

### Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Waverly	County Van Buren
Fiscal Year End March 31, 2007	Opinion Date August 29, 2007	Date Audit Report Submitted to State September 25, 2007	

We affirm that:

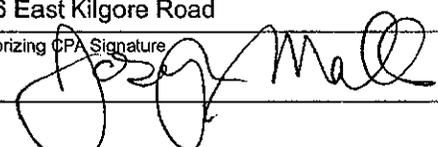
We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	Not Required
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter
Certified Public Accountant (Firm Name) Siegfried Crandall PC	Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road	City Kalamazoo	State MI
Authorizing CPA Signature 	Printed Name Joseph M Walls	Zip 49002
		License Number 1101013696

*Township of Waverly*  
*Van Buren County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2007*

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## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Waverly, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Waverly, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Waverly, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 the Township of Waverly, Michigan, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 17 through 20, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Waverly Township, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

*Siegfried Crandall P.C.*

August 29, 2007

## **BASIC FINANCIAL STATEMENTS**

**Township of Waverly**  
**STATEMENT OF NET ASSETS**  
*March 31, 2007*

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 550,433	27,264	577,697
Receivables, net	<u>54,234</u>	<u>-</u>	<u>54,234</u>
Total current assets	<u>604,667</u>	<u>27,264</u>	<u>631,931</u>
Noncurrent assets:			
Capital assets not being depreciated	28,317	-	28,317
Capital assets, net of accumulated depreciation	<u>461,262</u>	<u>90,187</u>	<u>551,449</u>
Total noncurrent assets	<u>489,579</u>	<u>90,187</u>	<u>579,766</u>
Total assets	<u>1,094,246</u>	<u>117,451</u>	<u>1,211,697</u>
<b>LIABILITIES</b>			
Current liabilities - payables	<u>3,316</u>	<u>177</u>	<u>3,493</u>
<b>NET ASSETS</b>			
Invested in capital assets	489,579	90,187	579,766
Restricted:			
Public safety	200,015	-	200,015
Public works	28,011	27,087	55,098
Unrestricted	<u>373,325</u>	<u>-</u>	<u>373,325</u>
Total net assets	<u>\$ 1,090,930</u>	<u>\$ 117,274</u>	<u>\$ 1,208,204</u>

See notes to financial statements

**Township of Waverly**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
<b>Functions/Programs</b>				
Governmental activities:				
Legislative	\$ 5,760	\$ -	\$ -	\$ -
General government	142,130	24,569	-	6,792
Public safety	66,539	94,985	947	-
Public works	64,619	1,602	3,425	-
Health and welfare	3,278	-	-	-
Community and economic development	15,244	876	-	-
Total governmental activities	297,570	122,032	4,372	6,792
Business-type activities:				
Sewer	10,405	9,849	-	-
Total business-type activities	\$ 307,975	\$ 131,881	\$ 4,372	\$ 6,792

General revenues:  
Property taxes  
Franchise fees  
State grants  
Investment income  
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

**Net (expenses) revenues and changes in net assets**

<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Totals</u></b>
\$ (5,760)	\$ -	\$ (5,760)
(110,769)	-	(110,769)
29,393	-	29,393
(59,592)	-	(59,592)
(3,278)	-	(3,278)
<u>(14,368)</u>	<u>-</u>	<u>(14,368)</u>
(164,374)	-	(164,374)
<u>-</u>	<u>(556)</u>	<u>(556)</u>
<u>(164,374)</u>	<u>(556)</u>	<u>(164,930)</u>
141,693	-	141,693
2,733	-	2,733
187,508	-	187,508
22,137	1,129	23,266
<u>2,200</u>	<u>-</u>	<u>2,200</u>
<u>356,271</u>	<u>1,129</u>	<u>357,400</u>
191,897	573	192,470
<u>899,033</u>	<u>116,701</u>	<u>1,015,734</u>
<u>\$ 1,090,930</u>	<u>\$ 117,274</u>	<u>\$ 1,208,204</u>

See notes to the financial statements

**Township of Waverly**  
**BALANCE SHEET - governmental funds**  
 March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Road</u>	<u>Nonmajor governmental fund</u>	<u>Total governmental funds</u>
<b>ASSETS</b>					
Cash	\$ 340,392	\$ 190,934	\$ 17,935	\$ 1,172	\$ 550,433
Receivables	<u>36,249</u>	<u>7,909</u>	<u>10,076</u>	<u>-</u>	<u>54,234</u>
Total assets	<u>\$ 376,641</u>	<u>\$ 198,843</u>	<u>\$ 28,011</u>	<u>\$ 1,172</u>	<u>\$ 604,667</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities - payables	<u>\$ 3,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,316</u>
Fund balances -					
Unreserved	373,325	198,843	28,011	-	600,179
Unreserved - presented in nonmajor special revenue fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,172</u>	<u>1,172</u>
Total fund balances	<u>373,325</u>	<u>198,843</u>	<u>28,011</u>	<u>1,172</u>	<u>601,351</u>
Total liabilities and fund balances	<u>\$ 376,641</u>	<u>\$ 198,843</u>	<u>\$ 28,011</u>	<u>\$ 1,172</u>	<u>\$ 604,667</u>
Total fund balances					\$ 601,351
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:					
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.					
					<u>489,579</u>
Net assets of <i>governmental activities</i>					<u>\$ 1,090,930</u>

See notes to financial statements

**Township of Waverly**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**governmental funds**  
Year ended March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Road</u>	<u>Nonmajor governmental fund</u>	<u>Total governmental funds</u>
<b>REVENUES</b>					
Taxes	\$ 58,326	\$ -	\$ 103,113	\$ -	\$ 161,439
Licenses and permits	18,074	-	-	-	18,074
State grants	187,508	-	3,425	947	191,880
Charges for services	4,399	-	1,602	-	6,001
Interest and rentals	22,137	-	-	-	22,137
Other	2,200	80,944	-	-	83,144
	<u>292,644</u>	<u>80,944</u>	<u>108,140</u>	<u>947</u>	<u>482,675</u>
Total revenues					
<b>EXPENDITURES</b>					
Legislative	5,760	-	-	-	5,760
General government	138,234	-	-	-	138,234
Public safety	14,790	51,029	-	720	66,539
Public works	7,682	-	140,852	-	148,534
Health and welfare	3,278	-	-	-	3,278
Community and economic development	15,244	-	-	-	15,244
	<u>184,988</u>	<u>51,029</u>	<u>140,852</u>	<u>720</u>	<u>377,589</u>
Total expenditures					
<b>NET CHANGE IN FUND BALANCES</b>	<u>107,656</u>	<u>29,915</u>	<u>(32,712)</u>	<u>227</u>	<u>105,086</u>
<b>FUND BALANCES - BEGINNING</b>	<u>265,669</u>	<u>168,928</u>	<u>60,723</u>	<u>945</u>	<u>496,265</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 373,325</u>	<u>\$ 198,843</u>	<u>\$ 28,011</u>	<u>\$ 1,172</u>	<u>\$ 601,351</u>

Net change in fund balances - total governmental funds \$ 105,086

Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:

Capital assets:

Capital outlay	99,339
Provision for depreciation	<u>(12,528)</u>

Change in net assets of *governmental activities* \$ 191,897

**Township of Waverly**  
**STATEMENT OF NET ASSETS - proprietary fund**  
March 31, 2007

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	<u>Sewer</u>
<b>ASSETS</b>	
Cash	\$ 27,264
Capital assets, net	<u>90,187</u>
Total assets	<u>117,451</u>
 <b>LIABILITIES - payables</b>	 <u>177</u>
 <b>NET ASSETS:</b>	
Invested in capital assets	90,187
Unrestricted	<u>27,087</u>
Total net assets	<u>\$ 117,274</u>

See notes to financial statements

**Township of Waverly**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**proprietary fund**  
Year ended March 31, 2007

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	<u>Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 9,849
<b>OPERATING EXPENSES</b>	
Salaries and fringe benefits	595
Contracted services	4,012
Repairs and maintenance	2,375
Depreciation	<u>3,423</u>
Total operating expenses	<u>10,405</u>
<b>OPERATING LOSS</b>	(556)
<b>NON OPERATING REVENUES</b>	
Interest	<u>1,129</u>
<b>CHANGE IN NET ASSETS</b>	573
<b>NET ASSETS - BEGINNING</b>	<u>116,701</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 117,274</u>

See notes to financial statements

**Township of Waverly**  
**STATEMENT OF CASH FLOWS - proprietary fund**  
Year ended March 31, 2007

	<u>Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 9,849
Payments to employees	(559)
Payments to suppliers	<u>(6,423)</u>
Net cash provided by operating activities	2,867
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest	<u>1,129</u>
<b>NET INCREASE IN CASH</b>	3,996
<b>CASH - BEGINNING</b>	<u>23,268</u>
<b>CASH - ENDING</b>	<u><u>\$ 27,264</u></u>
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>	
Change in net assets	\$ (556)
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	<u>3,423</u>
Net cash provided by operating activities	<u><u>\$ 2,867</u></u>

See notes to financial statements

**Township of Waverly**  
**STATEMENT OF FIDUCIARY NET ASSETS - agency funds**  
*March 31, 2007*

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**ASSETS**

Cash \$ 6,500

**LIABILITIES**

Payables \$ 6,500

*See notes to financial statements*

**Township of Waverly**  
**NOTES TO FINANCIAL STATEMENTS**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Waverly, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

*c) 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

**Township of Waverly**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township's fire protection. Revenues are primarily derived from property taxes.

The Road Fund accounts for the financial resources used for the operational costs of the Township's road infrastructure. Revenues are primarily derived from property taxes.

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

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

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

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

Buildings and improvements	20 - 40 years
Equipment	5 - 10 years
Roads	40 - 50 years

**Township of Waverly**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

d) *Assets, liabilities, and net assets or equity* (continued):

iv) *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.

v) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no significant budget variations.

NOTE 3 - CASH AND INVESTMENTS:

The Township's cash and investments are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	\$ 550,433	\$ 27,264	\$ 6,500	\$ 584,197

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$585,000 of the Township's bank balances of \$598,528 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**Township of Waverly**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Taxes / assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 1,622	\$ 5,588	\$ 29,039	\$ 36,249
Fire	-	7,909	-	7,909
Road	-	10,076	-	10,076
Totals	<u>\$ 1,622</u>	<u>\$ 23,573</u>	<u>\$ 29,039</u>	<u>\$ 54,234</u>

All receivables are considered fully collectible.

**NOTE 5 - CAPITAL ASSETS:**

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 28,317	\$ -	\$ -	\$ 28,317
Capital assets being depreciated:				
Buildings	100,146	-	-	100,146
Equipment	-	6,792	-	6,792
Infrastructure	313,175	92,547	-	405,722
Subtotal	<u>413,321</u>	<u>99,339</u>	<u>-</u>	<u>512,660</u>
Less accumulated depreciation for:				
Buildings	(32,389)	(3,330)	-	(35,719)
Equipment	-	(566)	-	(566)
Infrastructure	(6,481)	(8,632)	-	(15,113)
Subtotal	<u>(38,870)</u>	<u>(12,528)</u>	<u>-</u>	<u>(51,398)</u>
Total capital assets being depreciated, net	<u>374,451</u>	<u>86,811</u>	<u>-</u>	<u>461,262</u>
Governmental activities capital assets, net	<u>\$ 402,768</u>	<u>\$ 86,811</u>	<u>\$ -</u>	<u>\$ 489,579</u>

**Township of Waverly**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 5 - CAPITAL ASSETS (Continued):

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets being depreciated - sewer system	\$ 171,151	\$ -	\$ -	\$ 171,151
Less accumulated depreciation for - sewer system	<u>(77,541)</u>	<u>(3,423)</u>	<u>-</u>	<u>(80,964)</u>
Business-type activities capital assets, net	<u>\$ 93,610</u>	<u>\$ (3,423)</u>	<u>\$ -</u>	<u>\$ 90,187</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 3,896
Public works	<u>8,632</u>
Total	<u>\$ 12,528</u>

NOTE 6 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2007, follows:

Revenues	\$ 14,041
Expenses	<u>(14,041)</u>
Excess of revenues over expenses	<u>\$ -</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Waverly**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 54,724	\$ 51,000	\$ 58,326	\$ 7,326
Licenses and permits	20,000	25,000	18,074	(6,926)
State grants	187,827	192,217	187,508	(4,709)
Charges for services	6,805	7,305	4,399	(2,906)
Interest and rentals	12,000	7,500	22,137	14,637
Other	2,500	2,500	2,200	(300)
Total revenues	<u>283,856</u>	<u>285,522</u>	<u>292,644</u>	<u>7,122</u>
<b>EXPENDITURES</b>				
Legislative	<u>6,480</u>	<u>6,480</u>	<u>5,760</u>	<u>720</u>
General government:				
Supervisor	10,492	11,467	11,043	424
Election	2,600	5,100	4,537	563
Assessor	17,078	16,778	17,432	(654)
Clerk	16,665	17,766	16,930	836
Board of review	4,060	3,775	3,790	(15)
Treasurer	23,066	25,516	21,911	3,605
Hall and grounds	9,300	9,200	6,936	2,264
Cemetery	8,300	8,300	8,630	(330)
Other	46,900	50,600	47,025	3,575
Total general government	<u>138,461</u>	<u>148,502</u>	<u>138,234</u>	<u>10,268</u>
Public safety:				
Fire	756	756	749	7
Building inspections	<u>15,200</u>	<u>20,200</u>	<u>14,041</u>	<u>6,159</u>
Total public safety	<u>15,956</u>	<u>20,956</u>	<u>14,790</u>	<u>6,166</u>
Public works:				
Street lights	2,000	2,000	2,453	(453)
Transit	500	500	-	500
Weed control	-	-	(146)	146
Blight control	-	12,900	-	12,900
Drains	<u>7,000</u>	<u>7,000</u>	<u>5,375</u>	<u>1,625</u>
Total public works	<u>9,500</u>	<u>22,400</u>	<u>7,682</u>	<u>14,718</u>

**Township of Waverly**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Health and welfare - Quick Response	\$ 3,750	\$ 3,750	\$ 3,278	\$ 472
Community and economic development - planning and zoning	19,753	21,698	15,244	6,454
Recreation and culture - parks and recreation	100	100	-	100
Capital outlay	100	100	-	100
Total expenditures	<u>194,100</u>	<u>223,986</u>	<u>184,988</u>	<u>38,998</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	89,756	61,536	107,656	46,120
<b>OTHER FINANCING USES</b>				
Transfers to Road Fund	<u>(89,756)</u>	<u>(64,969)</u>	<u>-</u>	<u>64,969</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	(3,433)	107,656	111,089
<b>FUND BALANCES - BEGINNING</b>	<u>265,669</u>	<u>265,669</u>	<u>265,669</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 265,669</u>	<u>\$ 262,236</u>	<u>\$ 373,325</u>	<u>\$ 111,089</u>

**Township of Waverly**  
**BUDGETARY COMPARISON SCHEDULE - Fire Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Interest	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Other - special assessments	<u>75,000</u>	<u>75,000</u>	<u>80,944</u>	<u>5,944</u>
Total revenues	76,000	76,000	80,944	4,944
<b>EXPENDITURES</b>				
Public safety	<u>53,421</u>	<u>86,000</u>	<u>51,029</u>	<u>34,971</u>
<b>NET CHANGE IN FUND BALANCE</b>	22,579	(10,000)	29,915	39,915
<b>FUND BALANCES - BEGINNING</b>	<u>168,928</u>	<u>168,928</u>	<u>168,928</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 191,507</u>	<u>\$ 158,928</u>	<u>\$ 198,843</u>	<u>\$ 39,915</u>

**Township of Waverly**  
**BUDGETARY COMPARISON SCHEDULE - Road Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 136,634	\$ 122,572	\$ 103,113	\$ (19,459)
State grants	17,656	11,932	3,425	(8,507)
Charges for services	-	-	1,602	1,602
	<u>154,290</u>	<u>134,504</u>	<u>108,140</u>	<u>(26,364)</u>
<b>EXPENDITURES</b>				
Public works	<u>251,046</u>	<u>199,473</u>	<u>140,852</u>	<u>58,621</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	(96,756)	(64,969)	(32,712)	32,257
<b>OTHER FINANCING SOURCES:</b>				
Transfer from General Fund	<u>96,756</u>	<u>64,969</u>	<u>-</u>	<u>(64,969)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	-	-	(32,712)	(32,712)
<b>FUND BALANCES - BEGINNING</b>				
	<u>60,723</u>	<u>60,723</u>	<u>60,723</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>				
	<u>\$ 60,723</u>	<u>\$ 60,723</u>	<u>\$ 28,011</u>	<u>\$ (32,712)</u>

**Members of the Township Board  
Township of Waverly, Michigan**

In planning and performing our audit of the financial statements of the Township of Waverly as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Waverly's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

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

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

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

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

*Siegfried Crandall P.C.*

August 29, 2007