenue and other financing sources over (under) expenditures	(3,955)	804	(3,151)
Fund Balance - April 1	<u>36,476</u>	<u>445</u>	<u>36,921</u>
Fund Balance - March 31	<u>\$ 32,521</u>	<u>\$ 1,249</u>	<u>\$ 33,770</u>

TOWNSHIP OF ROSE
GYPSY MOTH FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Interest	\$ 1,000	\$ 1,000	\$ 1,595	\$ 595
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>1,595</u>	<u>595</u>
Expenditures:				
Services	<u>10,000</u>	<u>10,000</u>	<u>5,550</u>	<u>4,450</u>
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>5,550</u>	<u>4,450</u>
Excess:				
Revenues over (under) expenditures	(9,000)	(9,000)	(3,955)	5,045
Fund Balance - April 1	<u>36,507</u>	<u>36,507</u>	<u>36,476</u>	<u>(31)</u>
Fund Balance - March 31	<u>\$ 27,507</u>	<u>\$ 27,507</u>	<u>\$ 32,521</u>	<u>\$ 5,014</u>

TOWNSHIP OF ROSE
PRIVATE ROAD FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Assessment	\$ 874	\$ 874	\$ 874	\$ -0-
Total Revenues	874	874	874	-0-
Expenditures:				
Road improvement	700	2,100	2,070	30
Total Expenditures	700	2,100	2,070	30
Excess:				
Revenues over (under) expenditures	174	(1,226)	(1,196)	30
Other Financing Sources:				
Operating transfers in	-0-	2,000	2,000	-0-
Total Other Financing Sources	-0-	2,000	2,000	-0-
Excess:				
Revenue and other financing sources over (under) expenditures	174	774	804	30
Fund Balance - April 1	445	445	445	-0-
Fund Balance - March 31	\$ 619	\$ 1,219	\$ 1,249	\$ 30



James M. Anderson, P.C.

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COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

August 19, 2007

Township Board
Rose Township
Ogemaw County, Michigan

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be material weaknesses.

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

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

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Township has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls. This condition was caused by the Township's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

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 Township's internal control. I believe that the deficiencies described above are material weaknesses.

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

A handwritten signature in cursive script, appearing to read "James M. Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT



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August 19, 2007

Township Board
Rose Township
Ogemaw County, MI

Dear Board Members:

I have audited the financial statements of each major fund and the aggregate remaining fund information of the Township of Rose for the year ended March 31, 2007, and have issued my report thereon dated August 19, 2007. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in my engagement letter dated August 7, 2007, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the Township of Rose. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Rose Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Rose are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Township of Rose during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Rose Township's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Township of Rose, either individually or in the aggregate, indicate matters that could have a significant effect on Rose Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves applications of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

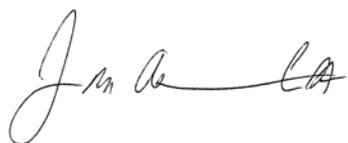
I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Rose Township's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Township Board
Rose Township
August 19, 2007
Page 3

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

This information is intended solely for the use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

James M. Anderson, PC
Certified Public Accountant