

# 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 Richland Township	County Saginaw
Fiscal Year End March 31, 2007	Opinion Date June 6, 2007	Date Audit Report Submitted to Sate 8/15/07	

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).

- Check each applicable box below.** (See instructions for further detail.)
- |     | YES                                 | NO                                  |   |
|-----|-------------------------------------|-------------------------------------|---|
| 1.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 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.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 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.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.  |
| 4.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The local unit has adopted a budget for all required funds.   |
| 5.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | A public hearing on the budget was held in accordance with State statute.   |
| 6.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 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.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.  |
| 8.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The local unit only holds deposits/investments that comply with statutory requirements.   |
| 9.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin).  |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 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. | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | The local unit is free of repeated comments from previous years.  |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The audit opinion is UNQUALIFIED.   |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 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. | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute.  |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 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.

<b>We have enclosed the following:</b>	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) Yeo & Yeo, P.C.		Telephone Number 989-793-9830	
Street Address 3023 Davenport		City Saginaw	State MI
		Zip 48602	
Authorizing CPA Signature 		Printed Name Mari McKenzie	
		License Number 10725	

**Richland Township**  
**Saginaw County, Michigan**  
**Annual Financial Statements**  
**and**  
**Auditors' Report**  
**March 31, 2007**

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**Richland Township**  
**List of Elected and Appointed Officials**  
**March 31, 2007**

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Township

Joel Wardin – Supervisor

Kevin Kreger – Clerk

Linda Luplow – Treasurer

Brian Frederick – Trustee

Christine Beckrow – Trustee

Other Officers and Officials

Renee Herhold – Township Manager



3023 Davenport  
Saginaw, MI 48602  
Phone (989) 793-9830 / (800) 968-0010  
Fax (989) 793-0186

## Independent Auditors' Report

Members of the Township Board  
Richland Township  
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Richland Township 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. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2007 on our consideration of the Richland Township internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Richland Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

June 6, 2007  
Saginaw, Michigan

**Richland Township**  
**Management's Discussion and Analysis**  
**March 31, 2007**

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As management of **Richland Township, Michigan**, 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. We encourage readers to consider the information presented here.

**Financial Highlights**

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$4,217,092 (*net assets*). Of this amount, \$1,798,603 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$57,487.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,377,049, an increase of \$59,556 in comparison with the prior year. More than 80 percent of this total amount, or \$1,234,745, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$158,306, or 29 percent of total general fund 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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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.

**Richland Township**  
**Management's Discussion and Analysis**  
**March 31, 2007**

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The *statement of activities* presents information showing how the government'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 (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, health and welfare, and recreation and cultural. The business-type activities of the Township include sanitary sewer and water operations.

The government-wide financial statements can be found on pages 4-1 and 4-2 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *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 government'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 nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, fire, police, park and trash collection funds, each of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

**Richland Township**  
**Management's Discussion and Analysis**  
**March 31, 2007**

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The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 4-3 to 4-6 of this report.

**Proprietary funds.** The Township maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer and water operations. *Internal service funds* are an accounting device used to accumulate and allocate cost internally among the Township's various functions. The Township's uses internal service funds to account for its motor pool operations and fringe benefits. Because both of these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitary sewer and water operations, both of which are considered to be major funds of the Township. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 4-7 to 4-9 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 governmental funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 4-10 to 4-19 of this report.

**Required and other supplemental information.** The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the accompanying notes. Combining and individual fund statements and schedules can be found on pages 5-1 to 5-6 and 6-1 to 6-5 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Richland Township, assets exceeded liabilities by \$4,217,092 at the close of the most recent fiscal year.

**Richland Township**  
**Management's Discussion and Analysis**  
**March 31, 2007**

One of the largest portions of the Township's net assets (57 percent) reflects its investment in capital assets (e.g., land, buildings, machinery 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 citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Richland Township's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Current and other assets	\$1,412,845	\$1,492,849	\$ 400,748	\$ 429,569	\$1,813,593	\$1,922,418
Capital assets	1,672,370	1,780,143	1,749,777	1,670,596	3,422,147	3,450,739
Total assets	<u>3,085,215</u>	<u>3,272,992</u>	<u>2,150,525</u>	<u>2,100,165</u>	<u>5,235,740</u>	<u>5,373,157</u>
Current liabilities	24,202	43,827	22,050	11,476	46,252	55,303
Noncurrent liabilities	546,102	641,922	483,781	458,840	1,029,883	1,100,762
Total liabilities	<u>570,304</u>	<u>685,749</u>	<u>505,831</u>	<u>470,316</u>	<u>1,076,135</u>	<u>1,156,065</u>
Net assets						
Invested in capital assets, net of related debt	1,126,268	1,186,453	1,265,996	1,219,886	2,392,264	2,406,339
Restricted	12,147	12,150	-	-	12,147	12,150
Unrestricted	<u>1,376,496</u>	<u>1,388,640</u>	<u>378,698</u>	<u>409,963</u>	<u>1,755,194</u>	<u>1,798,603</u>
Total net assets	<u>\$2,514,911</u>	<u>\$2,587,243</u>	<u>\$1,644,694</u>	<u>\$1,629,849</u>	<u>\$4,159,605</u>	<u>\$4,217,092</u>

An additional portion of the Township's net assets (less than 1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (43 percent or \$1,798,603) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Township's net assets increased by \$57,487 during the current fiscal year. This growth largely reflects the degree to which ongoing revenues exceeded ongoing expenses.

**Richland Township**  
**Management's Discussion and Analysis**  
**March 31, 2007**

**Richland Township's Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
<b>Revenue</b>						
Program revenue						
Charges for services	\$ 215,013	\$ 78,443	\$ 352,178	\$ 348,008	\$ 567,191	\$ 426,451
Operating grants and contributions	64,382	75,442	-	-	64,382	75,442
Capital grants and contributions	200	-	16,838	9,315	17,038	9,315
General revenue						
Property taxes	784,170	971,947	-	-	784,170	971,947
State shared revenue	332,792	351,550	-	-	332,792	351,550
Unrestricted investment income	34,364	50,592	12,857	18,195	47,221	68,787
Gain on sale of capital assets	-	4,500	1,400	1,400	1,400	5,900
Other	116,053	98,276	568	541	116,621	98,817
Total revenue	<u>1,546,974</u>	<u>1,630,750</u>	<u>383,841</u>	<u>377,459</u>	<u>1,930,815</u>	<u>2,008,209</u>
<b>Expenses</b>						
General government	417,550	384,630	-	-	417,550	384,630
Public safety	480,489	532,582	-	-	480,489	532,582
Public works	336,992	332,850	-	-	336,992	332,850
Health and welfare	4,078	3,850	-	-	4,078	3,850
Community and economic development	6,783	5,620	-	-	6,783	5,620
Recreation and cultural	253,190	266,500	-	-	253,190	266,500
Interest on long-term debt	21,462	32,386	-	-	21,462	32,386
Sewer	-	-	183,858	193,051	183,858	193,051
Water	-	-	197,686	199,253	197,686	199,253
Total expenses	<u>1,520,544</u>	<u>1,558,418</u>	<u>381,544</u>	<u>392,304</u>	<u>1,902,088</u>	<u>1,950,722</u>
Change in net assets	26,430	72,332	2,297	(14,845)	28,727	57,487
Net assets - beginning of year	<u>2,488,481</u>	<u>2,514,911</u>	<u>1,642,397</u>	<u>1,644,694</u>	<u>4,130,878</u>	<u>4,159,605</u>
Total net assets	<u>\$2,514,911</u>	<u>\$2,587,243</u>	<u>\$1,644,694</u>	<u>\$1,629,849</u>	<u>\$4,159,605</u>	<u>\$4,217,092</u>

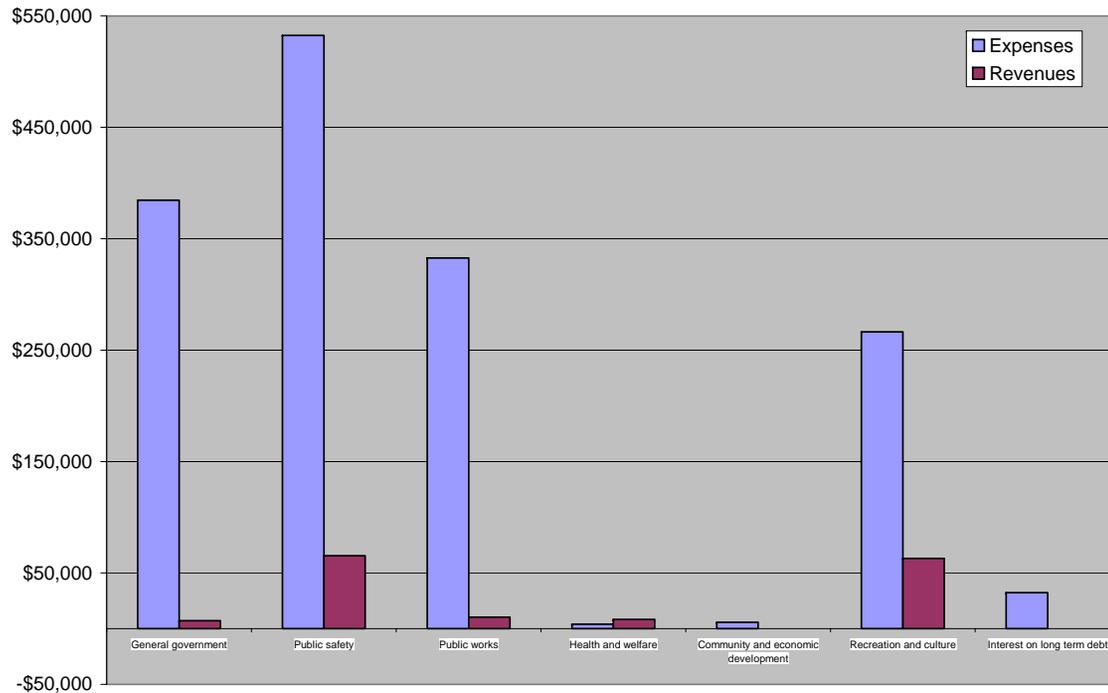
# Richland Township Management's Discussion and Analysis March 31, 2007

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**Governmental activities.** Governmental activities increased the Township's net assets by \$72,332 resulting in minimal growth in the net assets of the Township. Key elements of this increase are as follows:

- Property taxes increased by \$187,777 (24 percent) during the year. Most of this increase is the product of increased taxable values and residential growth.
  - State shared revenue from the State of Michigan under the Revenue Sharing Act was increased by \$18,758 (6 percent) during the year.
  - The Township expenses remained relatively constant but were slightly above anticipated revenues.
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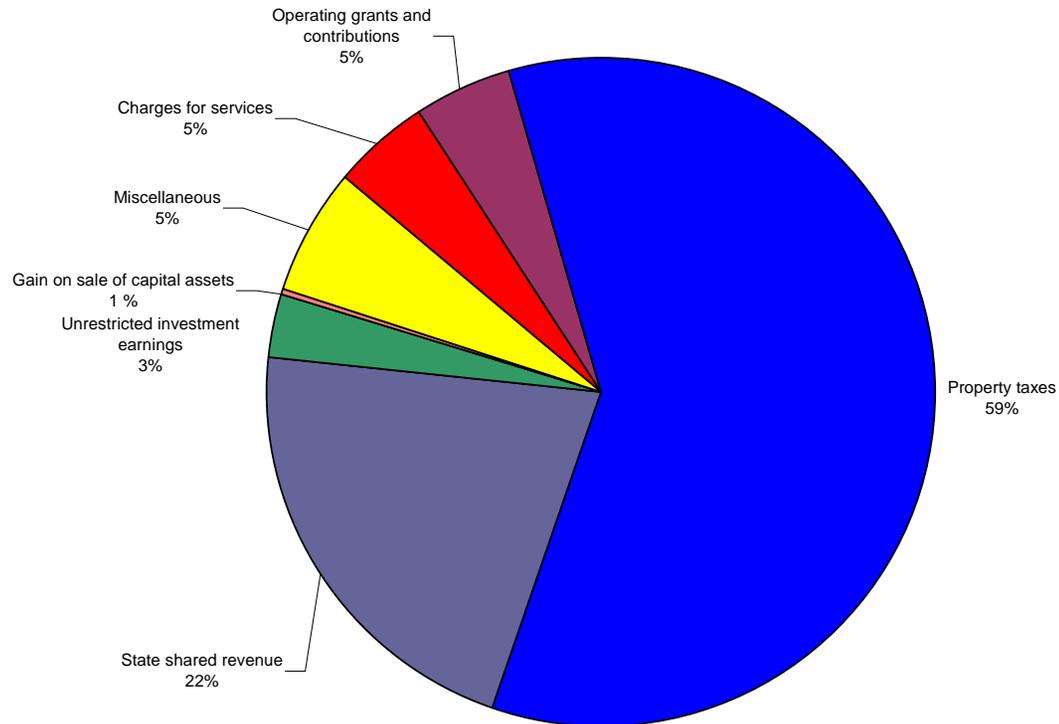
**Expenses and Program Revenues - Governmental Activities**



**Richland Township  
Management's Discussion and Analysis  
March 31, 2007**

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**Revenues by Source - Governmental Activities**



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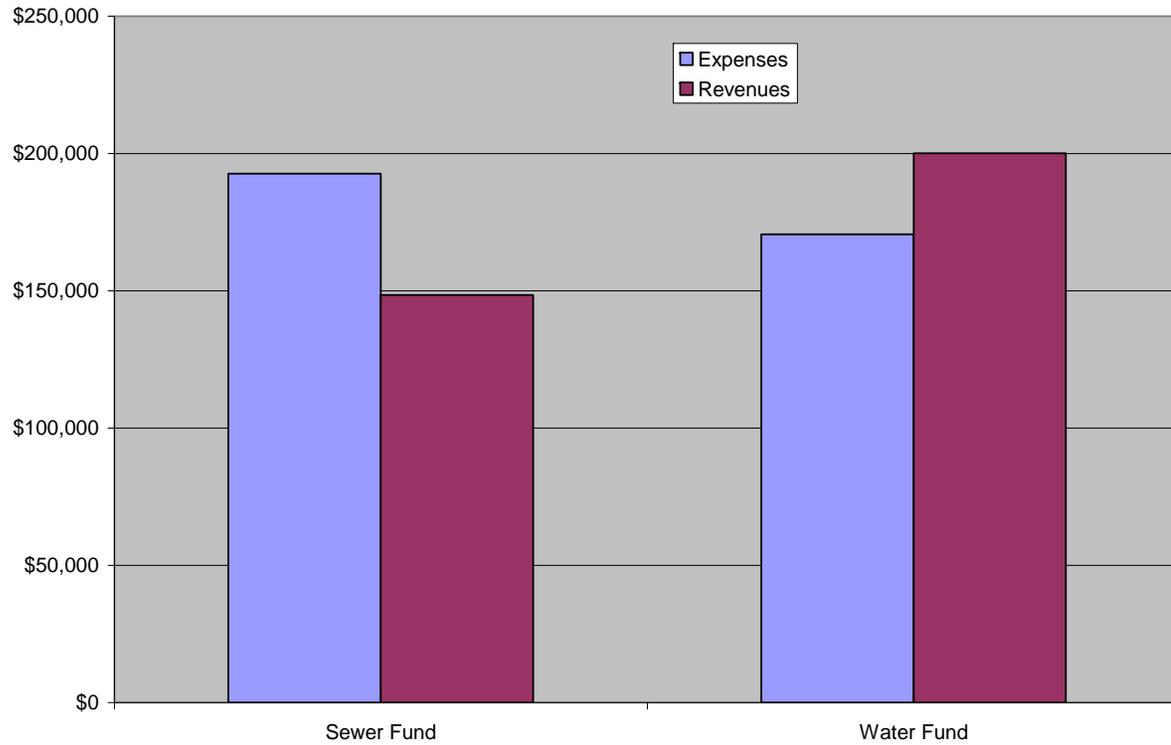
**Business-type activities.** Business-type activities decreased the Township's net assets by \$14,845. Key elements of this decrease are as follows:

- Expenses remained constant while charges for services and capital grants and contributions decreased \$11,693.

**Richland Township**  
**Management's Discussion and Analysis**  
**March 31, 2007**

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**Expenses and Program Revenues - Business-type Activities**

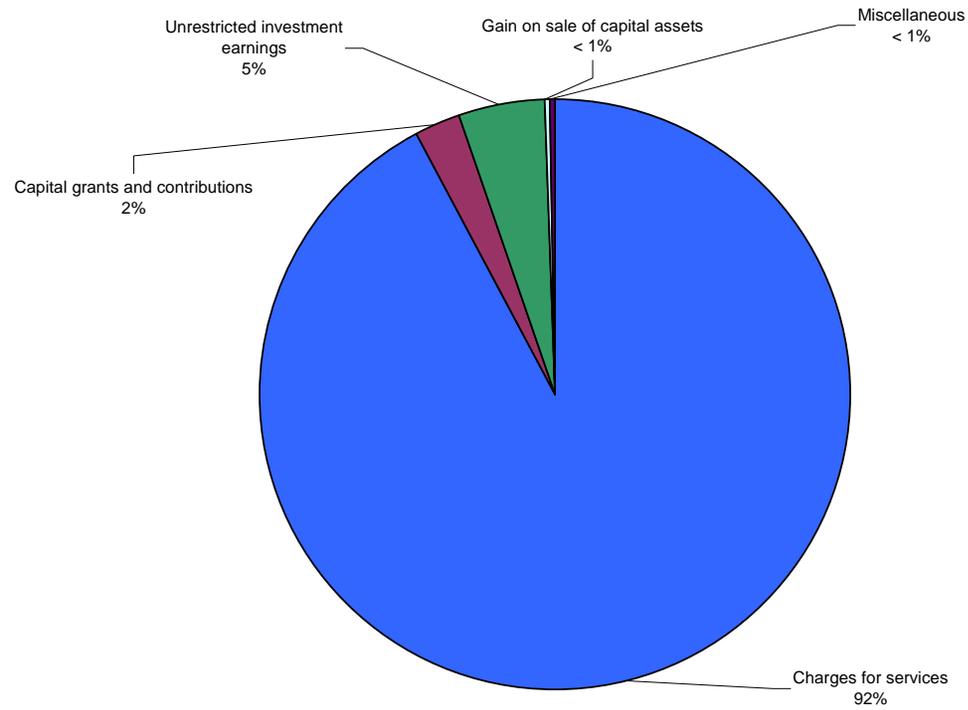


**Richland Township**  
**Management's Discussion and Analysis**  
**March 31, 2007**

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**Revenues by Source - Business-type Activities**



**Richland Township**  
**Management's Discussion and Analysis**  
**March 31, 2007**

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**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.

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

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,377,049, an increase of \$59,556. Approximately 90 percent of this total amount (\$1,234,745 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay for specific expenditures in 2007-08 (\$9,644), 2) for a variety of other restricted purposes (\$11,624), or 3) for long-term advances (\$121,036).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$158,306, and total fund balance was \$283,200. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 29 percent of total general fund expenditures.

The fire fund has a total fund balance of \$125,299, which increased by \$13,477 during the year. The increase is primarily attributable to the special assessment revenue with the taxable valuation increase.

The police fund has a total fund balance of \$258,440, which increased by \$24,794 during the year. The increase is primarily attributable to the special assessment revenue with the taxable valuation increase.

The park fund has a total fund balance of \$189,081, which increased by \$29,468 during the year. The increase is attributable to an increase in revenues and decrease in expenditures.

The trash collection fund has a total fund balance of \$324,257, which decreased by \$707 during the year. The slight decrease is attributable to the stable contractual service costs.

***Proprietary funds.*** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**Richland Township**  
**Management's Discussion and Analysis**  
**March 31, 2007**

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Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$245,115 and \$195,760, respectively. The sewer fund had a decrease in net assets for the year of \$29,920 and the water fund had an increase in net assets for the year of \$15,923. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

**General Fund Budgetary Highlights**

Differences between the original and final amended budgets for expenditures were relatively minor and the adjustments were made as a part of the Township's budget procedures to address changes in activity during the year.

Budget to actual comparisons for the Township's general fund were generally favorable.

**Capital Asset and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2007, amounted to \$3,450,739 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total increase in the Township's investment in capital assets for the current fiscal year was less than 1 percent.

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

- The purchase of a police vehicle/mowers/D.P.W. truck; fire truck chassis; drainage improvements to township property; improvements to the "old" town hall and the public safety building.

**Richland Township's Capital Assets**  
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Land	\$ 157,833	\$ 157,833	\$ 67,590	\$ 67,590	\$ 225,423	\$ 225,423
Land improvements	185,245	195,689	-	-	185,245	195,689
Buildings and systems	1,044,731	1,023,396	1,673,237	1,595,606	2,717,968	2,619,002
Equipment	121,099	87,714	8,950	7,400	130,049	95,114
Vehicles	163,462	315,511	-	-	163,462	315,511
Total net assets	<u>\$1,672,370</u>	<u>\$1,780,143</u>	<u>\$1,749,777</u>	<u>\$1,670,596</u>	<u>\$3,422,147</u>	<u>\$3,450,739</u>

**Richland Township**  
**Management's Discussion and Analysis**  
**March 31, 2007**

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Additional information on the Township's capital assets can be found in note 4 on page 4-15 of this report.

**Long-term debt.** At the end of the current fiscal year, the Township had total debt outstanding of \$1,100,762. Of this amount, \$1,063,690 represents bonds secured solely by specified revenue sources (i.e., revenue bonds), \$56,362 represents accrued compensated absences, and a \$19,290 reduction represents deferred charges on the bonds.

**Richland Township's Outstanding Debt**  
**General Obligation and Revenue Bonds**

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenue bonds	\$ 505,000	\$ 455,000	\$ 505,000	\$ 470,000	\$1,010,000	\$ 925,000
Installment purchase agreements	-	138,690	-	-	-	138,690
Accrued compensated absences	41,102	48,232	9,936	8,130	51,038	56,362
Deferred charges	-	-	(21,219)	(19,290)	(21,219)	(19,290)
<b>Total net debt</b>	<b><u>\$ 546,102</u></b>	<b><u>\$ 641,922</u></b>	<b><u>\$ 493,717</u></b>	<b><u>\$ 458,840</u></b>	<b><u>\$1,039,819</u></b>	<b><u>\$1,100,762</u></b>

Additional information on the Township's long-term debt can be found in note 7 on page 4-17 of this report.

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

The following factors were considered in preparing the Township's budget for the 2007-08 fiscal year:

- The March 2007 unemployment rate for the Saginaw County metropolitan area (the Township is in the Saginaw area) was 7.7 percent, which is an decrease from a rate of 8.4 percent a year ago. The State average was 6.5 percent and National rate was 5.5 percent.
- The Township is comprised principally of residential areas. There is a stable business base that includes some light industrial operation.
- Inflationary trends in the region compare favorably to national indices.

**Richland Township**  
**Management's Discussion and Analysis**  
**March 31, 2007**

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**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 the Township Administration Office, 1180 North Hemlock Road, Hemlock, Michigan 48626.

**Richland Township**  
**Statement of Net Assets**  
**March 31, 2007**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,294,025	\$ 377,296	\$ 1,671,321
Receivables			
Taxes	69,848	-	69,848
Customers	-	83,185	83,185
Accrued interest and other	8	-	8
Due from other units of government	76,788	-	76,788
Internal balances	30,912	(30,912)	-
Prepaid items	9,644	-	9,644
Restricted assets			
Cash and cash equivalents	11,624	-	11,624
Capital assets not being depreciated	157,833	67,590	225,423
Capital assets being depreciated	<u>1,622,310</u>	<u>1,603,006</u>	<u>3,225,316</u>
Total assets	<u>3,272,992</u>	<u>2,100,165</u>	<u>5,373,157</u>
<b>Liabilities</b>			
Accounts payable	30,590	157	30,747
Accrued and other liabilities	13,237	11,319	24,556
Noncurrent liabilities			
Due within one year	54,644	33,071	87,715
Due in more than one year	<u>587,278</u>	<u>425,769</u>	<u>1,013,047</u>
Total liabilities	<u>685,749</u>	<u>470,316</u>	<u>1,156,065</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,186,453	1,219,886	2,406,339
Restricted for:			
Deposits held by others	11,624	-	11,624
Long term advances			
Nonexpendable cemetery trust	526	-	526
Unrestricted	<u>1,388,640</u>	<u>409,963</u>	<u>1,798,603</u>
<b>Total net assets</b>	<u>\$ 2,587,243</u>	<u>\$ 1,629,849</u>	<u>\$ 4,217,092</u>

See Accompanying Notes to Financial Statements

**Richland Township**  
**Statement of Activities**  
**For the Year Ended March 31, 2007**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>							
Governmental activities							
General government	\$ 384,630	\$ -	\$ 7,059	\$ -	\$ (377,571)	\$ -	\$ (377,571)
Public safety	532,582	20,308	45,056	-	(467,218)	-	(467,218)
Public works	332,850	10,232	-	-	(322,618)	-	(322,618)
Health and welfare	3,850	-	8,227	-	4,377	-	4,377
Community and economic development	5,620	-	-	-	(5,620)	-	(5,620)
Recreation and culture	266,500	47,903	15,100	-	(203,497)	-	(203,497)
Interest on long-term debt	32,386	-	-	-	(32,386)	-	(32,386)
Total governmental activities	<u>1,558,418</u>	<u>78,443</u>	<u>75,442</u>	<u>-</u>	<u>(1,404,533)</u>	<u>-</u>	<u>(1,404,533)</u>
Business-type activities							
Sewer	193,051	148,200	-	4,015	-	(40,836)	(40,836)
Water	199,253	199,808	-	5,300	-	5,855	5,855
Total business-type activities	<u>392,304</u>	<u>348,008</u>	<u>-</u>	<u>9,315</u>	<u>-</u>	<u>(34,981)</u>	<u>(34,981)</u>
Total primary government	<u>\$ 1,950,722</u>	<u>\$ 426,451</u>	<u>\$ 75,442</u>	<u>\$ 9,315</u>	<u>(1,404,533)</u>	<u>(34,981)</u>	<u>(1,439,514)</u>
General revenues							
Property taxes					971,947	-	971,947
State shared revenue					351,550	-	351,550
Unrestricted investment earnings					50,592	18,195	68,787
Gain on sale of capital assets					4,500	1,400	5,900
Miscellaneous					98,276	541	98,817
Total general revenues					<u>1,476,865</u>	<u>20,136</u>	<u>1,497,001</u>
Change in net assets					72,332	(14,845)	57,487
Net assets - beginning of year					<u>2,514,911</u>	<u>1,644,694</u>	<u>4,159,605</u>
<b>Net assets - end of year</b>					<u>\$ 2,587,243</u>	<u>\$ 1,629,849</u>	<u>\$ 4,217,092</u>

See Accompanying Notes to Financial Statements

**Richland Township**  
**Governmental Funds**  
**Balance Sheet**  
**March 31, 2007**

	Special Revenue Funds					Nonmajor Governmental Funds	Total Governmental Funds
	General	Fire	Police	Park	Trash Collection		
<b>Assets</b>							
Cash and cash equivalents	\$ 107,333	\$ 125,629	\$ 374,770	\$ 194,719	\$ 269,358	\$ 192,044	\$ 1,263,853
Receivables							
Taxes	4,872	-	-	-	64,976	-	69,848
Accrued interest and other	8	-	-	-	-	-	8
Due from other units of government	76,788	-	-	-	-	-	76,788
Due from other funds	-	-	-	-	629	6,056	6,685
Prepaid items	3,858	-	5,786	-	-	-	9,644
Advances to other funds	121,036	-	-	-	-	-	121,036
Restricted assets							
Cash and cash equivalents	-	-	-	-	11,624	-	11,624
<b>Total assets</b>	<b>\$ 313,895</b>	<b>\$ 125,629</b>	<b>\$ 380,556</b>	<b>\$ 194,719</b>	<b>\$ 346,587</b>	<b>\$ 198,100</b>	<b>\$ 1,559,486</b>
<b>Liabilities</b>							
Accounts payable	\$ 287	\$ 330	\$ 1,080	\$ 5,220	\$ 22,330	\$ 1,014	\$ 30,261
Due to other funds	5,953	-	-	418	-	314	6,685
Advances from other funds	-	-	121,036	-	-	-	121,036
Deferred revenue	24,455	-	-	-	-	-	24,455
<b>Total liabilities</b>	<b>30,695</b>	<b>330</b>	<b>122,116</b>	<b>5,638</b>	<b>22,330</b>	<b>1,328</b>	<b>182,437</b>
<b>Fund balances</b>							
Reserved for:							
Prepays	3,858	-	5,786	-	-	-	9,644
Deposits held by others	-	-	-	-	11,624	-	11,624
Long term advances	121,036	-	-	-	-	-	121,036
Unreserved, reported in:							
General fund	158,306	-	-	-	-	-	158,306
Special revenue funds	-	125,299	252,654	189,081	312,633	196,246	1,075,913
Permanent fund	-	-	-	-	-	526	526
<b>Total fund balances</b>	<b>283,200</b>	<b>125,299</b>	<b>258,440</b>	<b>189,081</b>	<b>324,257</b>	<b>196,772</b>	<b>1,377,049</b>
<b>Total liabilities and fund balances</b>	<b>\$ 313,895</b>	<b>\$ 125,629</b>	<b>\$ 380,556</b>	<b>\$ 194,719</b>	<b>\$ 346,587</b>	<b>\$ 198,100</b>	<b>\$ 1,559,486</b>

See Accompanying Notes to Financial Statements

**Richland Township**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Assets of Governmental Activities**  
**March 31, 2007**

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<b>Total fund balances for governmental funds</b>	<b>\$ 1,377,049</b>
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,729,810
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	24,455
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(13,237)
Compensated absences	(48,232)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	(593,690)
Internal service funds are included as part of governmental activities.	<u>111,088</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 2,587,243</u></b>

**Richland Township**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended March 31, 2007**

	Special Revenue Funds					Nonmajor Governmental Funds	Total Governmental Funds
	General	Fire	Police	Park	Trash Collection		
<b>Revenues</b>							
Taxes	\$ 125,727	\$ 109,025	\$ 370,704	\$ 102,991	\$ 156,354	\$ 115,054	\$ 979,855
Licenses and permits	8,132	-	2,280	-	-	18,028	28,440
State revenue sharing	322,250	-	-	-	-	4,845	327,095
Other state grants	-	-	951	-	-	15,840	16,791
Local contributions	9,446	43,300	805	-	-	3,000	56,551
Charges for services	29,354	-	-	20,690	-	-	50,044
Fines and forfeitures	-	-	-	-	-	27,213	27,213
Interest income	10,028	2,616	10,338	5,867	10,696	8,850	48,395
Rental income	3,070	-	-	-	-	-	3,070
Other revenue	41,455	4,241	1,521	2,100	11,954	8,781	70,052
<b>Total revenues</b>	<u>549,462</u>	<u>159,182</u>	<u>386,599</u>	<u>131,648</u>	<u>179,004</u>	<u>201,611</u>	<u>1,607,506</u>
<b>Expenditures</b>							
Current							
General government	297,567	-	-	-	-	57,781	355,348
Public safety	-	93,325	339,475	-	-	28,650	461,450
Public works	148,933	-	-	-	179,711	-	328,644
Health and welfare	3,850	-	-	-	-	-	3,850
Community and economic development	5,620	-	-	-	-	-	5,620
Recreation and culture	-	-	-	94,371	-	145,454	239,825
Capital outlay	21,407	162,633	24,342	7,809	-	2,512	218,703
Debt service							
Principal retirement	30,000	26,310	-	-	-	-	56,310
Interest and fiscal charges	16,775	8,437	2,488	-	-	-	27,700
<b>Total expenditures</b>	<u>524,152</u>	<u>290,705</u>	<u>366,305</u>	<u>102,180</u>	<u>179,711</u>	<u>234,397</u>	<u>1,697,450</u>
Excess (deficiency) of revenues over expenditures	<u>25,310</u>	<u>(131,523)</u>	<u>20,294</u>	<u>29,468</u>	<u>(707)</u>	<u>(32,786)</u>	<u>(89,944)</u>
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	-	-	13,210	13,210
Transfers out	(13,210)	-	-	-	-	-	(13,210)
Issuance of debt	-	145,000	-	-	-	-	145,000
Sale of fixed assets	-	-	4,500	-	-	-	4,500
<b>Total other financing sources and uses</b>	<u>(13,210)</u>	<u>145,000</u>	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>13,210</u>	<u>149,500</u>
Net change in fund balance	12,100	13,477	24,794	29,468	(707)	(19,576)	59,556
Fund balance - beginning of year	271,100	111,822	233,646	159,613	324,964	216,348	1,317,493
<b>Fund balance - end of year</b>	<u>\$ 283,200</u>	<u>\$ 125,299</u>	<u>\$ 258,440</u>	<u>\$ 189,081</u>	<u>\$ 324,257</u>	<u>\$ 196,772</u>	<u>\$ 1,377,049</u>

See Accompanying Notes to Financial Statements

**Richland Township**  
**Governmental Funds**  
**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**

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<b>Net change in fund balances - total governmental funds</b>	<b>\$ 59,556</b>
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(119,063)
Capital outlay	215,728
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
State shared revenue	24,455
Property taxes	(7,908)
Expenses are recorded when incurred in the statement of activities	
Accrued interest	(4,686)
Compensated absences	(7,130)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Debt issued	(145,000)
Repayments of long-term debt	56,310
Internal service funds are also included as governmental activities	70
<b>Change in net assets of governmental activities</b>	<b>\$ 72,332</b>

See Accompanying Notes to Financial Statements

**Richland Township**  
**Proprietary Funds**  
**Statement of Net Assets**  
**March 31, 2007**

	Enterprise Funds			Internal Service Funds
	Sewer	Water	Total	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 211,751	\$ 165,545	\$ 377,296	\$ 30,172
Receivables				
Customers	37,507	45,678	83,185	-
Total current assets	249,258	211,223	460,481	30,172
Noncurrent assets				
Capital assets not being depreciated	67,590	-	67,590	-
Capital assets being depreciated	754,889	848,117	1,603,006	50,333
Total noncurrent assets	822,479	848,117	1,670,596	50,333
Total assets	1,071,737	1,059,340	2,131,077	80,505
<b>Liabilities</b>				
Current liabilities				
Accounts payable	78	79	157	329
Accrued and other liabilities	-	11,319	11,319	-
Current portion of noncurrent liabilities	-	33,071	33,071	-
Total current liabilities	78	44,469	44,547	329
Noncurrent liabilities				
Long-term debt net of current portion	4,065	421,704	425,769	-
Total liabilities	4,143	466,173	470,316	329
<b>Net assets</b>				
Invested in capital assets, net of related debt	822,479	397,407	1,219,886	50,333
Unrestricted	245,115	195,760	440,875	29,843
<b>Total net assets</b>	\$ 1,067,594	\$ 593,167	1,660,761	\$ 80,176
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service funds assets and liabilities are reported with business-type activities			(30,912)	
<b>Net assets of business-type activities</b>			\$ 1,629,849	

See Accompanying Notes to Financial Statements

**Richland Township**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Year Ended March 31, 2007**

	Enterprise Funds			Internal Service Funds
	Sewer	Water	Total	
<b>Operating revenue</b>				
Customer fees	\$ 148,200	\$ 199,808	\$ 348,008	\$ -
Billings to other funds	-	-	-	355,886
Other revenue	278	263	541	2,360
Total operating revenue	<u>148,478</u>	<u>200,071</u>	<u>348,549</u>	<u>358,246</u>
<b>Operating expenses</b>				
Personnel services	84,727	82,509	167,236	338,176
Supplies	7,500	12,261	19,761	6,212
Contractual services	15,156	13,740	28,896	825
Utilities	15,284	13,297	28,581	-
Repairs and maintenance	4,610	196	4,806	2,856
Other expenses	10,691	7,927	18,618	4,863
Depreciation	54,646	40,634	95,280	14,089
Total operating expenses	<u>192,614</u>	<u>170,564</u>	<u>363,178</u>	<u>367,021</u>
Operating income (loss)	<u>(44,136)</u>	<u>29,507</u>	<u>(14,629)</u>	<u>(8,775)</u>
<b>Nonoperating revenue (expenses)</b>				
Interest income	10,201	7,994	18,195	2,197
Gain on sale of assets	-	1,400	1,400	5,800
Interest expense	-	(28,278)	(28,278)	-
Total nonoperating revenues (expenses)	<u>10,201</u>	<u>(18,884)</u>	<u>(8,683)</u>	<u>7,997</u>
Income (loss) before contributions	(33,935)	10,623	(23,312)	(778)
Capital contributions	4,015	5,300	9,315	-
Change in net assets	(29,920)	15,923	(13,997)	(778)
Net assets - beginning of year	<u>1,097,514</u>	<u>577,244</u>		<u>80,954</u>
<b>Net assets - end of year</b>	<u>\$ 1,067,594</u>	<u>\$ 593,167</u>		<u>\$ 80,176</u>
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities			(848)	
<b>Change in net assets of business-type activities</b>			<u>\$ (14,845)</u>	

See Accompanying Notes to Financial Statements

**Richland Township**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2007**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 146,911	\$ 198,215	\$ 345,126	\$ 2,360
Receipts from interfund users	-	-	-	355,886
Payments to suppliers	(52,078)	(56,988)	(109,066)	(14,427)
Payments to employees	(33,548)	(24,226)	(57,774)	(338,176)
Payments for interfund services used	(52,082)	(49,250)	(101,332)	-
Net cash provided (used) by operating activities	<u>9,203</u>	<u>67,751</u>	<u>76,954</u>	<u>5,643</u>
<b>Cash flows from capital and related financing activities</b>				
Capital contributions	4,015	5,300	9,315	-
Purchases of capital assets	(14,170)	-	(14,170)	(25,197)
Principal and interest paid on long-term debt	-	(63,278)	(63,278)	-
Proceeds from sale of capital assets	-	1,400	1,400	5,800
Net cash used by capital and related financing activities	<u>(10,155)</u>	<u>(56,578)</u>	<u>(66,733)</u>	<u>(19,397)</u>
<b>Cash flows from investing activities</b>				
Interest received	10,201	7,994	18,195	2,197
Net increase (decrease) in cash and cash equivalents	9,249	19,167	28,416	(11,557)
Cash and cash equivalents - beginning of year	<u>202,502</u>	<u>146,378</u>	<u>348,880</u>	<u>41,729</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 211,751</u>	<u>\$ 165,545</u>	<u>\$ 377,296</u>	<u>\$ 30,172</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (44,136)	\$ 29,507	\$ (14,629)	\$ (8,775)
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation and amortization expense	54,646	40,634	95,280	14,089
Changes in assets and liabilities				
Receivables (net)	(1,567)	(1,856)	(3,423)	-
Prepaid items	1,085	1,085	2,170	-
Accounts payable	78	79	157	329
Accrued and other liabilities	(903)	(1,698)	(2,601)	-
<b>Net cash provided (used) by operating activities</b>	<u>\$ 9,203</u>	<u>\$ 67,751</u>	<u>\$ 76,954</u>	<u>\$ 5,643</u>

See Accompanying Notes to Financial Statements

**Richland Township**  
**Notes to Financial Statements**  
**March 31, 2007**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting entity**

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

Blended Component Unit – The Building Authority is included as a part of the Township's financial statements since the Township appoints the governing authority Board and the Building Authority provides its services solely to the Township. The Building Authority activity is blended into the Township's Water Enterprise Fund for reporting purposes because the services were related to Water Enterprise Fund assets, which is in accordance with generally accepted accounting principles. A complete financial statement can be obtained from Richland Township Offices, 1180 N. Hemlock Road, Hemlock, Michigan 48626.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government 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 segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

**Measurement focus, basis of accounting, and financial statement presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this

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purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

The Fire Fund accounts for the separate voted millage and the related operation of the fire department.

The Police Fund accounts for the separate voted millage and the related operation of the police department.

The Park Fund accounts for the separate voted millage and the related operation of the park department.

The Trash Collection Fund accounts for the revenue and expenditures with the government's refuse collection operation.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following:

The Permanent Fund accounts for perpetual cemetery resources and expenditures.

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

Internal Service Funds account for the fringe benefits and the major machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other units and individuals. At the end of the year the Current Tax Collection Fund had no assets or liabilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the 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 government has elected not to follow subsequent private-sector guidance.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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

**Assets, liabilities, and net assets or equity**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

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

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

The 2006 taxable valuation of the government totaled \$113,762,353, on which ad valorem taxes consisted of 0.9084 mills for operating purposes. This resulted in \$103,342 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets – In the Trash Collection Fund, certain resources are set aside to fund capital asset replacements.

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**Notes to Financial Statements**  
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Capital assets – Capital assets, which include property, plant and equipment, 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 \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

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

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Compensated absences – Employees earn vacation and sick leave based on years of service. Vacation days are accrued annually on January 1 and the employees must take the time during the year following the accrual, except for the 40 hour carryover or amount allowed per contract that is allowed at the end of each year.

The employees earn 80 hours of vacation annually for the first five years of employment. The vacation hour accrual goes up to 120 hours annually after five years. In addition, supervisory level employees receive 40 more hours of vacation each year. The vacation hours

accrued at the March 31 year end are valued using each employees current pay rate.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

**Comparative data**

Comparative data is not included in the government's financial statements.

**Richland Township**  
**Notes to Financial Statements**  
**March 31, 2007**

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**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 31, the Township Supervisor submits to the Township a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to April 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township.

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

**Excess of expenditures over appropriations**

The Township incurred expenditures in excess of budget in the General Fund and Fire Fund. Excess expenditures in these funds occurred in the following areas.

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
General government	\$ 297,279	\$ 297,567	\$ 288
Fire Fund			
Debt service	23,748	34,747	10,999

**Note 3 - Deposits and Investments**

*Interest rate risk* – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

*Credit risk* – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

*Concentration of credit risk* – The government has no policy that would limit the amount that may be issued in any one issuer.

*Custodial credit risk - deposits* – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$1,471,242 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Note 4 - Capital Assets**

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

**Richland Township**  
**Notes to Financial Statements**  
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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 157,833	\$ -	\$ -	\$ 157,833
Capital assets being depreciated				
Land improvements	469,994	27,390	-	497,384
Buildings, additions and improvements	1,461,132	15,992	-	1,477,124
Machinery and equipment	294,713	1,826	12,500	284,039
Vehicles	369,318	195,717	74,763	490,272
Total capital assets being depreciated	<u>2,595,157</u>	<u>240,925</u>	<u>87,263</u>	<u>2,748,819</u>
Less accumulated depreciation for				
Land improvements	284,749	16,946	-	301,695
Buildings, additions and improvements	416,401	37,327	-	453,728
Machinery and equipment	173,614	35,211	12,500	196,325
Vehicles	205,856	43,668	74,763	174,761
Total accumulated depreciation	<u>1,080,620</u>	<u>133,152</u>	<u>87,263</u>	<u>1,126,509</u>
Net capital assets being depreciated	<u>1,514,537</u>	<u>107,773</u>	<u>-</u>	<u>1,622,310</u>
Governmental activities capital assets, net	<u>\$ 1,672,370</u>	<u>\$ 107,773</u>	<u>\$ -</u>	<u>\$ 1,780,143</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 67,590	\$ -	\$ -	\$ 67,590
Capital assets being depreciated				
Land improvements	6,514	-	-	6,514
Buildings, additions and improvements	21,722	-	-	21,722
Machinery and equipment	42,225	-	-	42,225
Water system	1,556,134	-	-	1,556,134
Sewer system	2,100,643	14,170	-	2,114,813
Total capital assets being depreciated	<u>3,727,238</u>	<u>14,170</u>	<u>-</u>	<u>3,741,408</u>
Less accumulated depreciation for				
Land improvements	6,514	-	-	6,514
Buildings, additions and improvements	8,688	725	-	9,413
Machinery and equipment	33,275	1,550	-	34,825
Water system	675,739	38,347	-	714,086
Sewer system	1,320,835	52,729	-	1,373,564
Total accumulated depreciation	<u>2,045,051</u>	<u>93,351</u>	<u>-</u>	<u>2,138,402</u>
Net capital assets being depreciated	<u>1,682,187</u>	<u>(79,181)</u>	<u>-</u>	<u>1,603,006</u>
Business-type capital assets, net	<u>\$ 1,749,777</u>	<u>\$ (79,181)</u>	<u>\$ -</u>	<u>\$ 1,670,596</u>

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

<b>Governmental activities</b>		
General government		\$ 21,771
Public safety		69,980
Public works		851
Recreation and culture		26,461
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>14,089</u>
Total governmental activities		<u>133,152</u>
<b>Business-type activities</b>		
Sewer		54,646
Water		40,634
Total business-type activities		<u>95,280</u>
Total primary government		<u>\$ 228,432</u>

**Note 5 - Interfund Receivables, Payable, and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Trash Collection	General	\$ 629
Property Tax Administration	General	5,324
Property Tax Administration	Park	418
Property Tax Administration	Library	314
		<u>\$ 6,685</u>

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

defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Advances at year end are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Police	<u>\$ 121,036</u>

**Primary government**

State shared revenue

Unavailable

\$ 24,455

During fiscal year 2003-2004, the Township made improvements and an expansion to the public safety building, which now houses both the police and fire departments. The General Fund provided a long term loan to the Police Fund to pay for these improvements. The Police Fund will be required to make annual payments to the General Fund in the amount of \$5,861, including 2% interest, over the next 30 years.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General	Property Tax Administration	<u>\$ 13,210</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**Note 6 - Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also

**Richland Township**  
**Notes to Financial Statements**  
**March 31, 2007**

**Note 7 - Long-Term Debt**

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund, Sewer Fund and Water Fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Bonds and notes payable									
General obligation bonds									
Fire Truck Revenue Bonds	\$ 205,000	11/1/09	4.350%-4.550%	\$20,000- \$25,000	\$ 85,000	\$ -	\$ 20,000	\$ 65,000	\$ 20,000
Township Complex Revenue Bonds	500,000	11/1/17	3.125%-4.625%	30,000- 45,000	420,000	-	30,000	390,000	30,000
Installment purchase agreements									
Fire truck installment agreement	145,000	5/20/15	4.700%	4,644- 23,178	-	145,000	6,310	138,690	4,644
Total bonds and notes payable					505,000	145,000	56,310	593,690	54,644
Compensated absences					41,102	7,130	-	48,232	-
Total governmental activities					<u>\$ 546,102</u>	<u>\$ 152,130</u>	<u>\$ 56,310</u>	<u>\$ 641,922</u>	<u>\$ 54,644</u>
<b>Business-type activities</b>									
Bonds and notes payable									
General obligation bonds									
Building Authority's Water Tower Bond	\$ 725,000	11/1/16	5.500%-5.875%	\$35,000- \$60,000	\$ 505,000	\$ -	\$ 35,000	\$ 470,000	\$ 35,000
Less deferred amounts					(21,219)	-	(1,929)	(19,290)	(1,929)
Total bonds payable					483,781	-	33,071	450,710	33,071
Compensated absences					9,936	-	1,806	8,130	-
Total business-type activities					<u>\$ 493,717</u>	<u>\$ -</u>	<u>\$ 34,877</u>	<u>\$ 458,840</u>	<u>\$ 33,071</u>

**Richland Township**  
**Notes to Financial Statements**  
**March 31, 2007**

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

Year Ending March 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 54,644	\$ 25,129	\$ 35,000	\$ 27,166
2009	54,868	23,097	40,000	25,240
2010	60,101	20,962	40,000	23,020
2011	48,332	18,148	40,000	20,760
2012	54,213	16,068	45,000	18,460
2013-2017	276,532	44,063	270,000	49,044
2018	45,000	2,081	-	-
	<u>\$ 593,690</u>	<u>\$ 149,548</u>	<u>\$ 470,000</u>	<u>\$ 163,690</u>

**Note 8 - Risk Management**

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 9 - Employee Retirement and Benefit Systems**

**Defined benefit pension plan**

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the government. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report

may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding policy – The obligation to contribute to and maintain the system for these employees and board of trustees was established by the government and requires a contribution equal to 5% of compensation for board of trustee members. No contribution from township employees is required.

Annual pension costs – For fiscal year ended 2007, the government's annual pension cost of \$83,408 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Significant actuarial assumptions used include: 1) a 8% investment rate of return; 2) projected salary increases of 4.5% percent per year; and 3) 3% percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2005 follows:

	2005	2004	2003
Annual pension cost	\$ 73,532	\$ 72,997	\$ 68,169
Percentage of APC contributed	100%	100%	100%
Actuarial value of assets	1,408,483	1,281,738	1,133,953
Actuarial accrued liabilities	2,378,518	2,026,138	1,784,646
Unfunded AAL	970,035	744,400	650,693
Funded ratio	59.0%	63.0%	64.0%
Covered payroll	343,564	387,957	377,374
UAAL as a percentage of covered payroll	282%	192%	172%

**Richland Township**  
**Notes to Financial Statements**  
**March 31, 2007**

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**Note 10 - Contingent Liabilities**

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

**Note 11 - Upcoming Accounting and Reporting Changes**

The Governmental Accounting Standards Board has recently released statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.

The Government Accounting Standards Board has issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is

determined that a transaction involving *receivables* should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006.

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of *existing* pollution. It does not include *prevention* or *control* activities nor future remediation required upon retirement of an asset. In general, a liability will be recorded based on the *current value* of expected costs as estimated using the *expected cash flows method*. This statement is effective for financial statements with periods ending after December 15, 2007. However, measurement is required as of the beginning of the period.

**Richland Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2007**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 99,082	\$ 113,386	\$ 103,151	\$ (10,235)
Other taxes	13,900	7,469	22,576	15,107
Licenses and permits	8,770	8,132	8,132	-
State revenue sharing	330,090	269,916	322,250	52,334
Local contributions	9,200	9,446	9,446	-
Charges for services	33,090	29,354	29,354	-
Interest income	3,000	7,541	10,028	2,487
Rental income	2,800	3,070	3,070	-
Other revenue	19,800	41,455	41,455	-
Transfer in	5,861	5,861	-	(5,861)
Total revenues	<u>525,593</u>	<u>495,630</u>	<u>549,462</u>	<u>53,832</u>
<b>Expenditures</b>				
General government				
Township board	11,200	8,102	8,102	-
Supervisor	9,700	8,760	8,760	-
Manager	63,010	53,308	53,308	-
Accounting	179,099	153,120	153,284	164
Clerk	12,400	12,535	12,535	-
Audit	6,400	4,800	4,800	-
Board of review	450	-	-	-
Elections	7,100	5,198	5,198	-
Buildings and grounds	26,912	32,779	32,903	124
Attorney	13,000	7,626	7,626	-
Cemetery	14,500	11,051	11,051	-
Total general government	<u>343,771</u>	<u>297,279</u>	<u>297,567</u>	<u>288</u>

**Richland Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2007**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public works				
Sidewalks	\$ 16,000	\$ 32,257	\$ 32,257	\$ -
Drains	-	490	490	-
Highways, streets and bridges	109,000	92,540	92,540	-
Street lighting	21,000	23,646	23,646	-
Total public works	<u>146,000</u>	<u>148,933</u>	<u>148,933</u>	<u>-</u>
Health and welfare				
Ambulance	3,600	3,850	3,850	-
Community and economic development				
Planning	6,650	5,620	5,620	-
Other functions				
Contingency	92,371	229,656	-	(229,656)
Capital outlay	2,500	21,407	21,407	-
Debt service				
Principal retirement	30,000	30,000	30,000	-
Interest and fiscal charges	16,775	16,775	16,775	-
Total debt service	<u>46,775</u>	<u>46,775</u>	<u>46,775</u>	<u>-</u>
Transfers out	13,047	13,210	13,210	-
Total expenditures	<u>654,714</u>	<u>766,730</u>	<u>537,362</u>	<u>(229,368)</u>
Excess (deficiency) of revenues over expenditures	(129,121)	(271,100)	12,100	283,200
Fund balance - beginning of year	271,100	271,100	271,100	-
<b>Fund balance - end of year</b>	<u>\$ 141,979</u>	<u>\$ -</u>	<u>\$ 283,200</u>	<u>\$ 283,200</u>

**Richland Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Fire Fund**  
**For the Year Ended March 31, 2007**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 103,936	\$ 109,025	\$ 109,025	\$ -
Local contributions	35,000	43,300	43,300	-
Interest income	2,000	2,616	2,616	-
Other revenue	175	2,850	4,241	1,391
Bond/note proceeds	-	115,390	145,000	29,610
	<u>141,111</u>	<u>273,181</u>	<u>304,182</u>	<u>31,001</u>
Total revenues				
<b>Expenditures</b>				
Current				
Public safety	114,232	218,622	93,325	(125,297)
Capital outlay	11,000	173,633	162,633	(11,000)
Debt service				
Principal retirement	20,000	20,000	26,310	6,310
Interest and fiscal charges	3,748	3,748	8,437	4,689
	<u>148,980</u>	<u>416,003</u>	<u>290,705</u>	<u>(125,298)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(7,869)	(142,822)	13,477	156,299
Fund balance - beginning of year	<u>111,822</u>	<u>111,822</u>	<u>111,822</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 103,953</u>	<u>\$ (31,000)</u>	<u>\$ 125,299</u>	<u>\$ 156,299</u>

**Richland Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Police Fund**  
**For the Year Ended March 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 353,402	\$ 370,704	\$ 370,704	\$ -
Licenses and permits	2,500	2,280	2,280	-
Other state grants	500	951	951	-
Local contributions	1,800	805	805	-
Interest income	4,200	10,338	10,338	-
Other revenue	600	1,521	1,521	-
Sale of fixed assets	3,600	4,500	4,500	-
	<u>366,602</u>	<u>391,099</u>	<u>391,099</u>	<u>-</u>
Total revenues				
<b>Expenditures</b>				
Current				
Public safety	330,741	594,542	339,475	(255,067)
Capital outlay	30,000	24,342	24,342	-
Debt service				
Interest and fiscal charges	5,861	5,861	2,488	(3,373)
	<u>366,602</u>	<u>624,745</u>	<u>366,305</u>	<u>(258,440)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	-	(233,646)	24,794	258,440
Fund balance - beginning of year	<u>233,646</u>	<u>233,646</u>	<u>233,646</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 233,646</u>	<u>\$ -</u>	<u>\$ 258,440</u>	<u>\$ 258,440</u>

**Richland Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Park Fund**  
**For the Year Ended March 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 99,083	\$ 102,991	\$ 102,991	\$ -
Charges for services	19,250	20,690	20,690	-
Interest income	2,600	5,867	5,867	-
Other revenue	750	2,100	2,100	-
	<u>121,683</u>	<u>131,648</u>	<u>131,648</u>	<u>-</u>
Total revenues				
<b>Expenditures</b>				
Current				
Recreation and culture	104,150	283,452	94,371	(189,081)
Capital outlay	79,309	7,809	7,809	-
	<u>183,459</u>	<u>291,261</u>	<u>102,180</u>	<u>(189,081)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(61,776)	(159,613)	29,468	189,081
Fund balance - beginning of year	<u>159,613</u>	<u>159,613</u>	<u>159,613</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 97,837</u>	<u>\$ -</u>	<u>\$ 189,081</u>	<u>\$ 189,081</u>

**Richland Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Trash Collection Fund**  
**For the Year Ended March 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 155,839	\$ 132,231	\$ 156,354	\$ 24,123
Interest income	5,500	10,696	10,696	-
Other revenue	6,100	11,954	11,954	-
Transfers in	-	31,000	-	(31,000)
	<u>167,439</u>	<u>185,881</u>	<u>179,004</u>	<u>(6,877)</u>
Total revenues				
<b>Expenditures</b>				
Current				
Public works	<u>311,473</u>	<u>510,845</u>	<u>179,711</u>	<u>(331,134)</u>
	(144,034)	(324,964)	(707)	324,257
Excess (deficiency) of revenues over expenditures				
Fund balance - beginning of year	<u>324,964</u>	<u>324,964</u>	<u>324,964</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 180,930</u>	<u>\$ -</u>	<u>\$ 324,257</u>	<u>\$ 324,257</u>

**Richland Township**  
**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**March 31, 2007**

	<u>Special Revenue Funds</u>			<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Building Department</u>	<u>Library</u>	<u>Property Tax Administration</u>	<u>Cemetery Trust</u>	
<b>Assets</b>					
Cash and cash equivalents	\$ 29,390	\$ 124,149	\$ 37,979	\$ 526	\$ 192,044
Due from other funds	<u>-</u>	<u>-</u>	<u>6,056</u>	<u>-</u>	<u>6,056</u>
<b>Total assets</b>	<u>\$ 29,390</u>	<u>\$ 124,149</u>	<u>\$ 44,035</u>	<u>\$ 526</u>	<u>\$ 198,100</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 1,014	\$ -	\$ -	\$ 1,014
Due to other funds	<u>-</u>	<u>314</u>	<u>-</u>	<u>-</u>	<u>314</u>
<b>Total liabilities</b>	<u>-</u>	<u>1,328</u>	<u>-</u>	<u>-</u>	<u>1,328</u>
<b>Fund balances</b>					
Unreserved					
Undesignated	<u>29,390</u>	<u>122,821</u>	<u>44,035</u>	<u>526</u>	<u>196,772</u>
<b>Total liabilities and fund balances</b>	<u>\$ 29,390</u>	<u>\$ 124,149</u>	<u>\$ 44,035</u>	<u>\$ 526</u>	<u>\$ 198,100</u>

**Richland Township**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended March 31, 2007**

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Building Department	Library	Property Tax Administration	Cemetery Trust	
<b>Revenues</b>					
Taxes	\$ -	\$ 77,230	\$ 37,824	\$ -	\$ 115,054
Licenses and permits	18,028	-	-	-	18,028
State revenue sharing	-	4,845	-	-	4,845
Other state grants	-	10,000	5,840	-	15,840
Local contributions	-	3,000	-	-	3,000
Fines and forfeitures	-	27,213	-	-	27,213
Interest income	2,149	5,348	1,350	3	8,850
Other revenue	12	8,738	31	-	8,781
Total revenues	<u>20,189</u>	<u>136,374</u>	<u>45,045</u>	<u>3</u>	<u>201,611</u>
<b>Expenditures</b>					
Current					
General government	-	-	57,781	-	57,781
Public safety	28,650	-	-	-	28,650
Recreation and culture	-	145,454	-	-	145,454
Capital outlay	-	2,512	-	-	2,512
Total expenditures	<u>28,650</u>	<u>147,966</u>	<u>57,781</u>	<u>-</u>	<u>234,397</u>
Excess (deficiency) of revenues over expenditures	<u>(8,461)</u>	<u>(11,592)</u>	<u>(12,736)</u>	<u>3</u>	<u>(32,786)</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	13,210	-	13,210
Net change in fund balance	(8,461)	(11,592)	474	3	(19,576)
Fund balance - beginning of year	<u>37,851</u>	<u>134,413</u>	<u>43,561</u>	<u>523</u>	<u>216,348</u>
<b>Fund balance - end of year</b>	<u>\$ 29,390</u>	<u>\$ 122,821</u>	<u>\$ 44,035</u>	<u>\$ 526</u>	<u>\$ 196,772</u>

**Richland Township**  
**Other Supplemental Information**  
**Statement of Net Assets**  
**Internal Service Funds**  
**March 31, 2007**

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	<u>Motor Pool</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	<u>\$ 30,172</u>
Noncurrent assets	
Capital assets being depreciated	<u>50,333</u>
Total assets	<u>80,505</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	<u>329</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	50,333
Unrestricted	<u>29,843</u>
<b>Total net assets</b>	<u>\$ 80,176</u>

**Richland Township**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended March 31, 2007**

	Motor Pool	Fringe Benefit	Total
<b>Operating revenue</b>			
Billings to other funds	\$ 20,612	\$ 335,274	\$ 355,886
Other revenue	21	2,339	2,360
Total operating revenue	20,633	337,613	358,246
<b>Operating expenses</b>			
Personnel services	147	338,029	338,176
Supplies	6,212	-	6,212
Contractual services	825	-	825
Repairs and maintenance	2,856	-	2,856
Other expenses	4,863	-	4,863
Depreciation	14,089	-	14,089
Total operating expenses	28,992	338,029	367,021
Operating loss	(8,359)	(416)	(8,775)
<b>Nonoperating revenues</b>			
Interest income	1,781	416	2,197
Gain on sale of assets	5,800	-	5,800
Total nonoperating revenues	7,581	416	7,997
Change in net assets	(778)	-	(778)
Net assets - beginning of year	80,954	-	80,954
<b>Net assets - end of year</b>	\$ 80,176	\$ -	\$ 80,176

**Richland Township**  
**Other Supplemental Information**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended March 31, 2007**

	Motor Pool	Fringe Benefit	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 21	\$ 2,339	\$ 2,360
Receipts from interfund users	20,612	335,274	355,886
Payments to suppliers	(14,427)	-	(14,427)
Payments to employees	<u>(147)</u>	<u>(338,029)</u>	<u>(338,176)</u>
Net cash provided (used) by operating activities	<u>6,059</u>	<u>(416)</u>	<u>5,643</u>
<b>Cash flows from capital and related financing activities</b>			
Purchases of capital assets	(25,197)	-	(25,197)
Proceeds from sale of capital assets	<u>5,800</u>	<u>-</u>	<u>5,800</u>
Net cash used by capital and related financing activities	<u>(19,397)</u>	<u>-</u>	<u>(19,397)</u>
<b>Cash flows from investing activities</b>			
Interest received	<u>1,781</u>	<u>416</u>	<u>2,197</u>
Net decrease in cash and cash equivalents	(11,557)	-	(11,557)
Cash and cash equivalents - beginning of year	<u>41,729</u>	<u>-</u>	<u>41,729</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 30,172</u>	<u>\$ -</u>	<u>\$ 30,172</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating loss	\$ (8,359)	\$ (416)	\$ (8,775)
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	14,089	-	14,089
Changes in assets and liabilities			
Accounts payable	<u>329</u>	<u>-</u>	<u>329</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 6,059</u>	<u>\$ (416)</u>	<u>\$ 5,643</u>

**Richland Township**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**March 31, 2007**

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	May Interest Payment	November Interest Payment	Total
<b>Governmental Activities</b>						
Fire Truck Revenue Bonds	4.350%	11/1/07	\$ 20,000	\$ 1,449	\$ 1,449	\$ 22,898
Amount of issue - \$205,000	4.450%	11/1/08	20,000	1,014	1,014	22,028
	4.550%	11/1/09	<u>25,000</u>	<u>569</u>	<u>569</u>	<u>26,138</u>
			<u>\$ 65,000</u>	<u>\$ 3,032</u>	<u>\$ 3,032</u>	<u>\$ 71,064</u>
Township Complex Revenue Bonds	3.125%	11/1/07	\$ 30,000	\$ 7,938	\$ 7,937	\$ 45,875
Amount of issue - \$500,000	3.375%	11/1/08	30,000	7,469	7,468	44,937
	3.600%	11/1/09	30,000	6,963	6,962	43,925
	4.000%	11/1/10	30,000	6,423	6,422	42,845
	4.000%	11/1/11	35,000	5,823	5,822	46,645
	4.000%	11/1/12	35,000	5,123	5,122	45,245
	4.125%	11/1/13	35,000	4,423	4,422	43,845
	4.300%	11/1/14	40,000	3,701	3,700	47,401
	4.500%	11/1/15	40,000	2,841	2,840	45,681
	4.500%	11/1/16	40,000	1,941	1,940	43,881
	4.625%	11/1/17	<u>45,000</u>	<u>1,041</u>	<u>1,040</u>	<u>47,081</u>
			<u>\$ 390,000</u>	<u>\$ 53,686</u>	<u>\$ 53,675</u>	<u>\$ 497,361</u>

**Richland Township**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**March 31, 2007**

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	May Interest Payment	November Interest Payment	Total
Fire truck installment agreement	4.700%	5/20/07	\$ 4,644	\$ 6,356	\$ -	\$ 11,000
Amount of issue - \$145,000	4.700%	5/20/08	4,868	6,132	-	11,000
	4.700%	5/20/09	5,101	5,899	-	11,000
	4.700%	5/20/10	18,332	5,303	-	23,635
	4.700%	5/20/11	19,213	4,423	-	23,636
	4.700%	5/20/12	20,135	3,500	-	23,635
	4.700%	5/20/13	21,103	2,533	-	23,636
	4.700%	5/20/14	22,116	1,520	-	23,636
	4.700%	5/20/15	23,178	457	-	23,635
			<u>\$ 138,690</u>	<u>\$ 36,123</u>	<u>\$ -</u>	<u>\$ 174,813</u>

**Business-type Activities**

Building Authority's Water Tower Bond	5.500%	11/1/07	\$ 35,000	\$ 13,583	\$ 13,583	\$ 62,166
Amount of issue - \$725,000	5.550%	11/1/08	40,000	12,620	12,620	65,240
	5.650%	11/1/09	40,000	11,510	11,510	63,020
	5.750%	11/1/10	40,000	10,380	10,380	60,760
	5.800%	11/1/11	45,000	9,230	9,230	63,460
	5.850%	11/1/12	50,000	7,925	7,925	65,850
	5.875%	11/1/13	50,000	6,463	6,463	62,926
	5.875%	11/1/14	55,000	4,994	4,994	64,988
	5.875%	11/1/15	55,000	3,378	3,377	61,755
	5.875%	11/1/16	60,000	1,763	1,762	63,525
			<u>\$ 470,000</u>	<u>\$ 81,846</u>	<u>\$ 81,844</u>	<u>\$ 633,690</u>

**Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit  
of the Financial Statements Performed in Accordance  
with Government Auditing Standards**

Members of the Township Board  
Richland Township  
Saginaw, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Richland Township as of and for the year ended March 31, 2007, which collectively comprise Richland Township's basic financial statements and have issued our report thereon dated June 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Richland Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Richland Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Richland Township's internal control over financial reporting.

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 combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to the Township's management in a separate letter dated June 6, 2007.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
June 6, 2007



3023 Davenport  
Saginaw, MI 48602  
Phone (989) 793-9830 / (800) 968-0010  
Fax (989) 793-0186

June 6, 2007

To the Township Board  
Richland Township

In planning and performing our audit of the financial statements of Richland Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Richland Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness.

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 combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

### **Segregation of Duties**

Our review of the Township's procedures indicated that there is a lack segregation of duties in the receiving, depositing and recording of cash receipts. To provide effective control it would be necessary to separate each of these duties, as well as the reconciling of the bank accounts, whereas at the present time the deputy treasurer's duties include all of these functions to some degree. Since it's not practicable to separate each of these duties, we do recommend the Township Manager receive unopened bank statements to review for unusual items, continue to review bank reconciliations, and to watch for trends or large fluctuations from what is expected. This will reduce the risk of errors or fraud in the Township.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We noted no internal control related matters that constitute a material weakness.

We have also noted various items we feel could improve your internal controls or operating efficiencies. These items are not considered significant deficiencies or material weaknesses but are presented for your consideration.

## Electronic Funds Transfer

During our review of electronic fund transfers (EFT's) we noticed the board is not currently receiving a list of EFT's to approve at their monthly meeting. We recommend a listing of all EFT's be provided to the Board for approval at the monthly board meeting.

## Water and Sewer Billing Adjustments

In reviewing internal controls over water and sewer billings we found that the approval process of water/sewer adjustments can be improved. Currently, no adjustments are made without written permission from the Township Manager. Although all adjustments should be approved, the Township Manager should be reviewing a computer generated list of adjustments to customer accounts. This will prevent any unapproved adjustments and provide the necessary controls over the billing system.

## Journal Entries

During our journal entry testing, we noted that no one reviews the journal entries completed by the Township Manager. We recommend that the deputy treasurer or a board member review the journal entries on a routine basis. In addition, the individual reviewing needs to sign off on the journal entry list showing their approval. This will help prevent and catch mistakes in a timely a manner and prevent any unauthorized transactions from occurring.

## Prior Year Comment and Status

<u>Prior Year Comment</u>	<u>Addressed</u>	<u>Progress Made</u>	<u>No Progress Made</u>
Invoice approval by department heads		X	

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

Very truly yours,

YEO & YEO, P.C.  
CPAs and Business Consultants



Michael Gensch