Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	FRANKENMUTH CITY-TOWNSHIP COMM	SAGINAW

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
12/31/06	FEBRUARY 27, 2007	MAY 14, 2007

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☐	NO ISSUES TO REPORT THIS YEAR
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number		
Gardner, Provenzano, Schauman & Thomas, P.C.	989-790-3900		
Street Address	**City**	**State**	**Zip**
4855 State Street Suite Six	Saginaw	MI	48603

Authorizing CPA Signature	Printed Name	License Number
	Heather A. Thomas	1101024719

FRANKENMUTH CITY-TOWNSHIP COMMISSION
Frankenmuth, Michigan

FINANCIAL STATEMENTS
December 31, 2006

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Gardner | Provenzano
Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

February 27, 2007

Frankenmuth City-Township Commission
Frankenmuth, Michigan

We have audited the accompanying financial statements of the governmental activities of Frankenmuth City-Township Commission as of and for the year ended December 31, 2006, which comprise the Frankenmuth City-Township Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion 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 standards prescribed by the State Treasurer. 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Frankenmuth City-Township Commission as of December 31, 2006, and the respective change in financial position for the year then ended in conformity with generally accepted accounting principles in the United States of America and with applicable rules and regulations of the State Treasurer.

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The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements, but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

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

Gardner, Provenzano, Schaumann & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Frankenmuth City-Township Commission's (Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended December 31, 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Assets presents information on all of the Commission'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 Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net assets changed during the fiscal year. All changes in net assets are reported when 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 result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish between functions of the Commission that are principally supported by contributions from other governments and charges for services. The governmental activities of the Commission include general government, fire protection, cemetery, and debt services.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, 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 Commission are governmental funds.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. 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 funds balance sheet and 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 Commission maintains four 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, cemetery and debt service 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.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's budget.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Commission, net assets increased by $179,665 to $755,787 at December 31, 2006.

Of the Commission's net assets (28%), reflects unrestricted net assets that may be used to meet the government's ongoing obligations. Net assets of (48%) reflect its investments in capital assets (e.g., building, equipment and furniture, land improvements and vehicles) less any debt used to acquire those assets that are still outstanding. The Commission uses these capital assets to provide service to citizens. Although the Commission's investment in its capital assets is

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS (continued)

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. An additional portion of the Commission's net assets (24%) represents resources that are restricted for debt services.

As of December 31, 2006, the Commission is able to report positive balances in all three categories of net assets.

The following table provides a summary of the Commission's net assets at December 31:

	2006	2005
Assets		
Current assets	$ 393,644	$ 357,947
Noncurrent assets	461,810	367,680
Total Assets	855,454	725,627
Liabilities		
Current liabilities	49,835	49,836
Noncurrent liabilities	49,832	99,669
Total Liabilities	99,667	149,505
Net Assets		
Investment in capital assets-net of related debt	362,143	218,175
Restricted	180,370	95,304
Unrestricted	213,274	262,643
Total Net Assets	$ 755,787	$ 576,122

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS (continued)

The following table provides a summary of the Commission's changes in net assets for the years ended December 31:

	2006	2005
Revenues		
Program revenue		
Charges for services	$ 690	$ 11,135
Operating grants and contributions	290,870	236,316
General revenue		
Unrestricted investment earnings	16,546	7,106
Contributions for debt service	135,672	125,221
Total Revenues	443,778	379,778
Program Expenses		
General government	68,823	41,329
Fire protection	98,619	99,534
Cemetery	3,025	2,382
Interest on long term debt	6,249	8,346
Depreciation	87,397	69,974
Total Program Expenses	264,113	221,565
Change in Net Assets	179,665	158,213
Net Assets-Beginning	576,122	417,909
Net Assets-Ending	$ 755,787	$ 576,122

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

General Fund – The general fund balance decreased by $57,858 mostly due to the purchase of an emergency generator in the amount of $40,579. This generator will provide emergency power for the operation of the government buildings in the event of a major power outage. In addition, $10,900 was expended toward the cost of renovations to the Public Safety Building to accommodate the relocation of the Frankenmuth Police Department from the City Hall Building.

Fire Fund – The fire fund had an increase in fund balance of $4,803. A federal grant in the amount of $111,340 was received to purchase new air packs at a cost of $117,000. The Greater Frankenmuth Area Community Foundation and the Frankenmuth J.C. contributed $5,000 toward the purchase of new audio-visual equipment for training firefighters and police officers.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (continued)

Cemetery Fund – The cemetery fund had an increase in fund balance of $3,686. This fund balance increase was planned in order to set aside funds in anticipation of future land expansion. The accumulation of funds for the expansion totals approximately $7,000 from the 2005 and 2006 fiscal year.

Debt Service – Fund balance increased by $85,066. The Commission is reserving $80,000 annually toward a future unspecified fire truck. Of the reserve, $160,000 is currently invested in separate certificates of deposit.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Commission made revisions to the original appropriations as approved by the Board.

Management believes the variances in the first to final budget for revenue were not significant.

Significant budget variances from the first to final budget in expenditures are as follows:

- Repair/Maintenance – The final budget was increased by $19,200 to accommodate a new electrical meter, improvements to the police department as part of the relocation, and increased snow removal charges.
- Capital Outlay – The final budget was increased to $11,500 to accommodate the purchase of a generator and building renovations to the police department.

Management believes the variances in the final budget versus actual for revenue were not significant.

The significant variances in the final budget versus actual for expenditures were in the repair/maintenance and capital outlay line items. These variances offset each other and are due to audit adjustments reclassifying expenditures related to the renovations to the public safety building that will not be capitalized from capital outlay to repair/maintenance.

Capital Assets – The Commission's investment in capital assets for its governmental activities as of December 31, 2006, amounts to $461,810 (net of accumulated depreciation). This investment in capital assets includes equipment and furniture, land improvements, vehicles, and a building. Significant capital assets additions this year were a generator, a fill station, audio-visual equipment and firefighting equipment.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (continued)

Debt Administration – At the end of the fiscal year, the Commission had total debt of $99,667 on an installment note for a fire truck.

CURRENT KNOWN FACTS:

At this time, the relocation of the Frankenmuth Township Offices to the former City Hall Building and the move of the Frankenmuth Police Department to the former Township Hall have been completed. The electrical generator to provide emergency power to the Governmental facilities has been installed, and the new fire department air packs are in place. During 2007 an emergency alert system will be installed, to alert City and Township residents via automated phone messages of potential weather and other emergency situations. This cost will be paid by the Commission's general fund. Also a Federal grant will pay a majority of the cost of installing an exhaust system in the fire department to remove truck exhaust fumes from the building.

REQUEST FOR INFORMATION

This report is designed to provide a general overview for anyone interested in the Commission's finances. Questions concerning this report should be addressed to: Treasurer, Frankenmuth City-Township Commission, P.O. Box 245, Frankenmuth, MI 48734.

BASIC FINANCIAL STATEMENTS

Frankenmuth City-Township Commission
Government-wide Statement of Net Assets
December 31, 2006

	Governmental Activities
ASSETS	
Current Assets	
Cash	$ 375,089
Prepaid expenses	18,555
Total Current Assets	393,644
Noncurrent Assets	
Net capital assets	461,810
Total Noncurrent Assets	461,810
Total Assets	855,454
LIABILITIES	
Noncurrent liabilities	
Due within one year	49,835
Due in more than one year	49,832
Total Noncurrent Liabilities	99,667
NET ASSETS	
Invested in capital assets, net of related debt	362,143
Restricted	180,370
Unrestricted	213,274
Total Net Assets	$ 755,787

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

Frankenmuth City-Township Commission
Government-wide Statement of Activities
For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expenses) Revenue and Changes in Net Assets
Governmental activities:				
General Government	$ 68,823	$ 690	$ 49,190	$ (18,943)
Fire protection	98,619	-	237,265	138,646
Cemetery	3,025	-	4,415	1,390
Interest on Long Term Debt	6,249	-	-	(6,249)
Depreciation (unallocated)	87,397	-	-	(87,397)
Total governmental activities	$ 264,113	$ 690	$ 290,870	27,447

General Revenues:	
Unrestricted investment earnings	16,546
Contributions for debt principal payments	135,672
Total general revenues	152,218
Change in net assets	179,665
Net assets - beginning	576,122
Net assets - ending	$ 755,787

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

Frankenmuth City-Township Commission
Combined Balance Sheet-All Fund Types
As of December 31, 2006

	Governmental Fund Types				
	General	Fire Fund	Cemetery	Debt Service	Totals
Assets					
Current Assets					
Cash	$ 8,176	$ 143,467	$ 43,076	$ 180,370	$ 375,089
Prepaid expenditures	6,827	11,728	-	-	18,555
Total Assets	$ 15,003	$ 155,195	$ 43,076	$ 180,370	$ 393,644
Liabilities and Fund Balance					
Reserved	$ -	$ -	$ -	$ 180,370	$ 180,370
Undesignated	15,003	155,195	43,076	-	213,274
Total Fund Balance	$ 15,003	$ 155,195	$ 43,076	$ 180,370	$ 393,644

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

Frankenmuth City-Township Commission
Reconciliation of the Balance Sheet
to the Statement of Net Assets
December 31, 2006

Fund balances of governmental funds	$	393,644
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.		
Cost of the capital assets		2,142,370
Accumulated depreciation		(1,680,560)
Long-term liabilities, including bonds payable, are not due and payable in the current period; and therefore, are not reported in the funds.		
Installment note due		(99,667)
Net assets of governmental activities	$	755,787

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

Frankenmuth City-Township Commission
Combined Statement of Revenues, Expenditures
and Changes in Fund Balance-All Governmental Fund Types
For the Year Ended December 31, 2006

	General	Fire	Cemetery	Debt Service	Total
Revenues					
City of Frankenmuth	$ 36,445	$ 86,000	$ 2,964	$ 100,519	$ 225,928
Township of Frankenmuth	12,745	30,075	1,036	35,153	79,009
Township of Tuscola	-	4,600	-	-	4,600
Federal grant	-	111,340	-	-	111,340
Interest	1,664	6,690	2,711	5,481	16,546
Hall rental	690	-	-	-	690
Donations	-	5,250	-	-	5,250
Sale of equipment	-	415	-	-	415
Total Revenues	51,544	244,370	6,711	141,153	443,778
Expenditures					
Auditing and accounting services	1,120	-	-	-	1,120
Wages and payroll taxes	3,490	21,261	2,524	-	27,275
Operating supplies	657	20,405	-	-	21,062
Insurance	8,631	13,611	-	-	22,242
Telephone	1,050	-	-	-	1,050
Repair and maintenance	41,921	11,390	126	-	53,437
Utilities	11,553	-	-	-	11,553
Gas and oil	-	2,096	-	-	2,096
Capital outlay	40,579	140,948	-	-	181,527
Dues and subscriptions	-	450	-	-	450
Training and education	-	2,332	-	-	2,332
Outside services	401	981	-	-	1,382
Other	-	3,997	-	-	3,997
Equipment Rental	-	-	375	-	375
Firemen physicals	-	1,689	-	-	1,689
Pager rental	-	2,407	-	-	2,407
Professional services	-	18,000	-	-	18,000
Principal payments on note	-	-	-	49,838	49,838
Interest	-	-	-	6,249	6,249
Total Expenditures	109,402	239,567	3,025	56,087	408,081
Excess (deficiency) of revenues over expenditures	(57,858)	4,803	3,686	85,066	35,697
Fund balance, beginning	72,861	150,392	39,390	95,304	357,947
Fund balance, ending	$ 15,003	$ 155,195	$ 43,076	$ 180,370	$ 393,644

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

Frankenmuth City-Township Commission
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2006

Net change in fund balances --total governmental funds	$	35,697
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.		
Depreciation expense		(87,397)
Capital Outlay		181,527
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		49,838
Change in net assets of governmental activities	$	179,665

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

The City of Frankenmuth and the Township of Frankenmuth formed the Frankenmuth City-Township Commission (Commission) on April 5, 1960, to manage jointly owned property and equipment. Both entities appoint two council members to serve as Commissioners. Funding from each entity is based upon a pro rated share of the budget from a percentage calculated by dividing each entity's state equalized value at December 31 by the total state equalized value of the two entities combined at December 31.

The accounting policies of the Commission conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

The Reporting Entity

As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include only those of the Frankenmuth City-Township Commission (the primary government.) The Commission does not have any component units.

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the Commission. The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Contributions and other items not properly included among program revenues are reported instead as general revenues.

Fund Accounting

The accounts of the Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures. The various funds are grouped as follows in the financial statements.

NOTE 1--Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Governmental Funds

General Fund – The general fund is the general operating fund of the Commission. It is used to account for all financial resources except those that are required by law to be accounted for in another fund.

Special Revenue Funds – Special revenue funds account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative actions.

Debt Service Funds – Debt service funds are used to record the payment of debt principal, interest, and related cost.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets, and the Statement of Activities presents increase (revenue) and decrease (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable' means the amount of the transaction can be determined and "available" means collectible within the current period or within sixty days thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for debt principal and interest, which are reported when due.

NOTE 1--Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting (continued)

The revenues susceptible to accrual are charges for service, interest income and contributions.

Budget and Budgetary Accounting

The Commission uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. An annual budget is prepared by the Commission's Treasurer and is approved at the December board meeting.

2. After approval, the budget is sent to both the City and Township of Frankenmuth for final approval of revenues.

3. The budget is amended throughout the year as needed.

Cash and Cash Equivalents

Cash includes demand deposits and certificates of deposit. The Commission considers all short-term investments purchased with a maturity of three months or less to be cash equivalents.

Prepaid Items

Prepaid balances are for payments made by the Commission in the current year to provide services occurring in the subsequent fiscal year.

Capital Assets

Capital assets, which include equipment and furniture, land improvements, vehicles, and a building are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

NOTE 1--Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Assets capitalized have an original cost of $1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Building	15 years
Equipment and furniture	3-12 years
Land improvements	12-20 years
Vehicles	8 years

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

NOTE 2--Cash

The Commission is legally authorized to deposit and invest in the following:

1. In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
2. In certificates of deposit, saving accounts, deposit accounts, or depository receipts of a bank which is a member of the FDIC, a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the purchase date.
4. In United States government or federal agency obligation repurchase agreements.
5. In banker's acceptance of United States banks.
6. In obligations of the state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

All of the funds of the Commission operate through common cash checking and savings accounts. Each fund's share of the balance is reported separately. The bank balance of deposits at December 31, 2006, was $27,756 with $5,756 in checking and $22,000 in a corporate sweep account. In addition, the balance of CD's was $362,165. The FDIC insures up to $100,000 in demand deposits; however, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as separate deposits for the $100,000 limitation. The FDIC does not insure the corporate sweep accounts.

The Commission is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The commission's deposits are categorized below according to level of credit risk:

- Category 1 represents the Commission's insured or collateralized deposits with securities held by the Commission or by its agent in the Commission's name.
- Category 2 represents the Commission's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the Commission's name.

NOTE 2—Cash (continued)

- Category 3 represents the Commission's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the Commission's name.

A summary of cash and investments follow:

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Checking	$ 5,756	$ -	$ -	$ 5,756	$ (9,076)
Corporate sweep	-	-	22,000	22,000	22,000
Certificates of deposit	100,000	-	262,165	362,165	362,165
Totals	$ 105,756	$ -	$ 284,165	$ 389,921	$ 375,089

NOTE 3--Capital Assets

	Balance January 1, 2006	Additions	Disposals	Balance December 31, 2006
GOVERNMENTAL ACTIVITIES				
Capital assets subject to depreciation				
Equipment and furniture	$ 116,991	$ 180,147	$ 9,843	$ 287,295
Land Improvements	30,027	-	-	30,027
Vehicles	1,288,872	-	-	1,288,872
Building	534,796	1,380	-	536,176
Subtotal	1,970,686	181,527	9,843	2,142,370
Accumulated Depreciation				
Equipment and furniture	28,787	32,192	9,843	51,136
Land Improvements	5,690	2,001	-	7,691
Vehicles	1,085,714	50,590	-	1,136,304
Buildings	482,815	2,614	-	485,429
Subtotal	1,603,006	87,397	9,843	1,680,560
Net governmental capital assets	$ 367,680	$ 94,130	$ -	$ 461,810

Depreciation expense was not charged to activities as the Commission considers its capital assets to impact multiple activities and allocation is not practical.

NOTE 4--Long-Term Debt

The following summarizes long-term debt transactions:

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Current Portion
Fire truck installment purchase contract, 4.18% interest, due 12/01/08	$ 149,505	$ -	$ 49,838	$ 99,667	$ 49,835
	$ 149,505	$ -	$ 49,838	$ 99,667	49,835

The annual requirements to pay future principal and interest are as follows:

Year Ended December 31,	Principal	Interest	Total
2007	$ 49,835	$ 4,224	$ 54,059
2008	49,832	2,118	51,950
Total	$ 99,667	$ 6,342	$ 106,009

The interest expense for 2006 was $6,249

NOTE 5--Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2006, the commission carried commercial insurance for the above listed risks of loss.

NOTE 6--Reserved Fund Balance

The Debt Service fund balance is reserved for future debt service payments.

REQUIRED SUPPLEMENTAL INFORMATION

Frankenmuth City-Township Commission
Required Supplemental Information-General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
City of Frankenmuth	$ 36,445	$ 36,445	$ 36,445	$ -
Township of Frankenmuth	12,745	12,745	12,745	-
Interest	-	-	1,664	1,664
Hall rental	-	-	690	690
Donations	-	-	-	-
Total Revenues	49,190	49,190	51,544	2,354
Expenditures				
Auditing and accounting services	1,200	1,200	1,120	(80)
Wages and payroll taxes	3,490	3,490	3,490	-
Operating supplies	1,000	1,000	657	(343)
Insurance	9,000	9,000	8,631	(369)
Telephone	1,250	1,250	1,050	(200)
Repair and maintenance	12,000	31,200	41,921	10,721
Utilities	11,500	13,000	11,553	(1,447)
Capital outlay	40,000	51,500	40,579	(10,921)
Outside services	250	651	401	(250)
Other	500	500	-	(500)
Total Expenditures	80,190	112,791	109,402	(3,389)
Excess (deficiency) of revenues over expenditures	(31,000)	(63,601)	(57,858)	5,743
Fund balance, beginning	72,861	72,861	72,861	-
Fund balance, ending	$ 41,861	$ 9,260	$ 15,003	$ 5,743

See accompanying notes to financial statements.

Frankenmuth City-Township Commission
Required Supplemental Information-Fire Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2006

Revenues	Original Budget	Final Budget	Actual	Over (Under) Budget
City of Frankenmuth	$ 86,000	$ 86,000	$ 86,000	$ -
Township of Frankenmuth	30,075	30,075	30,075	-
Township of Tuscola	4,600	4,600	4,600	-
Federal grant	111,000	111,000	111,340	340
Interest	2,000	2,000	6,690	4,690
Donations	-	-	5,250	5,250
Sale of equipment	-	-	415	415
Total Revenues	233,675	233,675	244,370	10,695
Expenditures				
Wages and payroll taxes	23,525	23,525	21,261	(2,264)
Operating supplies	3,000	3,900	20,405	16,505
Insurance	16,750	16,950	13,611	(3,339)
Repair and maintenance	20,000	20,000	11,390	(8,610)
Gas and oil	1,600	2,100	2,096	(4)
Capital outlay	146,000	159,100	140,948	(18,152)
Dues and subscriptions	500	500	450	(50)
Training and education	2,500	2,500	2,332	(168)
Transportation	100	100	-	(100)
Outside services	1,000	1,000	981	(19)
Other	5,700	5,700	3,997	(1,703)
Firemen physicals	1,500	1,700	1,689	(11)
Pager rental	3,500	3,500	2,407	(1,093)
Professional services	18,000	18,000	18,000	-
Total Expenditures	243,675	258,575	239,567	(19,008)
Excess (deficiency) of revenues over expenditures	(10,000)	(24,900)	4,803	29,703
Fund balance, beginning	150,392	150,392	150,392	-
Fund balance, ending	$ 140,392	$ 125,492	$ 155,195	$ 29,703

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

Frankenmuth City-Township Commission
Cemetery Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2006

	Budget	Actual	Over (Under) Budget
Revenues			
City of Frankenmuth	$ 2,964	$ 2,964	$ -
Township of Frankenmuth	1,036	1,036	-
Interest	-	2,711	2,711
Total Revenues	4,000	6,711	2,711
Expenditures			
Wages and payroll taxes	2,550	2,524	(26)
Repair and maintenance	400	126	(274)
Equipment rental	375	375	-
Other	100	-	(100)
Total Expenditures	3,425	3,025	(400)
Excess (deficiency) of revenues over expenditures	575	3,686	3,111
Fund balance, beginning	39,390	39,390	-
Fund balance, ending	$ 39,965	$ 43,076	$ 3,111

See accompanying notes to financial statements.