

**IRA TOWNSHIP**  
St. Clair County, Michigan  
**AUDITED FINANCIAL STATEMENTS**  
For The Year Ended June 30, 2007

### Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name IRA TOWNSHIP	County ST. CLAIR
Fiscal Year End JUNE 30, 2007	Opinion Date OCTOBER 30, 2007	Date Audit Report Submitted to State DECEMBER 4, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

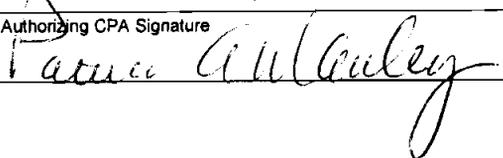
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**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	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) MCBRIDE, MANLEY & MILLER, P.C.		Telephone Number 810-765-4700
Street Address 1115 S. PARKER ST., P.O. BOX 26		City MARINE CITY
		State MI
		Zip 48039
Authorizing CPA Signature 	Printed Name PATRICIA A. MANLEY	License Number 1101014974

# IRA TOWNSHIP

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# IRA TOWNSHIP

## Management's Discussion and Analysis

June 30, 2007

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### The Township as a Whole

The Township's combined net assets decreased from a year ago from \$11,009,000 to \$10,715,000. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced a decrease of approximately \$50,000. This was mainly due to the increase in capital outlay. The business-type activities experienced a \$243,000 decrease in net assets. This was mainly due to an increase in depreciation. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

(in thousands of dollars)

	Governmental Activities		Business-Type Activities *		Total	
	2006	2007	2006	2007	2006	2007
Current Assets	\$ 943	\$ 844	\$ 1,597	\$ 1,840	\$ 2,540	\$ 2,684
Noncurrent Assets	1,588	1,555	15,915	19,137	17,503	20,692
<b>Total Assets</b>	<b>2,531</b>	<b>2,399</b>	<b>17,512</b>	<b>20,977</b>	<b>20,043</b>	<b>23,376</b>
Long-Term Debt Outstanding	478	283	7,578	10,740	8,056	11,023
Other Liabilities	437	550	541	1,088	978	1,638
<b>Total Liabilities</b>	<b>915</b>	<b>833</b>	<b>8,119</b>	<b>11,828</b>	<b>9,034</b>	<b>12,661</b>
<b>Net Assets</b>						
Invested in Capital Assets - Net of Debt	893	1,234	7,664	7,511	8,557	8,745
Restricted	562	418	150	-	712	418
Unrestricted	161	(86)	1,579	1,638	1,740	1,552
<b>Total Net Assets</b>	<b>\$ 1,616</b>	<b>\$ 1,566</b>	<b>\$ 9,393</b>	<b>\$ 9,149</b>	<b>\$ 11,009</b>	<b>\$ 10,715</b>

\* 2006 amounts have been restated to reflect prior period adjustments

# IRA TOWNSHIP

## Management's Discussion and Analysis

June 30, 2007

Unrestricted net assets--the part of net assets that can be used to finance day to day operations, decreased by \$247,000 for the governmental activities. This represents a decrease of approximately 153%. The current level of unrestricted net assets for our governmental activities stands at a deficit of \$86,000.

The following table shows the changes in the net assets (in thousands of dollars) as of the current date to the prior year:

(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
<b>Program Revenues</b>						
Charges for Services	\$ 311	\$ 339	\$ 2,124	\$ 2,395	\$ 2,435	\$ 2,734
Operating Grants and Contributions	27	29	-	-	27	29
Capital Grants and Contributions	313	72	-	-	313	72
<b>General Revenues</b>						
Property Taxes	543	573	-	-	543	573
State-shared Revenues	500	491	-	-	500	491
Unrestricted Investment Earnings	26	17	35	43	61	60
Other	146	164	-	-	146	164
<b>Total Revenues</b>	<u>1,866</u>	<u>1,685</u>	<u>2,159</u>	<u>2,438</u>	<u>4,025</u>	<u>4,123</u>
<b>Program Expenses</b>						
General Government	356	374	-	-	356	374
Public Safety	935	938	-	-	935	938
Public Works	259	325	-	-	259	325
Legislative	17	-	-	-	17	-
Community Development	23	18	-	-	23	18
Recreation and Culture	54	57	-	-	54	57
Debt Service	24	23	-	-	24	23
Water	-	-	1,531	1,672	1,531	1,672
Sewer	-	-	1,040	1,009	1,040	1,009
<b>Total Expenses</b>	<u>1,668</u>	<u>1,735</u>	<u>2,571</u>	<u>2,681</u>	<u>4,239</u>	<u>4,416</u>
<b>Change in Net Assets</b>	<u>\$ 198</u>	<u>\$ (50)</u>	<u>\$ (412)</u>	<u>\$ (243)</u>	<u>\$ (214)</u>	<u>\$ (293)</u>

# IRA TOWNSHIP

## Management's Discussion and Analysis

June 30, 2007

### **Governmental Activities**

The Township's governmental activities consist of the General Fund, Fire Operational Fund, and four Debt Service Funds. The governmental activities experienced a decrease in net assets--basically as a result of an increase in capital outlay.

### **Business-Type Activities**

The Township's business-type activities consist of the Water and Sewer Fund. We provide water to approximately 85% of the Township's residents, and sewage treatment to approximately 75% of the Township's residents. We experienced an increase in our net operating income, due primarily to rate increases in user charges and an increase in tap fees.

### **The Township's Funds**

Our analysis of the Township's major funds begins on page 4, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds include the General Fund and the Fire Fund.

The General Fund pays for most of the Township's governmental services. The most significant are general government, public works, and public safety, which incurred expenses of approximately \$1,637,000. These services are partially supported by a special millage which is recorded in the Fire Fund.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account events during the year. The only significant change was an expected increase in the transfer to the Fire Fund. Most departments overall stayed within budget. There were two departments significantly over budget, Township office and roads. This was the result of the low-impact development project at the Township hall and the paving of Alexandria Road. The General Fund's fund balance decreased from \$125,000 a year ago to \$37,000 at June 30, 2007.

### **Capital Asset and Debt Administration**

At the end of June 30, 2007, the Township had \$20,288,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements.

The significant changes in indebtedness during the year are a result of the capitalizing of a lease with St. Clair County. The County issued D.W.R.F. bonds in the amount of \$4,900,000 for the upgrade of a water main on M-29. This water main is being leased to the Township on the same terms as the County's bond requirements.

## IRA TOWNSHIP

### Management's Discussion and Analysis

June 30, 2007

#### **Fund Balance Deficit**

The Township's Fire Operational Fund ended the year with a fund balance deficit of approximately \$40,000. It has always been the policy of the Township to transfer amounts as needed to the Fire Operational Fund to cover its expenses. A transfer sufficient to cover this deficit was transferred during the 2007/2008 fiscal year.

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

The Township needs to continue to watch its budget very closely. In excess of 40% of the General Fund revenues are generated from the State of Michigan revenue sharing formula. The State has experienced significant budget deficits, and these revenues may be reduced in an attempt to balance their budget in the future.

In the current economy, it is the Township's intention to consider budget cuts whenever possible. The Township is committed to cut its spending in the 2007/2008 fiscal year. The Township also has increased some revenue to offset the rising costs of operations. This should help in strengthening both the General Fund and the Fire Operating Funds.

#### **Contacting the Township Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the supervisor's office.



**McBride, Manley  
& Miller P.C.**

**Certified Public Accountants**

Marine City, MI (810) 765-4700

Chesterfield, MI (586) 598-4600

**INDEPENDENT AUDITORS' REPORT**

October 30, 2007

Township Board  
Ira Township  
7085 Meldrum Road  
Fair Haven, Michigan 48023

Honorable Members:

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 IRA TOWNSHIP as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ira 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. 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 Ira Township, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information on pages i through iv is not a required part of the basic financial statements but is 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 Ira Township's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

*McBride, Manley & Miller P.C.*  
McBRIDE, MANLEY & MILLER P.C.  
Certified Public Accountants

# IRA TOWNSHIP

## STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash - checking and on hand	\$ 12,346	\$ 11,600	\$ 23,946
- savings and certificates	457,065	12,119	469,184
- Municipal Investment Pool	89,426	450,146	539,572
Restricted cash - expendable	-	386,244	386,244
Restricted receivables - expendable	-	383,306	383,306
Accounts receivable and other	159,441	549,512	708,953
Internal balances*	21,608	-	-
Due from other units of government	89,997	-	89,997
Prepaid expenses	8,863	16,261	25,124
Accrued interest and deposits	5,114	30,520	35,634
<i>Total Current Assets</i>	<u>843,860</u>	<u>1,839,708</u>	<u>2,661,960</u>
<b>Other Assets</b>			
Capital assets, net of accumulated depreciation	1,554,747	18,733,092	20,287,839
Internal balances*	-	215,726	-
Bond issuance costs, net of amortization	-	188,841	188,841
<b>TOTAL ASSETS</b>	<u>\$ 2,398,607</u>	<u>\$ 20,977,367</u>	<u>\$ 23,138,640</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 71,291	\$ 487,246	\$ 558,537
Accrued expenses	21,449	97,127	118,576
Internal balances - current*	215,726	21,608	-
Deferred revenue	23,923	-	23,923
Current portion of long-term obligations	217,769	481,786	699,555
<i>Total Current Liabilities</i>	<u>550,158</u>	<u>1,087,767</u>	<u>1,400,591</u>
<b>Noncurrent Liabilities</b>			
Long-term obligations, net of current portion	282,351	10,740,123	11,022,474
<b>TOTAL LIABILITIES</b>	<u>\$ 832,509</u>	<u>\$ 11,827,890</u>	<u>\$ 12,423,065</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	\$ 1,234,627	\$ 7,511,183	\$ 8,745,810
Restricted	417,691	-	417,691
Unrestricted	(86,220)	1,638,294	1,552,074
<b>TOTAL NET ASSETS</b>	<u>\$ 1,566,098</u>	<u>\$ 9,149,477</u>	<u>\$ 10,715,575</u>

\* amounts have been offset in total column



**IRA TOWNSHIP**

**STATEMENT OF ACTIVITIES**

For the year ended June 30, 2007

	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue		
	Expenses	Charge for Services		Operating Grants and Contributions	Governmental Activities	Primary Government Business-type Activities
<b>PRIMARY GOVERNMENT</b>						
<i>Governmental Activities</i>						
General government	\$ 373,791	\$ 94,074	\$ 71,491	\$ (208,226)	\$ (208,226)	
Public safety	938,288	47,354	-	(890,934)	(890,934)	
Public works	325,315	197,475	-	(127,840)	(127,840)	
Community and economic development	18,031	-	-	(18,031)	(18,031)	
Parks and recreation	56,845	-	29,020	(27,825)	(27,825)	
Debt service	22,716	-	-	(22,716)	(22,716)	
<b>Total Governmental Activities</b>	<b>1,734,986</b>	<b>338,903</b>	<b>71,491</b>	<b>(1,295,572)</b>	<b>(1,295,572)</b>	
<i>Business-type Activities</i>						
Water and sewer	2,681,203	2,395,341	-	(285,862)	(285,862)	
	2,681,203	2,395,341	-	(285,862)	(285,862)	
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 4,416,189</b>	<b>\$ 2,734,244</b>	<b>\$ 71,491</b>	<b>\$ (1,295,572)</b>	<b>\$ (1,581,434)</b>	
<b>GENERAL PURPOSE REVENUES</b>						
Property taxes				573,144	573,144	
State shared revenues				490,923	490,923	
Investment earnings				17,439	59,985	
Other				161,126	161,126	
Gain on sale of assets				2,500	2,500	
<b>TOTAL GENERAL PURPOSE REVENUES AND TRANSFERS</b>				<b>1,245,132</b>	<b>1,287,678</b>	
<b>CHANGE IN NET ASSETS</b>				<b>(50,440)</b>	<b>(293,756)</b>	
Net assets at July 1, 2006				1,616,538	11,032,384	
Prior period adjustments				-	(23,053)	
Restated net assets at July 1, 2006				1,616,538	11,009,331	
<b>NET ASSETS AT JUNE 30, 2007</b>				<b>\$ 1,568,098</b>	<b>\$ 10,715,575</b>	



McBride, Manley  
& Miiller P.C.

**IRA TOWNSHIP**

**BALANCE SHEET -  
GOVERNMENTAL FUNDS**

June 30, 2007

	General	Fire Operational Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash - checking and on hand	\$ 5,006	\$ -	\$ -	\$ 5,006
- savings and certificates	82,656	43,139	331,270	457,065
- Municipal Investment Pool	89,426	-	-	89,426
Accounts receivable and other	62,159	-	-	62,159
Due from other funds	57,650	-	5,832	63,482
Due from other units of government	35,037	-	-	35,037
Taxes and special assessments receivable	5,595	2,333	89,354	97,282
Prepays and other assets	7,558	1,701	-	9,259
<b>TOTAL ASSETS</b>	<b>\$ 345,087</b>	<b>\$ 47,173</b>	<b>\$ 426,456</b>	<b>\$ 818,716</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 66,402	\$ 4,889	\$ -	\$ 71,291
Accrued expenses	5,113	1,320	-	6,433
Due to other funds	165,985	78,147	6,128	250,260
Deferred revenue	70,450	2,333	89,354	162,137
<b>TOTAL LIABILITIES</b>	<b>307,950</b>	<b>86,689</b>	<b>95,482</b>	<b>490,121</b>
<b>FUND EQUITY</b>				
Reserved: debt retirement	-	-	330,974	330,974
prepaid expenses	7,287	-	-	7,287
Unreserved, undesignated	29,850	(39,516)	-	(9,666)
<b>TOTAL FUND EQUITY</b>	<b>37,137</b>	<b>(39,516)</b>	<b>330,974</b>	<b>328,595</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 345,087</b>	<b>\$ 47,173</b>	<b>\$ 426,456</b>	<b>\$ 818,716</b>



**IRA TOWNSHIP**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
WITH THE STATEMENT OF NET ASSETS**

June 30, 2007

Total Fund Balance - Governmental Funds		\$	328,595
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.</p>			
Cost of capital assets	\$	3,927,333	
Less: accumulated depreciation		<u>(2,372,586)</u>	
<i>Net Capital Assets</i>			1,554,747
<p>Delinquent personal property taxes receivable, grant revenues receivable, recreation millage receivable, special assessment receivable, and interest income receivable were not available soon enough after year end to pay the current period expenditures and, therefore, are deferred in the governmental funds.</p>			
			197,892
<p>Long-term liabilities, including loans payable, are not due in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>			
Bonds payable, including unamortized premium		(500,120)	
Accrued interest on loans		(7,355)	
Compensated absences		<u>(7,661)</u>	
<i>Total Long-Term Liabilities</i>			(515,136)
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>			<b>\$ <u>1,566,098</u></b>



**IRA TOWNSHIP**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the year ended June 30, 2007

	General	Fire Operational Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Tax collections	\$ 125,645	\$ 268,667	\$ 179,100	\$ 573,412
Distributions from State of Michigan	490,923	-	-	490,923
Local millage recreation funds	27,537	-	-	27,537
Licenses, permits, fines, and fees	94,074	-	-	94,074
Fire protection fees	47,354	-	-	47,354
Tax administration fees, penalty, and interest	70,931	-	-	70,931
Interest earned	5,749	1,079	13,571	20,399
Special assessments	319	-	62,566	62,885
Refuse collection	197,475	-	-	197,475
Grant income	13,402	3,129	-	16,531
Miscellaneous revenue	94,530	-	-	94,530
<b>TOTAL REVENUES</b>	<b>1,167,939</b>	<b>272,875</b>	<b>255,237</b>	<b>1,696,051</b>
<b>Other Financing Sources:</b>				
Transfers from other funds	109,881	178,909	-	288,790
Gain on sale of assets	-	2,500	-	2,500
Capital lease	-	30,975	-	30,975
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>1,277,820</b>	<b>485,259</b>	<b>255,237</b>	<b>2,018,316</b>
<b>Expenditures:</b>				
General government	470,834	-	-	470,834
Public safety	333,250	492,376	-	825,626
Public works	324,754	-	-	324,754
Community and economic development	18,031	-	-	18,031
Recreation and cultural	39,500	-	-	39,500
Miscellaneous	-	-	318	318
Debt service -principal	-	23,756	203,147	226,903
Debt service - interest	-	1,017	22,039	23,056
<b>TOTAL EXPENDITURES</b>	<b>1,186,369</b>	<b>517,149</b>	<b>225,504</b>	<b>1,929,022</b>
<b>Other Financing Uses:</b>				
Transfers to other funds	178,909	-	109,881	288,790
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>1,365,278</b>	<b>517,149</b>	<b>335,385</b>	<b>2,217,812</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES</b>	<b>(87,458)</b>	<b>(31,890)</b>	<b>(80,148)</b>	<b>(199,496)</b>
Fund Balance (Deficit) at July 1, 2006	124,595	(7,626)	411,122	528,091
<b>FUND BALANCE (DEFICIT) AT JUNE 30, 2007</b>	<b>\$ 37,137</b>	<b>\$ (39,516)</b>	<b>\$ 330,974</b>	<b>\$ 328,595</b>



**IRA TOWNSHIP**

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

June 30, 2007

Total Net Change in Fund Balances - Governmental Funds \$ (199,496)

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for government activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. Proceeds from the sale of capital assets are reported as revenue in the governmental funds. For government activities, these proceeds are reduced by the net book value of disposed assets to provide the gain or loss on sale of such assets in the statement of activities.

Capital outlay	\$ 218,626	
Less: depreciation	<u>(252,540)</u>	(33,914)

Delinquent personal property taxes receivable, federal grant revenues receivable, and interest income receivable were not available soon enough after year end to pay the current period expenditures and, therefore, are deferred in the governmental funds. (14,005)

Repayment of loan principal is an expenditure, and loan proceeds are revenue in the governmental funds. Proceeds increase and repayments decrease liabilities in the statement of net assets and do not affect the statement of activities.

Loan principal payments	226,903	
Capital lease	<u>(30,975)</u>	195,928

Compensated absences are measured by the amount earned in the statement of activities. In the governmental funds, these items are measured by financial resources used. 707

Interest expenditures are recorded when financial resources are used in the governmental funds. Interest expense is recognized as the interest accrues regardless of when it is due in the statement of activities. 340

<b><u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u></b>	<b>\$ <u>(50,440)</u></b>
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**IRA TOWNSHIP**

**STATEMENT OF NET ASSETS -  
PROPRIETARY FUNDS**

June 30, 2007

	Total Proprietary Funds
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash - checking and on hand	\$ 11,600
- savings and certificates	12,119
- Municipal Investment Pool	450,146
Restricted cash - expendable	386,244
Restricted receivables - expendable	383,306
Accounts receivable and other	549,512
Prepaid insurance	16,261
Deposits with St. Clair County	30,520
<i>Total Current Assets</i>	<u>1,839,708</u>
<b>Other Assets</b>	
Due from other funds	215,726
Bond issuance costs, net of amortization	188,841
Capitalized lease, net of amortization	12,525,240
Capital assets, net of accumulated depreciation	6,207,852
<b>TOTAL ASSETS</b>	<b>\$ <u>20,977,367</u></b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 487,246
Accrued expenses	97,127
Due to other funds	21,608
Current portion of long-term debt	481,786
<i>Total Current Liabilities</i>	<u>1,087,767</u>
<b>Noncurrent Liabilities</b>	
Long-term obligations, net of current portion	10,740,123
<b>TOTAL LIABILITIES</b>	<b>\$ <u>11,827,890</u></b>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	\$ 7,511,183
Unrestricted	1,638,294
<b>TOTAL NET ASSETS</b>	<b>\$ <u><u>9,149,477</u></u></b>



## IRA TOWNSHIP

### STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS - PROPRIETARY FUNDS

For the year ended June 30, 2007

	Water Supply and Sewage Disposal System
<b>Operating Revenues:</b>	
User charges	\$ 1,291,906
Water hauling fees	24,334
Tap fees	219,381
Lateral line charges	1,664
Grant revenues	30,429
Penalties	29,642
Miscellaneous revenues	13,831
<b>TOTAL OPERATING REVENUES</b>	<b>1,611,187</b>
<b>Operating Expenses:</b>	
Water	1,389,001
Sewer	942,764
<b>TOTAL OPERATING EXPENSES</b>	<b>2,331,765</b>
<b>NET INCOME (LOSS) FROM OPERATIONS</b>	<b>(720,578)</b>
<b>Nonoperating Revenue (Expense):</b>	
Debt service revenue	784,154
Income on restricted assets	19,921
Interest earned	22,625
Interest expense and agent fees	(349,438)
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<b>477,262</b>
<b>CHANGE IN NET ASSETS</b>	<b>(243,316)</b>
Net Assets at July 1, 2006	9,415,846
Prior period adjustments	(23,053)
Restated net assets at July 1, 2006	9,392,793
<b>NET ASSETS AT JUNE 30, 2007</b>	<b>\$ 9,149,477</b>



**IRA TOWNSHIP**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the year ended June 30, 2007

	Total Proprietary Funds
<b>Cash Flows From Operating Activities:</b>	
Receipts from customers	\$ 1,382,496
Payments to suppliers	(397,709)
Payments to employees	(523,490)
Other receipts (payments)	44,260
<b>Net Cash Provided By Operating Activities</b>	<b><u>505,557</u></b>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Acquisition of capital assets	(43,352)
Bond issuance costs	(19,390)
Special assessment collections	65,580
Principal paid on bonds	(762,378)
Interest and paying agent fees paid on revenue bonds	(330,089)
Debt service charges	784,154
<b>Net Cash Used In Capital and Related Financing Activities</b>	<b><u>(305,475)</u></b>
<b>Cash Flows From Investing Activities:</b>	
Interest on investments	45,480
<b>Net Cash Provided By Investing Activities</b>	<b><u>45,480</u></b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>245,562</b>
Cash and Cash Equivalents at July 1, 2006	614,547
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2007</b>	<b><u>\$ 860,109</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</b>	
Operating income (loss)	\$ (720,578)
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</i>	
Depreciation and amortization	958,769
<i>Change in assets and liabilities:</i>	
Accounts receivable	(118,705)
Prepaid insurance	53,063
Due from other funds	(65,726)
Accounts payable	389,090
Due to other funds	2,628
Accrued expenses	7,016
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 505,557</u></b>

**Supplemental Disclosure of Non-cash Financing Activity:**

During the year, St. Clair County borrowed \$4,052,065 from the State of Michigan D.W.R.F. to finance the construction of a water main upgrade. Ira Township is leasing this upgrade on the same terms that the County has with the State.



**IRA TOWNSHIP**

**STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2007

	Tax Collection Fund	Agency Fund
<b>ASSETS</b>		
Cash - checking and on hand	\$ 5,000	\$ 77,856
- savings and certificates	-	24,945
Accounts receivable	-	129
<b>TOTAL ASSETS</b>	<b>\$ 5,000</b>	<b>\$ 102,930</b>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 997
Due to other funds	5,000	2,340
Due to other units of government	-	378
Due to Township employees or residents	-	99,215
<b>TOTAL LIABILITIES</b>	<b>\$ 5,000</b>	<b>\$ 102,930</b>



**IRA TOWNSHIP**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
<b>Revenues:</b>				
Tax collections	\$ 127,700	\$ 127,700	\$ 125,645	\$ (2,055)
Distributions from State of Michigan	501,863	501,863	490,923	(10,940)
Local millage recreation funds	26,415	26,415	27,537	1,122
Licenses, permits, fines, and fees	78,200	78,200	94,074	15,874
Fire protection fees	50,000	50,000	47,354	(2,646)
Tax administration fees, penalty, and interest	78,700	78,700	70,931	(7,769)
Interest earned	7,000	7,000	5,749	(1,251)
Special assessments	727	727	319	(408)
Refuse collection	190,000	190,000	197,475	7,475
Grant income	-	-	13,402	13,402
Miscellaneous revenue	75,850	75,850	94,530	18,680
<b>TOTAL REVENUES</b>	<b>1,136,455</b>	<b>1,136,455</b>	<b>1,167,939</b>	<b>31,484</b>
<b>Other Financing Sources:</b>				
Transfers from other funds	55,910	55,910	109,881	53,971
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>1,192,365</b>	<b>1,192,365</b>	<b>1,277,820</b>	<b>85,455</b>
<b>Expenditures:</b>				
General government board	16,600	16,600	16,578	22
Supervisor	11,520	11,520	11,345	175
Executive activities	201,320	182,320	173,333	8,987
Clerk	36,400	37,050	37,110	(60)
Board of review	1,725	1,725	1,686	39
Treasurer	35,000	35,000	35,747	(747)
Assessing department	37,000	50,100	49,348	752
Elections	8,900	8,900	8,511	389
Township office	13,570	43,570	137,176	(93,606)
Police	117,100	129,100	118,781	10,319
Inspection department	177,250	207,350	214,469	(7,119)
Drains	-	700	697	3
Roads	50,000	20,000	126,234	(106,234)
Street lights	12,200	12,200	12,044	156
Private roads	3,000	3,000	654	2,346
Refuse	190,000	190,000	185,125	4,875
Planning	28,578	28,578	16,406	12,172
Zoning Board of Appeals	2,180	2,180	1,625	555
Parks and recreation	47,350	47,350	27,067	20,283
Library	10,600	13,900	12,433	1,467
<b>TOTAL EXPENDITURES</b>	<b>1,000,293</b>	<b>1,041,143</b>	<b>1,186,369</b>	<b>(145,226)</b>
<b>Other Financing Uses:</b>				
Transfers to other funds	179,312	189,312	178,909	10,403
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>1,179,605</b>	<b>1,230,455</b>	<b>1,365,278</b>	<b>(134,823)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>12,760</b>	<b>(38,090)</b>	<b>(87,458)</b>	<b>(49,368)</b>
Fund Balance (Deficit) at July 1, 2006	124,595	124,595	124,595	-
<b>FUND BALANCE (DEFICIT) AT JUNE 30, 2007</b>	<b>\$ 137,355</b>	<b>\$ 86,505</b>	<b>\$ 37,137</b>	<b>\$ (49,368)</b>



**IRA TOWNSHIP**

**FIRE OPERATIONAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues:</b>				
Tax collections	\$ 267,612	\$ 267,612	\$ 268,667	\$ 1,055
Grant income	-	-	3,129	3,129
Interest earned	1,000	1,000	1,079	79
<b>TOTAL REVENUES</b>	<b>268,612</b>	<b>268,612</b>	<b>272,875</b>	<b>4,263</b>
<b>Other Financing Sources:</b>				
Gain on sale of assets	-	-	2,500	2,500
Capital lease	-	-	30,975	30,975
Transfer from other funds	357,115	357,115	178,909	(178,206)
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>625,727</b>	<b>625,727</b>	<b>485,259</b>	<b>(140,468)</b>
<b>Expenditures:</b>				
<i>Public Safety:</i>				
Salaries and benefits	293,824	293,824	277,093	16,731
Supplies	6,400	6,400	5,440	960
Uniforms	3,000	3,000	1,624	1,376
Emergency supplies	5,100	12,100	11,731	369
Contracted services	9,000	9,000	10,924	(1,924)
Professional services	4,500	4,500	4,599	(99)
Telephone and communications	4,200	19,200	5,862	13,338
Vehicle operation	5,400	5,400	8,723	(3,323)
Insurance	35,000	37,700	38,513	(813)
Utilities	14,750	14,750	13,922	828
Maintenance	15,900	15,900	22,715	(6,815)
Seminars and training	3,500	3,500	3,721	(221)
Dues and subscriptions	1,000	1,000	1,465	(465)
Miscellaneous charges	300	300	1,222	(922)
Capital outlay	33,000	20,000	84,821	(64,821)
<i>Debt service:</i>				
Principal	138,119	138,119	23,757	114,362
Interest and fees	-	-	1,017	(1,017)
<b>TOTAL EXPENDITURES</b>	<b>572,993</b>	<b>584,693</b>	<b>517,149</b>	<b>67,544</b>
<b>Other Financing Uses:</b>				
Transfer to other funds	52,734	41,034	-	41,034
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>625,727</b>	<b>625,727</b>	<b>517,149</b>	<b>108,578</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(31,890)</b>	<b>(31,890)</b>
Fund Balance (Deficit) at July 1, 2006	(7,626)	(7,626)	(7,626)	-
<b>FUND BALANCE (DEFICIT) AT JUNE 30, 2007</b>	<b>\$ (7,626)</b>	<b>\$ (7,626)</b>	<b>\$ (39,516)</b>	<b>\$ (31,890)</b>



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**DESCRIPTION OF TOWNSHIP OPERATIONS AND FUND TYPES:** Ira Township operates under an elected Supervisor, Clerk, Treasurer, and Board of two trustees and provides services to its residents (approximately 6,900) in many areas, including fire and police protection.

**REPORTING ENTITY:** The financial reporting entity consists solely of Ira Township. GASB Statement No. 14, as amended, states that the financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria for determining the financial reporting entity are separately elected governing body, legally separate entity, fiscally independent, ability to appoint voting majority of governing body, ability to impose its will, and potential for benefit or burden. Certain other organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization would be reported as a component unit of the reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 revenue.

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 fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2007

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Properties in Ira Township are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. These tax revenues are recognized when levied to the extent that they result in current receivables. All real property taxes levied December 31, 2006, have been received and recognized as revenue at June 30, 2007.

Revenues earned and susceptible to accrual are considered available and recognized if received within sixty days after the year end.

The government reports the following major governmental funds:

*GENERAL FUND* - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, protective services, and other intergovernmental revenues.

*FIRE OPERATIONAL FUND* - This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

The government reports the following major proprietary funds:

*ENTERPRISE FUNDS* - The Water Supply and Sewer Disposal System Fund reports operations that provide services which are financed by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Residual balances between the business-type activities and the governmental activities are reported as "internal balances."

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2007

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private sector standards issued after November 30, 1989, for its business-type activities.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

#### ASSETS, LIABILITIES, AND NET ASSETS

**BANK 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.

**RECEIVABLES AND PAYABLES:** In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of allowance for uncollectible amounts.

**INVENTORIES AND PREPAID ITEMS:** Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. 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.

**CAPITAL ASSETS:** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2007

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets are depreciated using the straight-line method over the following useful lives:

Vehicles	5 years
Equipment	5-10 years
Buildings	35-40 years
Lines	15-40 years

**COMPENSATED ABSENCES:** The Township employs sixteen full-time employees entitled to compensated absences. These employees are entitled to six sick days per calendar year, with a maximum accumulation of sixty days. Employees are paid for one half of accumulated days upon resignation of employment.

All vacation and vested sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**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 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.

It is the policy of the Township to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2007

### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:** P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets, as amended by the Township Board, were adopted at the departmental level and are shown in the body of the financial statements. Budget amendments require approval from a majority of the Township Board. Actual expenditures exceeded those budgeted as follows:

<u>General Fund</u>	
Clerk	\$ 60
Treasurer	747
Township office	93,606
Inspection Department	7,119
Roads	106,234

<u>Fire Fund</u>	
Interest and fees	\$ 1,017
Capital outlay	64,821
Contracted services	1,924
Professional fees	99
Vehicle operation	3,323
Insurance	813
Seminars and training	221
Dues and subscriptions	465
Miscellaneous charges	922
Maintenance	6,815

In addition, Michigan statutes do not permit a fund to maintain a deficit fund balance. The Fire Operational Fund ended the year June 30, 2007, with a deficit of \$39,516, and the Special Assessment 2000A Debt Service Fund had a deficit of \$6,128. The Township is required to adopt deficit reduction plans and submit the plans to the Michigan Department of Treasury.

### NOTE 3: CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are at Michigan banks in the name of Ira Township. Michigan Act 20 P.A. 1943 allows a township to make various investments with public monies including, but not limited to, the following:

1. Direct bonds and obligations of the U.S., its agencies or instrumentalities
2. Certificates of deposit, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency and located in the State of Michigan
3. Commercial paper - rated within 2 highest rate classifications by at least 2 rating services and matures not later than 270 days
4. U.S. or agency repurchase agreements
5. Mutual funds - investments which local unit can make directly
6. Bankers' acceptances of U.S. banks
7. Obligations of the State of Michigan 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



## IRA TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2007

#### **NOTE 3: CASH AND INVESTMENTS (Continued)**

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The deposits of the Township are in accordance with statutory authority.

Mutual fund investments are limited to those under SEC Rule 2a7 or 2a7-like investment pools. In accordance with GASB Statement 31, these are carried at amortized cost for financial reporting purposes.

Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "checking and on hand," "savings and certificates," "Municipal Investment Pool," "Investments," and "Restricted cash."

*INVESTMENTS:* During the year and at year end, the Township's investments were with various municipal pooled investment trust mutual funds. The year end balances at cost and market were \$539,572.

*INTEREST RATE RISK:* As a means of limiting its exposure to fair value losses arising from rising interest rates, the Township's investment policy limits its mutual and similar pooled investment funds to those under SEC Rule 2a7 or 2a7-like investment pools. In addition, Michigan statutes limit its investments in non U.S. Government securities to commercial paper with maturities of no longer than 270 days. The Township's policy limits investments to those with a maturity of less than one year.

*CREDIT RISK:* The Township's policy and state statutes limit the Township's investments to those described above. At year end, the bank balance and carrying amount of the government's deposits with financial institutions totaled \$1,642,478 and \$1,518,957, respectively, of which \$205,002 was insured by the FDIC, and the remainder is not insured. The investment policy limits certificates of deposit in excess of FDIC insurance limits to those whose issuing institution has an investment grade rating. The policy contains no restrictions on cash deposits, other than the Michigan statute limitation to deposits with Michigan Chartered institutions.

*CUSTODIAL RISK:* The Township's policy does not address custodial risk, however, the Township's investments are all held by it and in its name.

#### **NOTE 4: RESTRICTED ASSETS**

Restricted Water and Sewer Fund cash includes amounts on deposit with the St. Clair County Department of Public Works Sewage Disposal System No. 1 in the amount of \$43,142 and monies restricted by Township ordinance in the amount of \$343,102. Additional assets restricted by Township ordinance consist of user receivables of \$99,965, accrued interest receivable of \$4,846, special assessment receivable of \$82,255, and unbilled receivables of \$196,240. These amounts are restricted for debt retirement and future construction costs.



**IRA TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

June 30, 2007

**NOTE 5: FIXED ASSETS**

*Governmental Activities Fixed Assets:*

A summary of changes in governmental fixed assets follows:

	Balance at <u>6/30/06</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>6/30/07</u>
Office equipment	\$ 199,665	\$ --	\$ --	\$ 199,665
Equipment	29,340	--	--	29,340
Land and improvements	234,388	--	--	234,388
Buildings and improvements	967,996	--	--	967,996
Fire and police equipment	1,844,246	84,821	( 12,000)	1,917,067
D.P.W. equipment	6,156	--	--	6,156
Fire hall improvements	34,116	--	--	34,116
Library improvements	44,026	2,846	--	46,872
Parks and recreation	307,324	--	--	307,324
L.I.D. Project	<u>53,450</u>	<u>130,959</u>	<u>--</u>	<u>184,409</u>
	3,720,707	218,626	12,000	3,927,333
Less: Accumulated depreciation	<u>( 2,132,046)</u>	<u>( 252,540)</u>	<u>( 12,000)</u>	<u>( 2,372,586)</u>
	<u>\$1,588,661</u>	<u>(\$ 33,914)</u>	<u>\$ --</u>	<u>\$1,554,747</u>

Governmental activity depreciation, included on the Statement of Activities, was allocated as follows:

Recreation and Cultural	\$ 17,345
Public Safety	195,830
Public Works	561
General Government	<u>38,804</u>
Total	<u>\$252,540</u>



**IRA TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

June 30, 2007

**NOTE 5: FIXED ASSETS (Continued)**

*Business-Type Activities Fixed Assets:*

A summary of changes in business-type fixed assets follows:

	<u>Balance at</u> <u>6/30/06</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>6/30/07</u>
<b>Water and Sewer Fund:</b>				
Buildings	\$ 1,458,731	\$ 56,462	\$ --	\$ 1,515,193
Equipment	427,606	--	--	427,606
Vehicles	163,533	--	--	163,533
Pipe lines and plant	<u>12,596,323</u>	<u>76,696</u>	<u>--</u>	<u>12,673,019</u>
	14,646,193	133,158	--	14,779,351
Less: Accumulated depreciation	( <u>8,027,589</u> )	( <u>543,910</u> )	--	( <u>8,571,499</u> )
	<u>\$ 6,618,604</u>	<u>(\$ 410,752)</u>	<u>\$ --</u>	<u>\$ 6,207,852</u>
 <b>Capitalized Leased Fixed Assets:</b>				
Land	\$ 236,228	\$ --	\$ --	\$ 236,228
Water plant and water mains	8,994,588	4,267,795	--	13,262,383
Sewer Disposal System	<u>1,857,003</u>	<u>--</u>	<u>--</u>	<u>1,857,003</u>
	11,087,819	4,267,795	--	15,355,614
Less: Accumulated amortization	( <u>2,416,825</u> )	( <u>413,549</u> )	--	( <u>2,830,374</u> )
	<u>\$ 8,670,994</u>	<u>\$3,854,246</u>	<u>\$ --</u>	<u>\$12,525,240</u>
 Construction in progress	<u>\$ 305,534</u>	<u>\$ --</u>	<u>(\$305,534)</u>	<u>\$ --</u>

Depreciation and amortization for the year ended June 30, 2007, amounted to \$292,017 in the Sewer Department. Depreciation and amortization expense amounted to \$666,752 in the Water Department.



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2007

### NOTE 6: BONDS PAYABLE AND OTHER LONG-TERM INDEBTEDNESS

*Changes in Indebtedness:*

	<u>Bonds and Notes Payable</u>	<u>Amortizable Bond Discount</u>	<u>Total Long-Term Obligations</u>
Balance at June 30, 2006	\$ 8,640,946	\$13,987	\$ 8,654,933
Bond and loan proceeds	4,083,040	--	4,083,040
Amortization of discount	--	( 1,310)	( 1,310)
Retirement of debt	( 989,280)	--	( 989,280)
Balance at June 30, 2007	<u>\$11,734,706</u>	<u>\$12,677</u>	<u>\$11,747,383</u>
Total Water and Sewer Fund Leases and Bonded Indebtedness			\$11,234,586
Total Indebtedness in Governmental Funds			500,120
Unamortized Bond Premium			<u>12,677</u>
			<u>\$11,747,383</u>

*Capitalized Lease Obligations:*

The Township has entered into contracts under the provisions of Act 185, Public Acts of Michigan, 1957, as amended, with St. Clair County, Michigan, for the lease of a water treatment plant. The terms of these leases extend until the county bonds issued for the construction of the water treatment plant are paid in full. The Township has pledged its full faith and credit to repay the bond issues with an unlimited tax general obligation approved by the vote of the Township residents. The contracts require semi-annual interest payments due the first of July and January and principal payments due the first of July of each year.

The Township also has a contract with St. Clair County for the lease of a wastewater treatment plant. The terms of this lease match those of the related bonds and bear the full faith and credit of the Township. Interest payments are due April and October and principal payments are due in April of each year for one issue. For another, interest payments are due March and September and principal payments are due in March of each year.

The Township has entered into a lease agreement with St. Clair County for the upgrade of the water main along M-29. The terms of this lease extend until the county bonds issued for the construction of the upgrade are paid in full. The project is being financed through the County using the State Drinking Water Revolving Fund. The contract requires semi-annual interest payments due the first of April and October and principal payments due the first of April each year for twenty years. As of June 30, 2007, the Township had a balance of approximately \$848,000 available to draw on this fund, and is committed contractually for \$445,087.

Minimum lease payments are as follows:

	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>	<u>6/30/2011</u>
Water Department	\$479,863	\$ 891,909	\$ 895,109	\$ 896,654
Sewer Department	181,036	181,289	181,273	178,996
Total Minimum Lease Payments	<u>\$660,899</u>	<u>\$1,073,198</u>	<u>\$1,076,382</u>	<u>\$1,075,650</u>
	<u>6/30/2012</u>	<u>6/30/2013-17</u>	<u>6/30/2018-22</u>	<u>6/30/2023-27</u>
Water Department	\$ 896,378	\$4,314,618	\$2,348,634	\$597,499
Sewer Department	176,189	398,175	415,975	84,204
Total Minimum Lease Payments	<u>\$1,072,567</u>	<u>\$4,712,793</u>	<u>\$2,764,609</u>	<u>\$681,703</u>



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2007

### NOTE 6: BONDS PAYABLE AND OTHER LONG-TERM INDEBTEDNESS (Continued)

Interest expense and paying agent fees for Ira Township for the year ended June 30, 2007, totaled \$372,494.

The General Obligation Bonds are to be financed by tax revenues accumulated in the Debt Service Fund. The Water and Sewer Fund's lease obligations are to be financed by a combination of user charges and an unlimited tax general obligation approved by the vote of the Township residents. If, at any time, the revenue of the Water and Sewer Fund is insufficient to meet the current obligation, the liability becomes a general obligation of the Township.

#### Summary of Indebtedness:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding	Current Portion
<b>General Obligations:</b>					
Special Assessment Bonds - Series 2003A	1	3.75%	2008	\$ 65,000	\$ 65,000
Special Assessment Bonds - Series 2004	1	3.88	2012	135,862	30,000
Special Assessment Bonds - Series 2006	1	6.85	2011	115,000	25,000
Installment Loan - DPW/Water and Sewer	N/A	4.30	2009	130,000	65,000
Installment Loans - Fire Trucks	N/A	3.34 - 7.00	2010	320,120	127,769
Capital Improvement Bonds - Series 2006	1	3.90 - 4.20	2013	420,000	65,000
Capitalized Leases - Water Department	2	2.125 - 4.125	2027	9,187,065	200,000
Capitalized Leases - Sewer Department	2	3.375 - 5.125	2023	1,361,659	121,786
Total General Obligations				<u>\$11,734,706</u>	<u>\$699,555</u>

Complete details of the Township's outstanding indebtedness are presented on pages 31-35.

#### Summary of Principal and Interest Requirements:

	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>	<u>6/30/2011</u>
Special Assessment Bonds	\$ 132,929	\$ 68,663	\$ 60,541	\$ 60,457
Capital Improvement Bonds	82,070	79,535	81,968	79,133
Installment Loans	208,887	198,234	69,492	--
Capitalized Leases	<u>660,899</u>	<u>1,073,198</u>	<u>1,076,382</u>	<u>1,075,650</u>
Total Principal and Interest Requirements	<u>\$1,084,785</u>	<u>\$1,419,630</u>	<u>\$1,288,383</u>	<u>\$1,215,240</u>
	<u>6/30/2012</u>	<u>6/30/2013-17</u>	<u>6/30/2018-22</u>	<u>6/30/2023-27</u>
Special Assessment Bonds	\$ 23,306	\$ --	\$ --	\$ --
Capital Improvement Bonds	81,262	78,150	--	--
Installment Loans	--	--	--	--
Capitalized Leases	<u>1,072,567</u>	<u>4,712,793</u>	<u>2,764,609</u>	<u>681,703</u>
Total Principal and Interest Requirements	<u>\$1,177,135</u>	<u>\$4,790,943</u>	<u>\$2,764,609</u>	<u>\$681,703</u>

#### Debt Margin:

Michigan Compiled Law limits indebtedness incurred by townships to 10% of the total taxable value of the township. For the fiscal year 06/07, the taxable value of Ira Township was \$177,803,303; therefore, the legal debt margin is \$17,780,000.



**IRA TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

June 30, 2007

**NOTE 7: INTERFUND RECEIVABLES AND PAYABLES**

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as "Due from other funds," "Due to other funds," or "Restricted assets" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>
		Fire Fund	\$ 28,702
		Water and Sewer Fund	21,608
		Trust and Agency Fund	2,340
		Tax Fund	<u>5,000</u>
General Fund	<u>\$ 57,650</u>		<u>\$ 57,650</u>
Debt Service Funds	<u>\$ 5,832</u>	Fire Fund	<u>\$ 5,832</u>
		Fire Fund	\$ 43,613
		Debt Service Fund	6,128
		General Fund	<u>165,985</u>
Water and Sewer Fund	<u>\$215,726</u>		<u>\$215,726</u>

Interfund receivables and payables are eliminated in the entity-wide presentations, within the governmental and business-type fund groups.

**NOTE 8: INTERFUND TRANSFERS**

Expenses for fire protection are accounted for in the Fire Fund. The General Fund routinely transfers funds to cover these expenses. The General Fund received a transfer from the sale of special assessment bonds in payment of road construction paid by the General Fund.

Operating transfers during the year ended June 30, 2007, are as follows:

	<u>Transfers In</u>		<u>Transfers Out</u>
Fire Fund	<u>\$178,909</u>	General Fund	<u>\$178,909</u>
General Fund	<u>\$109,881</u>	Debt Service Fund	<u>\$109,881</u>

These transfers have been eliminated in the entity-wide Statement of Activities other than those between business-type activities and governmental activities.



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2007

### NOTE 9: FUND BALANCE RESERVATIONS

	<u>Balance at June 30, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at June 30, 2007</u>
Reserved Fund Balance:				
Governmental Funds - for bond payments	\$411,122	\$255,237	\$335,385	\$330,974
- for prepaid expenses	44,575	--	37,288	7,287

Government Activities - \$417,691 is restricted for debt retirement.

### NOTE 10: SEWAGE DISPOSAL SYSTEM

Ira Township entered into an agreement with Clay Township and the City of Algonac for the St. Clair County Department of Public Works to construct a joint sewer collector system. Ira Township issued \$2,800,000 worth of revenue bonds in payment of the Township's portion of the collector system. The full faith and credit of the Township and St. Clair County are pledged to the payment of these bonds pursuant to Act 185, Public Acts of Michigan, 1957, as amended. The Township operates and maintains the collector system which is being leased from the County. Ownership of the collector system will revert to the Township upon final payment of the bond issue. On the date the system was operable, the bonds payable and the related fixed asset were recorded at \$2,800,000. This fixed asset is being depreciated on a straight-line basis over 40 years. In 2003, an additional \$1,050,000 of bonds was issued for an upgrade and major repairs to the system.

### NOTE 11: DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the Township that the Township has no liability for losses under the plan but does have the duty of care that would be required of an ordinary, prudent investor.

### NOTE 12: RISK FINANCING

Ira Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.



# IRA TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2007

### NOTE 13: ECONOMIC DEPENDENCY

Approximately 39% of the water and sewer revenues are obtained from one customer within the Township. The customer is a manufactured housing community consisting of approximately 1,400 sites.

### NOTE 14: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments in the Water and Sewer Fund consisted of the following:

Bond issuance costs incorrectly expensed year ending June 30, 2006	(\$10,500)
Customer not billed for water/sewer usage for year ending June 30, 2006	( 46,150)
Customer overcharged for water/sewer usage for year ending June 30, 2006	67,100
Accrued sick time not recorded at June 30, 2006	<u>12,603</u>
	<u>\$23,053</u>

### NOTE 15: LOW-IMPACT DEVELOPMENTS PROJECT

The Township has entered into an agreement with the Michigan Department of Environmental Quality for a Low-Impact Developments Project. This project includes the construction of a green roof on the fire hall, rain gardens, and grassed swales to collect runoff from the parking lot. The Township is receiving grants of approximately \$290,000 with a local match required of the same amount. As of June 30, 2007, this project was approximately 33% complete.

### NOTE 16: 401(a) PLAN

The Township adopted a retirement plan known as the Ira Township 401(a) Plan. The plan is a defined contribution plan with an employee deferral option. The Township Board is the administrator and has authority to establish the plan and amend it. This plan covers all employees in the selected cohesive group. The contributions to the plan are at the discretion of the Board and there were no contributions for the year ending June 30, 2007.

### NOTE 17: CONTRACT FOR REAPPRAISAL AND ASSESSING SERVICES

The Township has entered into two three-year contract agreements with the County. The first one contracts the County to perform reappraisals on all Township parcels at a cost of \$7,215 per quarter for calendar years 2007-2009. The second one provides assessing services to the Township at a cost of \$1,458 per month for calendar years 2007-2009. Total cost of assessing services for the year ended June 30, 2007, totaled \$22,000, and the cost of the reappraisal services totaled \$14,431.

### NOTE 18: SUBSEQUENT EVENTS

In August, 2007, the Township sold a 1995 fire truck for \$45,000. This truck had an initial cost of \$100,908 and had no remaining book value at the time of sale.



**SUPPLEMENTAL INFORMATION**



**IRA TOWNSHIP**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS**

June 30, 2007

	Debt Service Funds				Total Non-Major Governmental Funds Total
	Fire Truck	Special Assess. 2000A	Special Assess. 2003	Special Assess. 2006	
<b>ASSETS</b>					
Cash - savings	\$ 254,294	\$ -	\$ 39,317	\$ 37,659	\$ 331,270
Taxes and special assessments receivable	1,575	-	9,330	78,449	89,354
Due from other funds	5,832	-	-	-	5,832
<b>TOTAL ASSETS</b>	<b>\$ 261,701</b>	<b>\$ -</b>	<b>\$ 48,647</b>	<b>\$ 116,108</b>	<b>\$ 426,456</b>
<b>LIABILITIES</b>					
Deferred revenue	\$ 1,575	\$ -	\$ 9,330	\$ 78,449	\$ 89,354
Due to other funds	-	6,128	-	-	6,128
<b>TOTAL LIABILITIES</b>	<b>1,575</b>	<b>6,128</b>	<b>9,330</b>	<b>78,449</b>	<b>95,482</b>
<b>FUND EQUITY</b>					
Reserved for debt retirement	260,126	(6,128)	39,317	37,659	330,974
<b>TOTAL FUND EQUITY</b>	<b>260,126</b>	<b>(6,128)</b>	<b>39,317</b>	<b>37,659</b>	<b>330,974</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 261,701</b>	<b>\$ -</b>	<b>\$ 48,647</b>	<b>\$ 116,108</b>	<b>\$ 426,456</b>



**IRA TOWNSHIP**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**

For the year ended June 30, 2007

	Debt Service Funds				Total Non-Major Governmental Funds
	Fire Truck	Special Assess. 2000A	Special Assess. 2003	Special Assess. 2006	
<b>Revenues:</b>					
Tax collections	\$ 179,100	\$ -	\$ -	\$ -	\$ 179,100
Interest income	6,639	31	2,407	4,494	13,571
Special assessments	-	-	9,361	53,205	62,566
<b>TOTAL REVENUES</b>	<b>185,739</b>	<b>31</b>	<b>11,768</b>	<b>57,699</b>	<b>255,237</b>
<b>Expenditures:</b>					
Miscellaneous	-	12	250	56	318
Debt service - principal	109,455	8,692	65,000	20,000	203,147
Debt service - interest	12,437	209	3,656	5,737	22,039
<b>TOTAL EXPENDITURES</b>	<b>121,892</b>	<b>8,913</b>	<b>68,906</b>	<b>25,793</b>	<b>225,504</b>
<b>Other Financing Uses:</b>					
Transfers to other funds	-	-	-	109,881	109,881
<b>TOTAL EXPENSES AND OTHER FINANCING USES</b>	<b>121,892</b>	<b>8,913</b>	<b>68,906</b>	<b>135,674</b>	<b>335,385</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES</b>	<b>63,847</b>	<b>(8,882)</b>	<b>(57,138)</b>	<b>(77,975)</b>	<b>(80,148)</b>
Fund Balance at July 1, 2006	196,279	2,754	96,455	115,634	411,122
<b>FUND BALANCE (DEFICIT) AT JUNE 30, 2007</b>	<b>\$ 260,126</b>	<b>\$ (6,128)</b>	<b>\$ 39,317</b>	<b>\$ 37,659</b>	<b>\$ 330,974</b>



**IRA TOWNSHIP**

**WATER AND SEWER FUND - WATER DEPARTMENT  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		(Unfavorable) Final to Actual
<b>Water Department</b>				
<b>Operating Revenues:</b>				
User charges	\$ 700,000	\$ 700,000	\$ 788,624	\$ 88,624
Water hauling fees	20,000	20,000	24,334	4,334
Tap fees	30,000	30,000	95,175	65,175
Installation fees	21,000	21,000	62,817	41,817
Lateral line charges	35,000	35,000	1,664	(33,336)
Penalties	15,000	15,000	20,516	5,516
Grant revenues	-	-	17,741	17,741
Miscellaneous revenues	6,200	6,200	6,931	731
<b>TOTAL OPERATING REVENUES</b>	<b>827,200</b>	<b>827,200</b>	<b>1,017,802</b>	<b>190,602</b>
<b>Operating Expenses:</b>				
Salaries	367,000	370,000	347,375	22,625
Payroll taxes and benefits	184,500	184,500	151,755	32,745
Supplies	62,500	62,500	69,519	(7,019)
Water plant discharge	90,000	90,000	97,273	(7,273)
Seminars and publications	3,500	3,500	6,282	(2,782)
Repairs and maintenance	15,000	15,000	14,973	27
Transportation	5,000	5,000	8,292	(3,292)
Contracted services	7,000	7,000	4,544	2,456
Utilities	50,500	50,500	44,147	6,353
Professional services	19,000	25,500	25,586	(86)
Miscellaneous	500	500	173	327
Insurance and bonds	53,000	53,000	44,851	8,149
Depreciation	-	-	666,752	(666,752)
Telephone and communications	5,000	5,000	4,752	248
<b>TOTAL OPERATING EXPENSES</b>	<b>862,500</b>	<b>872,000</b>	<b>1,486,274</b>	<b>(614,274)</b>
<b>OPERATING LOSS</b>	<b>(35,300)</b>	<b>(44,800)</b>	<b>(468,472)</b>	<b>(423,672)</b>
<b>Nonoperating Revenues (Expenses):</b>				
Debt service revenue	667,400	667,400	668,869	1,469
Income on restricted assets	21,500	21,500	16,335	(5,165)
Interest earned	-	-	3,714	3,714
Interest expense and agent fees	(198,023)	(198,023)	(282,705)	(84,682)
<b>CHANGE IN NET ASSETS</b>	<b>\$ 455,577</b>	<b>\$ 446,077</b>	<b>\$ (62,259)</b>	<b>\$ (508,336)</b>



**IRA TOWNSHIP**

**WATER AND SEWER FUND - SEWER DEPARTMENT  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<b><i>Sewer Department</i></b>				
<b><i>Operating Revenues:</i></b>				
User charges	\$ 600,000	\$ 600,000	\$ 503,282	\$ (96,718)
Water plant backwash	120,000	120,000	97,273	(22,727)
Tap fees	60,000	60,000	61,389	1,389
Penalties	15,000	15,000	9,126	(5,874)
Grant revenues	-	-	12,688	12,688
Miscellaneous revenues	7,700	7,700	6,900	(800)
<b>TOTAL OPERATING REVENUES</b>	<b>802,700</b>	<b>802,700</b>	<b>690,658</b>	<b>(112,042)</b>
<b><i>Operating Expenses:</i></b>				
Salaries	206,000	209,000	183,131	25,869
Payroll taxes and benefits	112,000	112,000	88,776	23,224
Supplies	29,000	33,300	25,124	8,176
Plant operation	265,000	265,000	225,417	39,583
Seminars and publications	3,300	5,300	5,625	(325)
Repairs and maintenance	7,000	7,000	6,476	524
Transportation	3,500	3,500	3,301	199
Contracted services	1,000	1,000	3,831	(2,831)
Utilities	44,000	47,500	46,050	1,450
Professional services	12,000	18,500	19,844	(1,344)
Miscellaneous	400	400	591	(191)
Insurance and bonds	41,000	41,000	38,177	2,823
Amortization	-	-	1,310	(1,310)
Depreciation	-	-	290,707	(290,707)
Telephone and communications	5,000	5,000	4,404	596
<b>TOTAL OPERATING EXPENSES</b>	<b>729,200</b>	<b>748,500</b>	<b>942,764</b>	<b>(194,264)</b>
<b>OPERATING INCOME (LOSS)</b>	<b>73,500</b>	<b>54,200</b>	<b>(252,106)</b>	<b>(306,306)</b>
<b><i>Nonoperating Revenues (Expenses):</i></b>				
Debt service revenue	114,000	114,000	115,285	1,285
Income on restricted assets	5,200	5,200	3,586	(1,614)
Interest earned	11,000	11,000	18,911	7,911
Interest expense and agent fees	(65,456)	(70,956)	(66,733)	4,223
<b>CHANGE IN NET ASSETS</b>	<b>\$ 138,244</b>	<b>\$ 113,444</b>	<b>\$ (181,057)</b>	<b>\$ (294,501)</b>



**IRA TOWNSHIP**

**SCHEDULE OF INDEBTEDNESS**

June 30, 2007

**Special Assessment Bonds - Series 2003A General Obligation:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
7-1-03	\$ 290,000	3.75 %	2008	\$ 65,000	\$ 1,219	\$ 66,219
<b>Total 2003A General Obligation Bonds</b>				<b>65,000</b>	<b>1,219</b>	<b>66,219</b>

Principal due October 1  
Interest due April 1 and October 1

**Water Fund 2004 Short Cut General Obligation Special Assessment Bonds:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
12-1-04	\$ 180,862	3.88 %	2008	\$ 30,000	\$ 4,689	\$ 34,689
			2009	30,000	3,525	33,525
			2010	25,000	2,458	27,458
			2011	28,000	1,430	29,430
			2012	22,862	444	23,306
<b>Total 2004 General Obligation Bonds</b>				<b>135,862</b>	<b>12,546</b>	<b>148,408</b>

Principal due September 1  
Interest due March 1 and September 1

**Special Assessment Bonds - Series 2006 General Obligation:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
6-21-06	\$ 135,000	6.85 %	2008	\$ 25,000	\$ 7,021	\$ 32,021
			2009	30,000	5,138	35,138
			2010	30,000	3,083	33,083
			2011	30,000	1,027	31,027
<b>Total 2006 General Obligation Bonds</b>				<b>115,000</b>	<b>16,269</b>	<b>131,269</b>

Principal due September 1  
Interest due March 1 and September 1



**IRA TOWNSHIP**

**SCHEDULE OF INDEBTEDNESS**

*(Continued)*

June 30, 2007

**Capital Improvement Bonds - Series 2006 General Obligation:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
6-21-06	\$ 480,000	3.90 %	2008	\$ 65,000	\$ 17,070	\$ 82,070
		3.95	2009	65,000	14,535	79,535
		4.05	2010	70,000	11,968	81,968
		4.10	2011	70,000	9,133	79,133
		4.15	2012	75,000	6,262	81,262
		4.20	2013	75,000	3,150	78,150
<b>Total 2006 General Obligation Bonds</b>				<b>420,000</b>	<b>\$ 62,118</b>	<b>\$ 482,118</b>
<b>Total General Obligation Bonds</b>				<b>735,862</b>		

Principal due May 1

Interest due May 1 and November 1

**2003 Installment Loan - Fire Truck:**

Total Borrowed	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
\$ 704,897	3.34 %	2008	\$ 113,141	\$ 8,750	\$ 121,891
		2009	116,952	4,940	121,892
		2010	59,946	1,001	60,947
<b>Total 2003 Installment Loan</b>			<b>290,039</b>	<b>\$ 14,691</b>	<b>\$ 304,730</b>

Principal and interest due March 1 and September 1

**Water and Sewer Fund 1999 Installment Loan - DPW Facility:**

Total Borrowed	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
\$ 650,000	4.30 %	2008	\$ 65,000	\$ 5,590	\$ 70,590
		2009	65,000	2,795	67,795
<b>Total 1999 Installment Loan</b>			<b>130,000</b>	<b>\$ 8,385</b>	<b>\$ 138,385</b>

Principal due January 1

Interest due January 1 and July 1



**IRA TOWNSHIP**

**SCHEDULE OF INDEBTEDNESS**

(Continued)

June 30, 2007

**1998 Installment Loan - Fire Rescue Truck:**

Total Borrowed	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
\$ 125,000	5.25 %	2008	\$ 7,651	\$ 207	\$ 7,858
<b>Total 1998 Installment Loan</b>			<b>7,651</b>	<b>207</b>	<b>7,858</b>

Principal and interest due April 2 and October 2

**2006 Installment Loan - Ford F350 Fire Rescue Truck:**

Total Borrowed	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
\$ 30,975	7.00 %	2008	\$ 6,977	\$ 1,570	\$ 8,547
		2009	7,465	1,082	8,547
		2010	7,988	559	8,547
<b>Total 2006 Installment Loan</b>			<b>22,430</b>	<b>3,211</b>	<b>25,641</b>
<b>Total Installment Loans</b>			<b>450,120</b>		

Principal and interest due December 21

**Water Plant Lease Contract With St. Clair County - Series 2003A:**

Dated	Lease Amount	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
5-28-03	\$ 4,520,000	2.500 %	2008	\$ --	\$ 132,995	\$ 132,995
		2.750	2009	255,000	126,364	381,364
		3.000	2010	270,000	118,808	388,808
		3.250	2011	280,000	110,208	390,208
		3.500	2012	285,000	100,670	385,670
		3.400	2013	290,000	90,752	380,752
		3.550	2014	295,000	80,586	375,586
		3.700	2015	310,000	69,615	379,615
		3.800	2016	330,000	57,610	387,610
		3.900	2017	410,000	43,345	453,345
		4.000	2018	430,000	26,750	456,750
		4.125	2019	440,000	9,075	449,075
<b>Total 2003A Lease Contract</b>				<b>3,595,000</b>	<b>966,778</b>	<b>4,561,778</b>

Principal due July 1

Interest due January 1 and July 1



**IRA TOWNSHIP**

**SCHEDULE OF INDEBTEDNESS**  
(Continued)

June 30, 2007

**St. Clair County Sewage Disposal System No. 1 Ira Township Bonds - Series 1999:**

Dated	Lease Amount	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
11-1-99	\$ 856,656	5.000 %	2008	\$ 83,286	\$ 22,641	\$ 105,927
		5.000	2009	87,252	18,477	105,729
		5.000	2010	91,218	14,114	105,332
		5.125	2011	93,201	9,553	102,754
		5.125	2012	93,202	4,777	97,979
<b>Total Sewer Disposal System 1999 Bonds</b>				<b>448,159</b>	<b>\$ 69,562</b>	<b>\$ 517,721</b>

Principal due April 1  
Interest due April 1 and October 1

**St. Clair County Sewage Disposal System No. 1 Ira Township Bonds - Series 2003:**

Dated	Lease Amount	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
3-1-03	\$ 1,050,000	3.375 %	2008	\$ 38,500	\$ 36,609	\$ 75,109
		3.400	2009	40,250	35,310	75,560
		3.450	2010	42,000	33,941	75,941
		3.500	2011	43,750	32,492	76,242
		3.500	2012	47,250	30,961	78,211
		3.650	2013	49,000	29,307	78,307
		3.800	2014	52,500	27,518	80,018
		3.900	2015	54,250	25,524	79,774
		4.000	2016	56,000	23,408	79,408
		4.000	2017	59,500	21,168	80,668
		4.100	2018	63,000	18,788	81,788
		4.200	2019	66,500	16,205	82,705
		4.300	2020	70,000	13,412	83,412
		4.400	2021	73,500	10,402	83,902
		4.500	2022	77,000	7,168	84,168
		4.600	2023	80,500	3,704	84,204
<b>Total Sewer Disposal System 2003 Bonds</b>				<b>913,500</b>	<b>\$ 365,917</b>	<b>\$ 1,279,417</b>

Principal due March 1  
Interest due March 1 and September 1



**IRA TOWNSHIP**

**SCHEDULE OF INDEBTEDNESS**  
(Continued)

June 30, 2007

**Water Plant Lease Contract With St. Clair County - Series 2003B:**

Dated	Lease Amount	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
5-28-03	\$ 2,045,000	2.50 %	2008	\$ -	\$ 54,302	\$ 54,302
		2.75	2009	170,000	49,965	219,965
		3.00	2010	170,000	45,077	215,077
		3.25	2011	175,000	39,684	214,684
		3.50	2012	190,000	33,515	223,515
		3.40	2013	200,000	26,790	226,790
		3.55	2014	210,000	19,663	229,663
		3.70	2015	215,000	11,958	226,958
		3.80	2016	210,000	3,990	213,990
<b>Total 2003 Lease Contract</b>				<b>1,540,000</b>	<b>\$ 284,944</b>	<b>\$ 1,824,944</b>

Principal due July 1  
Interest due January 1 and July 1

**St. Clair County DWRB Bonds - 2006 Project #7170-01**

Dated	Lease Amount	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
9-21-06	\$ 4,900,000	2.125 %	2008	\$ 200,000	\$ 92,566	\$ 292,566
			2009	205,000	85,580	290,580
			2010	210,000	81,224	291,224
			2011	215,000	76,762	291,762
			2012	215,000	72,193	287,193
			2013	220,000	67,624	287,624
			2014	225,000	62,949	287,949
			2015	230,000	58,168	288,168
			2016	235,000	53,281	288,281
			2017	240,000	48,287	288,287
			2018	245,000	43,187	288,187
			2019	250,000	37,981	287,981
			2020	255,000	32,668	287,668
			2021	260,000	27,249	287,249
			2022	270,000	21,724	291,724
			2023	275,000	15,987	290,987
			2024	280,000	10,143	290,143
			2025	285,000	4,193	289,193
			2026	290,000	--	290,000
			2027	295,000	--	295,000
Balance available to draw at 6/30/07				(847,935)	(9,889)	(857,824)
<b>Total 2006 DWRB Bonds</b>				<b>4,052,065</b>	<b>\$ 881,877</b>	<b>\$ 4,933,942</b>
<b>Total Lease Contracts</b>				<b>10,548,724</b>		

Principal due April 1  
Interest due April 1 and October 1

**TOTAL INDEBTEDNESS** \$ 11,734,706





# McBride, Manley & Miller P.C.

Certified Public Accountants

Marine City, MI (810) 765-4700

Chesterfield, MI (586) 598-4600

October 30, 2007

Township Board  
Ira Township  
7085 Meldrum Road  
Fair Haven, Michigan 48023

Honorable Board Members:

We have concluded the examination of the records of IRA TOWNSHIP for the year ended June 30, 2007. During our audit, certain items came to our attention which we believe warrant consideration of the Township officials.

## PURCHASING

The current Township policies require that purchases in excess of \$1,500 for other than normal reoccurring goods and services require that bids be obtained. During our testing, we found an instance where a bid was awarded to one vendor, but a different vendor was actually used for the purchase. It appears that the vendor actually used provided additional services at a lower cost than the original vendor, however, Township policy required that this change be brought back to the Board for approval.

In addition, we found several instances where fixed assets were misposted to various expense accounts. Capital assets are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. These assets should be appropriately coded as capital outlay in the governmental funds, or fixed assets in the enterprise funds.

The current policy of the Township is to submit a listing of vendor invoices to be paid to the Township Board for their approval at their regular meetings. If invoices are received between meetings with a due date prior to the next meeting, these invoices are paid prior to the next meeting if they are normal and regular expenses of the Township. It appears from our testing that a larger than necessary number of checks are being written between meetings rather than being submitted to the Board before payment. Between meeting checks should be the exception and not the rule. The Board meets every two weeks and this would appear to be a reasonable time period for vendors to wait for payment. If the Township currently has payment terms with regular, reoccurring vendors that are shorter than the normal net 30 days, they may want to contact those vendors for a change in terms.

## UTILITY BILLINGS

During our testing, we noticed the quarterly billing register did not post correctly to the general ledger for two quarters. Although this problem has been corrected, each quarter's postings should be checked, and correcting entries made promptly.

We also found a few instances where customers were overbilled significantly due to the meter readings being entered incorrectly into the billing system. Although these billings were corrected in future periods, greater care should be taken when entering readings to avoid this problem. Audit reports comparing usage to previous periods should be more carefully reviewed to prevent these errors.

We would also like to recommend some type of "master file" showing all addresses that do not receive garbage and/or sewer service. It is difficult to determine whether the fee is missing in error or is due to lack of service.

## PAYROLL

During our audit, we found an instance where we could not locate an employee's approved rate of pay. Such approvals should be located in each and every personnel file. Also, any time an employee requests a change in withholding, a new W-4 should be obtained.

## RECEIPTS

During our audit, we found that multiple employees are receiving payments from customers using the same password to enter those payments into the system and all receipting into a single cash drawer. We also became aware that employees are sharing passwords for access to the accounting system. Although it is sometimes difficult to segregate duties due to the size of the office staff, we believe that it is important that the Township review this situation and put better internal controls in place. Individual passwords are provided to assist in stronger internal control and sharing of those passwords defeats the purpose. We suggest that all staff passwords be changed, staff be instructed to only use their own password and that those passwords not be shared.

We also discovered that daily receipts are being balanced prior to the end of each day, making it difficult to assure proper payment dates and daily reconciliation with the system. We recommend that the cash drawer be balanced prior to opening, after closing, or that a new drawer be put into use each morning while the previous day's drawer is balanced.

We also noted that amounts received for copies, field sheets, and similar items are not receipted into the system daily, but retained until a larger amount has accumulated. To assure proper accountability, all monies received should be deposited and recorded daily.

Finally, it was found that any cash overages/shortages were being handled through the cash box rather than being recorded. As previously recommended, the cash box should be eliminated and any cash overage/shortage be recorded in the receipts system.

## FUND BALANCE

Currently, the fund balance of the Fire Operating Fund is a negative \$39,516. What this means is that the outstanding liabilities exceed the resources available to pay those liabilities. This is a direct violation of Michigan law P.A. 621. In these instances, it is necessary to submit a plan to correct this negative situation. In the past, the General Fund has always transferred amounts to the Fire Operating Fund to cover this situation. As of June 30, 2007, the General Fund did not have sufficient fund balance (reserves) to cover the deficit in the Fire Operating Fund. This situation is all the more alarming when viewing the budget for the fiscal year ending June 30, 2008, for these two funds. The Fire Operating Fund is budgeted to breakeven and the General Fund is budgeted with an approximate \$50,000 surplus, however, some adjustments may need to be made resulting in a smaller surplus for the year. Any loss suffered by either the Fire Operating Fund or the General Fund could result in the Township's inability to pay their bills. This situation could be made even worse by the current state of the budget of the State of Michigan. Forty percent of the revenue of the General Fund comes from state shared revenues. Any decrease in these revenues will severely impact the Township.

Over the course of the past few years, the General Fund has borrowed money from the Water & Sewer Fund. As of June 30, 2007, there was still a balance due of \$165,985. Given the current cash flow of the General Fund, the repayment of this in the near future is unlikely. A plan to repay this loan should be considered as part of the General Fund's financial plan.

#### MISCELLANEOUS ITEMS

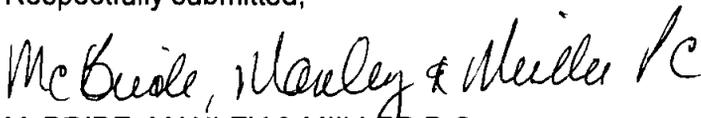
During our audit, we found that the water hauling usage appeared to be up from the prior year, however, the revenue was down. There appears to be a problem with the recording and monitoring of the water hauling area. A better system must be put into place to avoid the possibility of water theft or misrecordings.

#### CONCLUSION

We would like to express our appreciation and thanks to the Township Supervisor, Clerk, Treasurer, and office personnel for their cooperation and many courtesies extended to us during our examination. We will be available to discuss these recommendations in detail or to assist in their implementation.

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

Respectfully submitted,



McBRIDE, MANLEY & MILLER P.C.  
Certified Public Accountants



# McBride, Manley & Müller P.C.

Certified Public Accountants

Marine City, MI (810) 765-4700

Chesterfield, MI (586) 598-4600

October 30, 2007

Township Board  
Ira Township  
7085 Meldrum Road  
Fair Haven, Michigan 48023

Honorable Members:

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

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

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 deficiencies described below to be significant deficiencies in internal control over financial reporting.

- 1) The employees of the Township do not possess the education, experience, or background to record all transactions in accordance with generally accepted accounting principles, or to prepare complete and accurate financial statements according to generally accepted accounting principles.
- 2) Multiple employees are receipting payments into a single cash drawer. Also, because these same employees have access to other employees' system passwords, it is possible for the same employee to be receipting payment and adjusting accounts receivable.
- 3) During the last fiscal year, several significant errors in utility billings were discovered. The majority of these errors arose during a time when the Township had temporary help, however, the system should be better designed and used to prevent these errors.

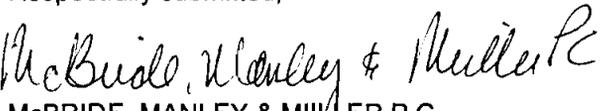
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described above are material weaknesses.

We noted certain matters that we reported to management of Ira Township in a separate letter dated October 30, 2007.

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

Respectfully submitted,

  
McBRIDE, MANLEY & MILLER P.C.  
Certified Public Accountants