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November 16, 2007

To the Board of Trustees
Acme Township
6042 Acme Road
Williamsburg, MI 49690

Dear Board Members:

We recently completed our audit of the basic financial statements of Acme Township for the year ended June 30, 2007. We would like to take this opportunity to bring to the board's attention the following areas for improvement in the accounting system, as well as several items of more global concern that will affect the Township in the near future. We have also summarized significant legislative developments that may impact the Township.

This information is presented in the following reports:

- I. SAS 112 letter
- II. New Auditing Standards
- III. Legislative Update
- IV. Required Communications - SAS 61 letter

We would like to thank officials Wayne Kladder, Dorothy Dunville, and Bill Boltres, as well as all of the Acme Township personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in cursive script that reads "Sharon L. Vargo".

Sharon Vargo, CPA

In planning and performing our audit of the financial statements of Acme Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township'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. 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 certain deficiency in internal control that we consider to be a significant deficiency.

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

We consider the following deficiency to be a significant deficiency in internal control:

Audit Adjustments

We identified and posted several adjustments during the audit. While several adjustments were insignificant, one was for a significant amount.

In 2003, the Township entered into a contract with Grand Traverse County and four other townships to construct a septage treatment facility. The Township's participation rate was set at 6.3 percent. At the same time, the County issued debt of \$6.5 million, of which the Township guaranteed \$409,500 of that total. In 2004, the County issued additional debt of \$1.5 million, of which the Township guaranteed \$94,500. The first principal payment on these bonds was paid in November 2005 with unspent bond proceeds and revenues from operations held at the County. The Township was not required to make a direct payment at that time. However, in November 2006, all five townships jointly borrowed \$100,000 (\$6,300 for Acme Township) from Grand Traverse County to pay for the second debt payment. The Township did not record this activity on its general ledger or in the financial statements because there has not been any cash outlay directly from the Township. This resulted in a significant audit adjustment at year end to the Water/Sewer Fund.

We recommend the Township consult with its auditors or other accounting specialists whenever it enters into any complex transaction related to guaranteeing debt or involvement in any joint project where funding will be provided by the Township.

New Auditing Standards

Major and comprehensive changes were made to the audit standards with which independent auditors are required to comply. These new auditing standards require significant changes in how audits are done and how the results of the auditor's work are communicated to clients, bringing auditing rules into closer alignment with the standards imposed on audits of public companies under Sarbanes-Oxley.

As a result, auditors are required to comply with very specific rules related to the form, content, and extent of audit documentation, including more thorough documentation of auditing procedures and results. Other new guidelines affect the audit evidence that must be obtained before an auditor can consider an audit complete.

Another new rule requires auditors to more formally communicate matters they observe about their clients' accounting procedures and internal controls. Auditors are now required to inform clients about any "significant deficiencies and control deficiencies" in accounting procedures or internal controls that come to their attention. Significant deficiency is a defined term that includes any flaw creating more than a remote risk of errors in financial statements that could reasonably matter to a user of the statements. Auditors must now communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for operations, in addition to management.

The remainder of the new audit standards will become effective for audits of financial statements dated December 31, 2007 and later. These new rules, which are known collectively as the new Risk Assessment Standards, significantly change the procedures auditors must perform in all financial statement audits. Under these new rules, auditors will be required to:

- More thoroughly examine and evaluate clients' accounting processes and controls, including the overall control environment, key controls over significant transactions, and the quality of internal oversight of the financial reporting process
- More thoroughly assess and document conditions in clients' systems and processes that create risks of material misstatement in their financial statements, and perform additional testing in response to these risks
- Design and perform more analytical tests of accounting and financial data
- Apply more stringent standards in identifying, assessing, and communicating internal control deficiencies
- Communicate more information about the results of the auditor's work to individuals involved in overseeing strategic direction and accountability for operations

As a practical effect of these new rules, auditors will need to make more detailed and specific requests for information from clients, particularly about processes and controls, and clients will need to do more work to be well prepared for their audits. The new rules will also require increased audit testing and more thorough auditing procedures, and will increase the amount of related documentation that auditors must prepare and maintain.

The primary objective of these new rules is to strengthen and enhance the independent audit of financial statements, including more thorough evaluation and information about your internal accounting and financial reporting processes and controls. We believe that these new rules, and the additional communications you will receive from us about the results of our audit work, will enhance the value you receive from your financial statement audit.

Legislative Update

New Cable Franchise Legislation

The governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the “Uniform Video Services Local Franchise Act,” (the “Act”) which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5 percent of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2 percent of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date in order to enter into this new local franchise agreement under the statewide framework.

Local units of government will be impacted in the following ways:

- Under the Act, no additional fees or charges other than those stipulated under the Act may be written into the local franchise agreements.
- To the extent existing cable franchise agreements provided more funding than provided for under the new Act, municipalities will see reduced fees from these new local franchise agreements.
- A credit, based on annual maintenance fees paid for use of public rights of way, to video service providers is allowed under the Act. This credit could eliminate or significantly reduce any revenue the local unit might receive under the bill’s franchise fee.
- Audits of the video service providers’ calculation of gross revenue are limited to once every two years.

It is expected that local governments will receive their first payment under the new Act beginning in May 2007 or shortly thereafter. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.

Subsequent to the passage of the Act, amendments have been proposed in both the House and the Senate (House Bill 5047 and Senate Bill 636) to clarify language about the ability of local governments to receive PEG fees.

Personal Property Tax

Over the last seven years, the State's personal property tax laws and regulations have changed substantially. In 2000, the State Tax Commission updated the general business depreciation tables that are used to calculate personal property taxes, resulting in an approximate drop in property tax revenue of 10 percent. In addition, the State Tax Commission also approved new personal property tax tables for utilities which made drastic changes to transmission and distribution property of utilities (resulting in approximately 30 percent revenue loss to local units of government). Also, the Michigan Supreme Court in *WPW Acquisition Co v. City of Troy* ruled that the Proposal A cap prevents assessors from increasing the taxable value of commercial rental property above the rate of inflation using the occupancy methodology even when reductions in taxable value were previously granted due to a decrease in occupancy.

The new Michigan business tax also provides more personal property tax relief to business taxpayers (see details below). Even with this most recent relief provided in June 2007 through the MBT, further reductions to personal property tax remain part of the State's tax structure discussions. Personal property taxes are a significant revenue source to many local governments. For the Township, personal property tax represents 4.5 percent of its tax base. If the State's new business tax structure provides personal property tax relief, the question is will local governments be held harmless by the State and to what extent? The governor's tax plan as introduced proposes to change the property tax system to mitigate the impact of the *WPW* case. A similar attempt to make this correction occurred in 2005 and 2006 with no success.

Revenue Sharing

The future of the State's revenue-sharing program continues to be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The State was approximately \$1.8 billion short of the revenue needed to cover basic services for the State's upcoming fiscal year 2007/2008 budget. The legislature and the governor acted on October 1 to increase the income tax rate (from 3.9 percent to 4.35 percent, raising more than \$750 million) and to enact a new 6 percent tax on certain services (raising approximately \$700 million per year). As part of the continuation budget that was also passed on October 1, there are still approximately \$400 million of "to-be-determined" cuts that remain to be agreed upon and announced for the fiscal year 2007/2008 budget. It is not completely clear whether the State's fiscal year 2006/2007 budget has been completely balanced as well. The outcome of other matters will also impact revenue sharing and those matters include:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?

- **Statutory Revenue Sharing Formula Expires in 2007** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond.
- **Changes to Michigan's Tax Structure** - The Michigan single business tax has been eliminated effective December 31, 2007, which will result in the loss of \$1.9 billion from the State's budget in 2008. In June 2007, a replacement for the single business tax - called the new Michigan business tax - was approved by the legislature. More details on this new tax structure are included below. In the overview, the plan creates a new tax structure for Michigan businesses, provides further personal property tax relief to business taxpayers, and is forecasted by the State to generate about the same revenue (\$1.9 billion) as the single business tax. Technical corrections on this recently passed law are still pending and the law is lengthy and complex. The true financial impact on the State's budget is hard to predict. Further changes to Michigan's tax structure were made on October 1 as described above to partially close the structural budget deficit that exists.

As introduced, the governor's budget for fiscal year 2007/2008 includes a revenue-sharing increase of \$27 million to be distributed using the three-part formula currently contained in the revenue-sharing act (taxable value per capita, population/unit type, and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not yet been announced, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments. Many observers have indicated that it is likely that revenue sharing for fiscal year 2007/2008 will more than likely be tied to fiscal year 2006/2007 funding levels.

It is unclear what the outcome will be regarding the short-term and long-term funding of statutory revenue sharing. Decisions still remain on the ultimate funding level for revenue sharing for the State's fiscal years 2006/2007 and 2007/2008. Local governments may need to react with budget amendments when these final decisions are made by the State.

With the appropriation reductions to revenue sharing since 2001 (including more than \$550 million in fiscal year 2006/2007 over amounts calculated by the statutory formula), a number of townships are no longer receiving any statutory revenue sharing. To accomplish the appropriation reductions mandated in the State's budget, the State is required to reduce the statutory portion of a local unit's revenue sharing (remember that the constitutional portion cannot be adjusted). Many townships no longer have any statutory revenue sharing remaining as a result. For those communities, because sales tax collections have increased since 2001, their revenue sharing is actually increasing because they are now only receiving constitutional revenue sharing.

November 16, 2007

To the Board of Trustees
Acme Township

We have recently completed our audit of the financial statements of Acme Township for the year ended June 30, 2007. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible. This report is intended solely for the use of the audit committee, the board of trustees, and others within the Township.

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

We conducted our audit of the financial statements of Acme Township in accordance with auditing standards generally accepted in the United States of America. The following paragraphs explain our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's responsibility. We may make suggestions as to the form or content of the financial statements or even draft them, in whole or in part, based on management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote. For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

Significant Accounting Policies

Auditing standards call for us to inform you regarding the initial selection of, and change in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There were no significant unusual transactions or controversial or significant emerging areas for which new accounting policies were needed.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Auditing standards call for us to report to you about accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments. Further, we are expected to report to you about the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates. We noted no matters related to sensitive accounting estimates.

Audit Adjustments

Auditing standards call for us to report to you significant audit adjustments that, in our judgment, may not have been detected except through the auditing procedures we performed. We identified one significant journal entry during the audit related to recording the septage treatment plant, further discussed in Part I of this communication, as a significant deficiency.

Auditing standards also require us to inform the audit committee about uncorrected possible financial statement adjustments identified by us during the current engagement and pertaining to the latest period presented, which were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of the unrecorded possible financial statement adjustments is included as an attachment to this letter.

Other Information in Documents Containing Audited Financial Statements

When our audit report and the audited financial statements are included in a client document, we have a responsibility to read that document and consider whether anything therein is inconsistent with the information in the audited financial statements. It is our understanding that the audited financial statements are currently not expected to be included in any other document. As indicated above, the purpose is solely to consider whether the information is inconsistent with the audited financial statements. We will not audit any of the information outside the financial statements and cannot provide you with any assurance as to its accuracy.

Disagreements with Management

In the process of conducting an audit, various matters will be discussed with management. In that process, significant differences of opinion may arise regarding the scope of the audit, the application of accounting principles, disclosures to be included in the Township's financial statements, or the wording of our report. In the interest of keeping you informed of all significant matters, such differences are required to be reported to you even though they are satisfactorily resolved. There were no disagreements with management over the application of accounting principles or the basis for management's judgments about accounting estimates. Additionally, there were no disagreements regarding the scope of the audit, disclosures to be included in the financial statements, or the wording of the auditor's report.

Consultation with Other Accountants

When management consults with other accountants about significant accounting and auditing matters, auditing standards require that we present our views on those matters to you. To our knowledge, there were no such consultations with other accountants.

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in cursive script that reads "Sharon L. Vargo".

Sharon Vargo, CPA
Partner

Client: **Acme Township**
 Opinion Unit **Government-wide Activities**
 Y/E: **June 30, 2007**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

		Increases (Decreases)				
Ref. #	Description of Misstatement	Assets	Liabilities	Net Assets	Revenue	Expenses
Known Misstatements:						
A1	Accrued compensated absences		\$ 13,209			\$ 13,209
A2						
Estimate Adjustments:						
B1	None					
B2						
Implied Adjustments:						
C1	None					
C2						
		\$ -	-	\$ -	\$ -	-
	Combined effect	<u>\$ -</u>	<u>\$ 13,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,209</u>

**Acme Township
Grand Traverse County, Michigan**

**Financial Report
with Supplemental Information
June 30, 2007**

Acme Township

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Independent Auditor's Report

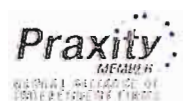
To the Board of Trustees
Acme Township
Grand Traverse County, Michigan

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 Acme 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 Acme Township, Michigan'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 Acme Township as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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



To the Board of Trustees
Acme Township
Grand Traverse County, Michigan

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

Plante & Moran, PLLC

November 16, 2007

Acme Township

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Acme Township, Michigan's financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

- Property taxes related to the Township's governmental activities increased by approximately \$67,000 due to increased property values.
- Total net assets related to the Township's governmental activities increased by approximately \$526,000 and the unrestricted portion of net assets increased by approximately \$136,000. The Township had increased legal fees in its legislative line item, but managed the increase due to cost cutting and an increased value of its joint venture in the Metro Fire Department.

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's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Acme Township

Management's Discussion and Analysis (Unaudited) (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
				(as restated)		(as restated)
Current assets	\$ 2,152	\$ 1,781	\$ 665	\$ 768	\$ 2,817	\$ 2,549
Noncurrent assets	5,804	5,651	8,660	8,889	14,464	14,540
Total assets	7,956	7,432	9,325	9,657	17,281	17,089
Current liabilities	52	54	379	359	431	413
Long-term liabilities	31	31	3,853	4,150	3,884	4,181
Total liabilities	83	85	4,232	4,509	4,315	4,594
Net assets:						
Invested in capital assets -						
Net of related debt	4,917	4,927	4,505	4,441	9,422	9,368
Restricted:						
Debt Service	21	23	-	-	21	23
Fire Operations	168	201	-	-	168	201
Farmland Preservation	801	509	-	-	801	509
Police Protection	113	88	-	-	113	88
Shoreline Preservation	4	-	-	-	4	-
New Urbanist Town Center	26	-	-	-	26	-
Unrestricted	1,823	1,599	588	707	2,411	2,306
Total net assets	<u>\$ 7,873</u>	<u>\$ 7,347</u>	<u>\$ 5,093</u>	<u>\$ 5,148</u>	<u>\$ 12,966</u>	<u>\$ 12,495</u>

The Township's combined net assets increased 4 percent from a year ago - increasing from \$12.5 million to \$13 million. As we look at the governmental activities separately from the business-type activities, we can see that the net assets of the governmental activities increased by approximately \$526,000 and net assets of business-type activities decreased by approximately \$55,000.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, increased by approximately \$105,000 for the governmental activities. This represents an increase of approximately 4.6 percent. The current level of unrestricted net assets for our governmental activities stands at \$1.8 million, or about 167 percent of expenditures.

Acme Township

Management's Discussion and Analysis (Unaudited) (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue -						
Charges for services	\$ 187	\$ 194	\$ 618	\$ 661	\$ 805	\$ 855
General revenue:						
Property taxes	975	908	-	-	975	908
State-shared revenue	297	296	-	-	297	296
Unrestricted						
investment earnings	88	51	32	29	120	80
Transfers and other						
revenue	<u>72</u>	<u>76</u>	<u>31</u>	<u>4</u>	<u>103</u>	<u>80</u>
Total revenue	1,619	1,525	681	694	2,300	2,219
Program Expenses						
Legislative	236	182	-	-	236	182
General government	296	273	-	-	296	273
Public safety	429	461	-	-	429	461
Community and						
economic development	45	36	-	-	45	36
Recreation and culture	85	117	-	-	85	117
Interest on long-term debt	2	2	-	-	2	2
Water and sewer	<u>-</u>	<u>-</u>	<u>736</u>	<u>868</u>	<u>736</u>	<u>868</u>
Total program						
expenses	<u>1,093</u>	<u>1,071</u>	<u>736</u>	<u>868</u>	<u>1,829</u>	<u>1,939</u>
Change in Net Assets	<u>\$ 526</u>	<u>\$ 454</u>	<u>\$ (55)</u>	<u>\$ (174)</u>	<u>\$ 471</u>	<u>\$ 280</u>

Governmental Activities

The Township's total governmental revenues increased by approximately \$94,000. The increase, which represents 6 percent, was primarily due to increased tax receipts and investment returns.

Expenses increased by about \$22,000 during the year. The Township contributed approximately \$4,300 to the regional "Grand Vision" transportation and land use planning project through TC-TALUS, and membership costs paid to the Cherry Capital Cable Council were up slightly. Employment costs rose modestly and election expenses were approximately \$9,500 higher than the prior year.

Acme Township

Management's Discussion and Analysis (Unaudited) (Continued)

Business-type Activities

The Township's business-type activities consist of the Water and Sewer Fund. The Grand Traverse County Department of Public Works (GTDPW) provides water services to the residents of Grand Traverse County, including Acme Township. GTDPW bills the residents for these services and passes the related funds on to the Township.

The Township entered into a master sewer agreement with the City of Traverse City and various townships in Grand Traverse and Leelanau Counties, as well as Grand Traverse County. This master sewer agreement defines the allocation of costs and establishes certain rights and responsibilities with respect to the wastewater treatment plant. Grand Traverse County is the owner of the treatment plant and the City of Traverse City is the owner of all multi-user facilities. The Township pays an amount sufficient to cover its pro rata share of treatment plant costs, as determined by its volume of sewage treated in relation to total sewage treated at the plant.

Revenue and expenses from the sale of water and sewage disposal were approximately \$618,000 and \$315,000, respectively, for the year ended June 30, 2007. Additional costs incurred in relation to both water and sewer included depreciation expense of approximately \$236,000, interest expense of \$158,000, and an additional capacity fee to the County of about \$26,000.

The Township's Funds

Our analysis of the Township's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board 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 for 2007 include the General Fund, Fire Fund, Farmland Preservation Fund, Arnold Road Assessment Fund, and Water and Sewer 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 most significant change was to increase expenditures for legislative by \$65,000 over initial projections; actual performance increased over initial projections by \$123,500. Township departments overall were close to budget, resulting in total expenditures of approximately \$89,000 below budget. This produced an overall increase in the General Fund's fund balance from approximately \$883,000 a year ago to \$931,000 at June 30, 2007.

Acme Township

Management's Discussion and Analysis (Unaudited) (Continued)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the Township had \$13.6 million invested in a broad range of capital assets, including land, 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 because of Michigan law, which makes these roads the property of the Grand Traverse County Road Commission (along with the responsibility to maintain them).

Debt

At the end of this year, the Township had \$4.2 million in bonds outstanding versus \$4.5 million in the previous year in the Water and Sewer Fund - a change of 7 percent.

Economic Factors and Next Year's Budgets and Rates

For the 2007-2008 fiscal year, the Township has budgeted for an increase of approximately \$22,000 in revenue from 2006-2007 in the General Fund, primarily due to modest increases in property tax collections and interest on investments. State-shared sales tax revenue is anticipated to remain constant.

The Township has projected General Fund expenditures of \$779,226 for the fiscal year 2007-2008, up approximately \$50,000 from the 2006-2007 actual expenditures. This includes a potential \$25,000 expense for a joint town center planning initiative with the owners of a total of between 240 and 450 acres of land which may or may not occur and a \$50,000 set-aside to self-insure for zoning decision liability which was budgeted but unspent in the 2006-2007 fiscal year as well. We have also budgeted for some needed amendments to our zoning ordinance. In all other cost centers, the proposed expenditure increases are minimal, and a slight budget surplus is projected. The board of trustees maintains a strong commitment to a balanced budget whereby current year revenues match or exceed current year expenses.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's 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 clerk's office.

Acme Township

Statement of Net Assets June 30, 2007

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents (Note 2)	\$ 2,082,691	\$ 480,740	\$ 2,563,431
Receivables - Net (Note 3)	69,026	184,681	253,707
Investment in joint venture (Note 8)	856,000	-	856,000
Capital assets - Nondepreciable (Note 4)	4,729,143	461,475	5,190,618
Capital assets - Net (Note 4)	<u>218,962</u>	<u>8,197,796</u>	<u>8,416,758</u>
Total assets	7,955,822	9,324,692	17,280,514
Liabilities			
Accounts payable	19,719	48,117	67,836
Accrued and other liabilities	32,070	29,531	61,601
Noncurrent liabilities (Note 5):			
Due within one year	31,192	301,012	332,204
Due in more than one year	<u>-</u>	<u>3,853,365</u>	<u>3,853,365</u>
Total liabilities	<u>82,981</u>	<u>4,232,025</u>	<u>4,315,006</u>
Net Assets			
Invested in capital assets - Net of related debt	4,916,913	4,504,894	9,421,807
Restricted:			
Debt service	21,043	-	21,043
Fire Operations	167,907	-	167,907
Farmland Preservation	801,319	-	801,319
Police Protection	112,701	-	112,701
Shoreline Preservation	4,220	-	4,220
New Urbanist Town Center	26,021	-	26,021
Unrestricted	<u>1,822,717</u>	<u>587,773</u>	<u>2,410,490</u>
Total net assets	<u>\$ 7,872,841</u>	<u>\$ 5,092,667</u>	<u>\$ 12,965,508</u>

Acme Township

Statement of Activities Year Ended June 30, 2007

	Program		Net (Expense) Revenue and		
	Revenues		Changes in Net Assets		
			Primary Government		
	Expenses	Charges for Services	Governmental Activities	Business-type Activities	Total
Functions/Programs					
Primary government - Governmental activities:					
Legislative	\$ 236,374	\$ -	\$ (236,374)	\$ -	\$ (236,374)
General government	296,146	125,347	(170,799)	-	(170,799)
Public safety	429,347	61,935	(367,412)	-	(367,412)
Community and economic development	45,396	-	(45,396)	-	(45,396)
Recreation and culture	85,015	-	(85,015)	-	(85,015)
Interest on long-term debt	1,598	-	(1,598)	-	(1,598)
Total governmental activities	1,093,876	187,282	(906,594)	-	(906,594)
Business-type activities - Water and sewer	736,432	618,509	-	(117,923)	(117,923)
Total primary government	\$ 1,830,308	\$ 805,791	(906,594)	(117,923)	(1,024,517)
General revenues:					
Property taxes			974,987	-	974,987
State-shared revenues			297,002	-	297,002
Unrestricted investment earnings			88,559	32,182	120,741
Miscellaneous			71,508	30,899	102,407
Total general revenues			1,432,056	63,081	1,495,137
Change in Net Assets			525,462	(54,842)	470,620
Net Assets - Beginning of year			7,347,379	5,147,509	12,494,888
Net Assets - End of year			\$ 7,872,841	\$ 5,092,667	\$ 12,965,508

Acme Township

Governmental Funds Balance Sheet June 30, 2007

	General Fund	Fire Fund	Farmland Preservation Fund	Arnold Road Assessment Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 943,406	\$ 169,820	\$ 801,319	\$ 21,043	\$ 147,103	\$ 2,082,691
Receivables - Net (Note 3)	53,133	-	-	15,893	-	69,026
Total assets	<u>\$ 996,539</u>	<u>\$ 169,820</u>	<u>\$ 801,319</u>	<u>\$ 36,936</u>	<u>\$ 147,103</u>	<u>\$ 2,151,717</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 17,676	\$ 1,913	\$ -	\$ -	\$ 130	\$ 19,719
Accrued and other liabilities	32,070	-	-	-	-	32,070
Deferred revenue (Note 3)	5,648	-	-	15,893	-	21,541
Total liabilities	55,394	1,913	-	15,893	130	73,330
Fund Balances						
Reserved:						
Debt Service	-	-	-	21,043	-	21,043
Special Revenue Funds	-	167,907	801,319	-	142,942	1,112,168
Unreserved						
Designated for zoning lawsuits	50,000	-	-	-	-	50,000
Designated for parks and recreation	-	-	-	-	4,031	4,031
Undesignated	891,145	-	-	-	-	891,145
Total fund balances	<u>941,145</u>	<u>167,907</u>	<u>801,319</u>	<u>21,043</u>	<u>146,973</u>	<u>2,078,387</u>
Total liabilities and fund balances	<u>\$ 996,539</u>	<u>\$ 169,820</u>	<u>\$ 801,319</u>	<u>\$ 36,936</u>	<u>\$ 147,103</u>	<u>\$ 2,151,717</u>
Total Fund Balances of Governmental Funds						\$ 2,078,387
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						4,948,105
Joint venture investments used in governmental activities are not financial resources and are not reported in the funds						856,000
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures						21,541
Long-term liabilities are not due and payable in the current period and are not reported in the funds						(31,192)
Net assets of governmental activities						<u>\$ 7,872,841</u>

Acme Township

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

	General Fund	Fire Fund	Farmland Preservation Fund	Arnold Road Assessment Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 222,323	\$ 406,984	\$ 275,426	\$ -	\$ 76,639	\$ 981,372
Licenses and permits	61,935	-	-	-	-	61,935
State-shared revenues and grants	297,002	-	-	-	-	297,002
Charges for services	125,347	-	-	-	-	125,347
Interest	46,419	5,171	31,608	845	4,516	88,559
Other	20,096	-	-	3,759	47,653	71,508
Total revenue	773,122	412,155	307,034	4,604	128,808	1,625,723
Expenditures						
Current:						
Legislative	236,374	-	-	-	-	236,374
General government	272,730	-	-	-	-	272,730
Public safety	87,671	445,002	-	-	65,674	598,347
Community and economic development	30,420	-	14,976	-	-	45,396
Recreation and culture	75,472	-	-	-	4,476	79,948
Capital outlay	12,737	-	-	-	-	12,737
Debt service	-	-	-	7,016	-	7,016
Total expenditures	715,404	445,002	14,976	7,016	70,150	1,252,548
Net Change in Fund Balances	57,718	(32,847)	292,058	(2,412)	58,658	373,175
Fund Balances - Beginning of year	883,427	200,754	509,261	23,455	88,315	1,705,212
Fund Balances - End of year	<u>\$ 941,145</u>	<u>\$ 167,907</u>	<u>\$ 801,319</u>	<u>\$ 21,043</u>	<u>\$ 146,973</u>	<u>\$ 2,078,387</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Acme Township

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	373,175
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Current year allocation of depreciation	(23,638)
Current year capitalized capital outlay	7,892

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(6,385)
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Investment in joint venture income reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental fund	169,000
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	5,418
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Change in Net Assets of Governmental Activities	\$	<u>525,462</u>
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Acme Township

Proprietary Funds Statement of Net Assets June 30, 2007

	Enterprise - Water and Sewer
Assets	
Current assets - Cash and cash equivalents (Note 2)	\$ 480,740
Receivables - Net:	
Accounts	141,339
Special assessments	<u>43,342</u>
Total current assets	665,421
Noncurrent assets - Capital assets (Note 4)	<u>8,659,271</u>
Total assets	9,324,692
Liabilities	
Current liabilities:	
Accounts payable	48,117
Accrued and other liabilities	29,531
Current portion of long-term debt (Note 5)	<u>301,012</u>
Total current liabilities	378,660
Noncurrent liabilities - Long-term debt - Net of current portion (Note 5)	<u>3,853,365</u>
Total liabilities	<u>4,232,025</u>
Net Assets	
Investment in capital assets - Net of related debt	4,504,894
Unrestricted	<u>587,773</u>
Total net assets	<u><u>\$ 5,092,667</u></u>

Acme Township

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

	Enterprise - Water and Sewer
Operating Revenue - Usage and connection fees	\$ 618,509
Operating Expenses	
Cost of water produced/purchased	314,879
Capacity lease payments	26,270
Depreciation	235,763
Other	1,152
Total operating expenses	578,064
Operating Income	40,445
Nonoperating Revenue (Expense)	
Investment income	32,182
Special assessments interest income	30,899
Interest expense	(158,368)
Total nonoperating expenses	(95,287)
Change in Net Assets	(54,842)
Net Assets - Beginning of year	5,147,509
Net Assets - End of year	<u><u>\$ 5,092,667</u></u>

Acme Township

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2007

	Enterprise - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 616,959
Payments to suppliers	(329,020)
Payments on capacity lease	(26,270)
Net cash provided by operating activities	261,669
Cash Flows from Capital and Related Financing Activities	
Collection of customer assessments (principal and interest)	44,243
Purchase of capital assets	(6,300)
Principal and interest paid on capital debt	(422,650)
Net cash used in capital and related financing activities	(384,707)
Cash Flows from Investing Activities - Interest received on investments	32,182
Net Decrease in Cash and Cash Equivalents	(90,856)
Cash and Cash Equivalents - Beginning of year	571,596
Cash and Cash Equivalents - End of year	\$ 480,740
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 40,445
Adjustments to reconcile operating income to net cash from operating activities:	235,763
Depreciation and amortization	
Changes in assets and liabilities:	
Receivables	(1,550)
Accounts payable	(12,989)
Net cash provided by operating activities	\$ 261,669

Acme Township

Fiduciary Funds Statement of Assets and Liabilities June 30, 2007

	<u>Agency Funds</u>
Assets - Cash and cash equivalents (Note 2)	<u><u>\$ 21,494</u></u>
Liabilities - Due to others	<u><u>\$ 21,494</u></u>

Note I - Summary of Significant Accounting Policies

The accounting policies of Acme Township (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Acme Township:

Reporting Entity

Acme Township is governed by an elected seven-member board. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

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. 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.

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 are reported as separate columns in the fund financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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.

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 Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

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.

The Township reports the following major governmental funds:

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

Fire Fund - The Fire Fund accounts for the operation of the Township fire department. Financing is provided by a special property tax levy.

Farmland Preservation Fund - The Farmland Preservation Fund accounts for costs of establishing a system of farmland preservation. Financing is provided by a special property tax levy.

Note 1 - Summary of Significant Accounting Policies (Continued)

Arnold Road Assessment Fund - The Arnold Road Assessment Fund accounts for the financing and completion of road repairs.

The Township reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for the results of operations that provide water and sewer services to residents, financed primarily by a user charge for the provision of those services.

Additionally, the Township reports the following fiduciary activities:

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

The Township also reports the following nonmajor funds:

Police Protection Fund - The Police Protection Fund accounts for the costs of the Township police contract with the County, financed by a millage.

Shoreline Preservation Fund - The Shoreline Preservation Fund accounts for costs of establishing a system of shoreline preservation. Financing is provided by the Township residents and other grants.

Oil and Gas Lease Fund - The Oil and Gas Lease Fund accounts for funds received from an oil and gas lease to be used for parks and recreation related expenses.

New Urbanist Town Center Fund - The New Urbanist Town Center Fund accounts for grant funds received for the purpose of creating a new town center.

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 Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

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 Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Note 1 - Summary of Significant Accounting Policies (Continued)

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating 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.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates 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.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2006 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended June 30, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Township totaled \$284.9 million, on which taxes levied consisted of 0.7706 mills for operating purposes, 1.5 mills for fire protection (applies to taxable real property only of \$271 million), 0.2692 mills for police protection, and .9673 mill for farmland preservation. This resulted in approximately \$220,000 for operating, \$406,000 for fire protection, \$77,000 for police protection, and \$276,000 for farmland preservation. These amounts are recognized in the respective General and Special Revenue Funds financial statements as property tax revenue.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Pooled interest income from the General Fund, Special Revenue Funds, and Debt Service Funds is generally allocated to each fund using a weighted average.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, water, and sewer lines), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets 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 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.

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

Road improvements	15 to 20 years
Water and sewer distribution and treatment systems	50 years
Buildings and building improvements	40 to 50 years
Vehicles	3 to 5 years
Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave) - The Township's policy for compensated absences does not allow unused time to accumulate or vest.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs 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.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Deposits

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Note 2 - Deposits (Continued)

The Township has designated two banks for the deposit of its funds. The investment policy adopted by the board, in accordance with Public Act 196 of 1997, has authorized all of the investments in the state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash is subject to the following risk examined below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$2,120,778 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Receivables

Receivables as of June 30, 2007 for the Township's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Arnold Road Assessment Fund	Total Governmental Activities
Receivables:			
Special assessments	\$ 5,401	\$ 15,144	\$ 20,545
Intergovernmental	47,485	-	47,485
Interest and other	247	749	996
Net receivables	<u>\$ 53,133</u>	<u>\$ 15,893</u>	<u>\$ 69,026</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, \$21,541 of special assessment and other deferred revenue was unavailable.

Acme Township

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance July 1, 2006	Additions	Balance June 30, 2007
Governmental Activities			
Capital assets not being depreciated - Land	\$ 4,729,143	\$ -	\$ 4,729,143
Capital assets being depreciated:			
Road improvements	50,191	-	50,191
Buildings and improvements	233,202	-	233,202
Vehicles	50,671	-	50,671
Equipment	92,689	7,892	100,581
Subtotal	426,753	7,892	434,645
Accumulated depreciation:			
Road improvements	7,530	2,510	10,040
Buildings and improvements	120,877	6,362	127,239
Vehicles	17,601	5,067	22,668
Equipment	46,037	9,699	55,736
Subtotal	192,045	23,638	215,683
Net capital assets being depreciated	234,708	(15,746)	218,962
Net capital assets	<u>\$ 4,963,851</u>	<u>\$ (15,746)</u>	<u>\$ 4,948,105</u>
	Restated Balance		Balance
Business-type Activities	July 1, 2006	Additions	June 30, 2007
Capital assets not being depreciated - CIP	\$ 455,175	\$ 6,300	\$ 461,475
Capital assets being depreciated - Water and sewer distribution systems	11,789,826	-	11,789,826
Accumulated depreciation - Water and sewer distribution and treatment systems	3,356,266	235,764	3,592,030
Net capital assets being depreciated	8,433,560	(235,764)	8,197,796
Net capital assets	<u>\$ 8,888,735</u>	<u>\$ (229,464)</u>	<u>\$ 8,659,271</u>

The restated balance in business-type activities is \$455,175 of construction in progress relating to Acme Township's portion of a septage treatment plan jointly constructed by Acme, East Bay, Garfield, Peninsula, and Elmwood Townships and the Grand Traverse County Department of Public Works.

Acme Township

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 18,571
Recreation and culture	<u>5,067</u>
Total governmental activities	<u>\$ 23,638</u>
Business-type activities:	
Water	\$ 3,540
Sewer	<u>232,224</u>
Total business-type activities	<u>\$ 235,764</u>

Note 5 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

Long-term obligation activity can be summarized as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Installment purchase agreements	<u>\$ 36,610</u>	<u>\$ -</u>	<u>\$ (5,418)</u>	<u>\$ 31,192</u>	<u>\$ 31,192</u>
Business-type Activities					
General obligation bonds	<u>\$ 4,242,970</u>	<u>\$ -</u>	<u>\$ (238,593)</u>	<u>\$ 4,004,377</u>	<u>\$ 271,012</u>
Special assessment bonds	<u>180,000</u>	<u>-</u>	<u>(30,000)</u>	<u>150,000</u>	<u>30,000</u>
Business-type activities debt	<u>\$ 4,422,970</u>	<u>\$ -</u>	<u>\$ (268,593)</u>	<u>\$ 4,154,377</u>	<u>\$ 301,012</u>

Note 5 - Long-term Debt (Continued)

The restated beginning balance includes \$455,175 of general obligation bonds arising from Acme Township's 6.3 percent stake in a septage treatment plan jointly constructed by Acme, East Bay, Garfield, Peninsula, and Elmwood Townships and the Grand Traverse County Department of Public Works.

Long-term obligations consist of the following:

Governmental Activities

Installment note payable to local bank, used to repair Arnold Road, bearing interest of 4.3%, maturing in December 2007 \$ 31,192

Business-type Activities

1992 Grand Traverse County Sewage Disposal System #2 General Obligation Bond (#322), used to improve lift station and forcemain, bearing interest from 5.85% to 6.4%, maturing in 2011 \$ 80,000

1993 Grand Traverse County Sewage Disposal System #2 Special Assessment General Obligation Bond (#326), used to fund the special assessment district for home hook-up, bearing interest from 5.15% to 5.50%, maturing in 2011 150,000

1995 Traverse City Wastewater Treatment Plant General Obligation Bond (#328), used to increase capacity of regional treatment plant and upgrade pump station, bearing interest from 5.05% to 5.70%, maturing in 2015 181,221

1998 Traverse City Wastewater Treatment Plant General Obligation Bond (#330), used to improve odor control at regional plant, bearing interest from 4% to 4.5%, maturing in 2013 69,588

2002 Traverse City Wastewater Treatment Plant - 2002 Upgrade General Obligation Bond (#334), used to upgrade regional treatment plant and purchase property for new plant, bearing interest from 2.75% to 5%, maturing in 2022 2,331,010

2003 Grand Traverse County Septage Treatment Facility - Acme, East Bay, Peninsula, Elmwood, Garfield Townships General Obligation Bond used for Septage plant construction 455,175

2003 Grand Traverse County Sewer and Water Projects - Acme, East Bay, Peninsula Townships General Obligation Bond (#336), used for sewer relief, bearing interest from 2.25% to 5%, maturing in 2023 887,383

Total \$ 4,154,377

Acme Township

Notes to Financial Statements June 30, 2007

Note 5 - Long-term Debt (Continued)

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

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 31,192	\$ 1,156	\$ 32,348	\$ 301,012	\$ 172,513	\$ 473,525
2009	-	-	-	300,588	162,562	463,150
2010	-	-	-	309,657	151,916	461,573
2011	-	-	-	324,431	140,251	464,682
2012	-	-	-	339,711	127,516	467,227
2013-2017	-	-	-	1,377,413	452,258	1,829,671
2018-2022	-	-	-	1,125,965	180,251	1,306,216
2023-2024	-	-	-	75,600	3,793	79,393
Total	\$ 31,192	\$ 1,156	\$ 32,348	\$ 4,154,377	\$ 1,391,060	\$ 5,545,437

In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2007, \$1.1 million of bonds outstanding are considered defeased.

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), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical claims and participates in the Michigan Townships Participating Plan for all other claims except that the Township is self-insured for land use lawsuits. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 6 - Risk Management (Continued)

The Township has determined that there is no liability for land use claims that have been incurred through the end of the fiscal year, including both claims that have been reported as well as those that have not yet been reported. All land use reviews initiated prior to June 30, 2007 have been finalized and no appeals were issued within the statutory time limit.

Note 7 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 12 months of employment with a minimum age of 21. As established by the board of trustees, the Township contributes 10 percent of employees' gross earnings and employee contributions for each employee plus interest allocated to the employee's account are fully vested after four years of service.

The Township's total payroll during the current year was \$344,382. The current year contribution was calculated based on covered payroll of \$311,478, resulting in an employer contribution of \$31,147. No contributions from employees are required.

Note 8 - Joint Venture

The Township entered into a master sewer agreement effective July 1, 1987 through June 30, 2010 with the City of Traverse City, the Townships of Acme, Peninsula, and Garfield in Grand Traverse County, the Township of Elmwood in Leelanau County, and Grand Traverse County. This master sewer agreement defines the allocation of costs and establishes certain rights and responsibilities with respect to the wastewater treatment plant. Grand Traverse County is the owner of the treatment plant and the City of Traverse City is the owner of all multi-user facilities. Ownership of the treatment plant will revert to the City of Traverse City when certain bonds issued by Grand Traverse County are retired.

The City of Traverse City is the exclusive manager of the plant for the benefit to itself and the townships. As the exclusive manager, the City of Traverse City has the obligation to fully inform and advise the townships as to the treatment plant's operation and the townships shall have the right to comment on all matters connected with the administration of the plant.

Each participant in the joint venture pays an amount sufficient to cover its pro rata share of treatment plant costs. Each participant's pro rata share is determined by its volume of sewage treated in relation to total sewage treated at the plant.

Note 8 - Joint Venture (Continued)

The Township is responsible for debt service on the debt issues listed in Note 5 as determined biannually based upon the percentage of the Township's flow to the total flow through the treatment plant. For the biannual period ended June 30, 2007, the Township's percentage was 8.39 percent.

The Township also contributes its Fire Fund tax levy to the Grand Traverse County Fire Department - Metro Division (Metro). Metro is a joint venture between the Township and East Bay and Garfield Townships of Grand Traverse County. The Township's equity interest was 19.6 percent at June 30, 2007. This equity interest is adjusted annually and the June 30, 2007 equity interest balance is approximately \$856,000. As of June 30, 2007, there were no known circumstances that would cause an additional benefit or burden to the Township. On July 24, 2007, the townships have jointly guaranteed the debt of Metro totaling \$368,061. Financial statements are available upon request at the Grand Traverse Metro Fire Department, 897 Parsons Road, Traverse City, Michigan 49686.

Note 9 - Contingent Liabilities

The Township is currently the defendant in five related lawsuits (all dealing with zoning issues). The range of potential loss is from zero to in excess of \$1 million. Township management believes that the potential loss cannot be estimated, and therefore is not recorded on the Township's statement of net assets.

The Township is a participant in the regional waste water treatment facility. Being a participant requires the Township to contribute funding to the planning of a new regional facility. As of June 30, 2007, the total cost of the project has not been estimated and no expenditures have been made.

Required Supplemental Information

Acme Township

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 220,067	\$ 220,067	\$ 222,323	\$ 2,256
State sources	309,123	309,123	297,002	(12,121)
Fees and permits	-	60,889	61,935	1,046
Charges for services	131,878	132,098	125,347	(6,751)
Interest income	37,292	37,292	46,419	9,127
Other	400	400	20,096	19,696
Total revenue	698,760	759,869	773,122	13,253
Expenditures				
Legislative	183,878	230,264	236,374	6,110
General government:				
Elections	17,300	16,080	16,568	488
Assessor	35,668	33,600	34,557	957
Clerk	67,942	64,809	69,828	5,019
Board of Review	838	838	641	(197)
Treasurer	65,422	65,722	67,258	1,536
Township Hall	24,775	34,925	36,418	1,493
Cemetery	4,100	4,100	4,047	(53)
Supervisor	40,610	40,456	43,413	2,957
Public safety - Planning and zoning	140,223	96,242	87,671	(8,571)
Recreation and culture - Maintenance	79,379	73,416	75,472	2,056
Other:				
Retirement/Pension	-	440	-	(440)
Insurance	19,000	15,000	-	(15,000)
Self-insurance	50,000	-	-	-
Other	6,870	30,719	30,420	(299)
Capital outlay	4,570	21,000	12,737	(8,263)
Total expenditures	740,575	727,611	715,404	(12,207)
Net Change in Fund Balance	(41,815)	32,258	57,718	25,460
Fund Balance - Beginning of year	883,427	883,427	883,427	-
Fund Balance - End of year	<u>\$ 841,612</u>	<u>\$ 915,685</u>	<u>\$ 941,145</u>	<u>\$ 25,460</u>

Acme Township

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Fire Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 407,915	\$ 407,915	\$ 406,984	\$ (931)
Interest income	<u>6,389</u>	<u>6,389</u>	<u>5,171</u>	<u>(1,218)</u>
Total revenue	414,304	414,304	412,155	(2,149)
Expenditures - Public safety - Fire	<u>425,613</u>	<u>463,877</u>	<u>445,002</u>	<u>(18,875)</u>
Net Change in Fund Balance	(11,309)	(49,573)	(32,847)	16,726
Fund Balance - Beginning of year	<u>200,754</u>	<u>200,754</u>	<u>200,754</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 189,445</u>	<u>\$ 151,181</u>	<u>\$ 167,907</u>	<u>\$ 16,726</u>

Acme Township

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Farmland Preservation Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 276,224	\$ 276,224	\$ 275,426	\$ (798)
Interest income	<u>28,891</u>	<u>28,891</u>	<u>31,608</u>	<u>2,717</u>
Total revenue	305,115	305,115	307,034	1,919
Expenditures - Farmland preservation expenditures	<u>413,000</u>	<u>413,000</u>	<u>14,976</u>	<u>(398,024)</u>
Net Change in Fund Balance	(107,885)	(107,885)	292,058	399,943
Fund Balance - Beginning of year	<u>509,261</u>	<u>509,261</u>	<u>509,261</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 401,376</u>	<u>\$ 401,376</u>	<u>\$ 801,319</u>	<u>\$ 399,943</u>

Note - Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

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

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township did not have significant expenditure budget variances.

Other Supplemental Information

Acme Township

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Police Protection	Shoreline Preservation	Oil and Gas Lease	New Urbanist Town Center	
Assets					
Cash and cash equivalents	<u>\$ 112,831</u>	<u>\$ 4,220</u>	<u>\$ 4,031</u>	<u>\$ 26,021</u>	<u>\$ 147,103</u>
Liabilities and Fund Balances					
Liabilities - Accounts payable	\$ 130	\$ -	\$ -	\$ -	\$ 130
Fund Balances					
Reserved for special revenue funds	112,701	4,220	-	26,021	142,942
Board Designated for parks and recreation	<u>-</u>	<u>-</u>	<u>4,031</u>	<u>-</u>	<u>4,031</u>
Total fund balances	<u>112,701</u>	<u>4,220</u>	<u>4,031</u>	<u>26,021</u>	<u>146,973</u>
Total liabilities and fund balances	<u>\$ 112,831</u>	<u>\$ 4,220</u>	<u>\$ 4,031</u>	<u>\$ 26,021</u>	<u>\$ 147,103</u>

Acme Township

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2007

	Special Revenue Funds				
	Police Protection	Shoreline Preservation	Oil and Gas Lease	New Urbanist Town Center	Total Nonmajor Governmental Funds
Revenue					
Property taxes	\$ 76,639	\$ -	\$ -	\$ -	\$ 76,639
Interest income	3,456	26	13	1,021	4,516
Other	9,965	8,670	4,018	25,000	47,653
Total revenue	90,060	8,696	4,031	26,021	128,808
Expenditures					
Recreation and culture	-	4,476	-	-	4,476
Public safety	65,674	-	-	-	65,674
Total expenditures	65,674	4,476	-	-	70,150
Net Change in Fund Balances	24,386	4,220	4,031	26,021	58,658
Fund Balances - Beginning of year	88,315	-	-	-	88,315
Fund Balances - End of year	<u>\$ 112,701</u>	<u>\$ 4,220</u>	<u>\$ 4,031</u>	<u>\$ 26,021</u>	<u>\$ 146,973</u>



Acme Township

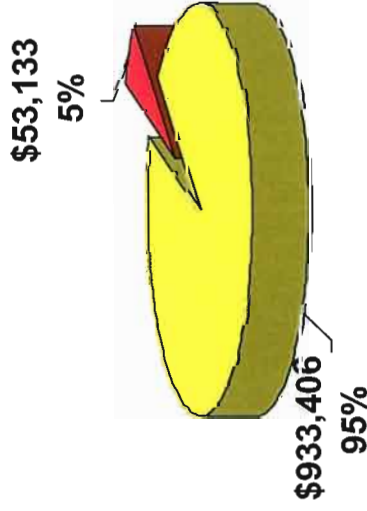
June 30, 2007

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Acme Township General Fund Assets and Liabilities June 30, 2007

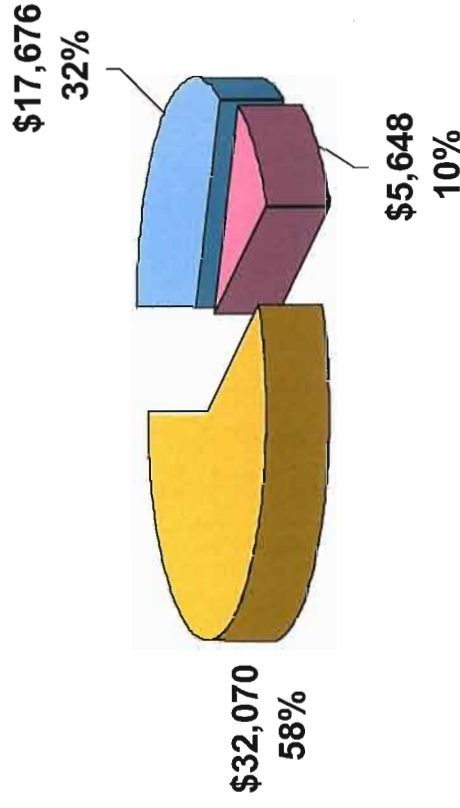


Assets = \$986,539



Cash and Investments
Receivables

Liabilities = \$55,394

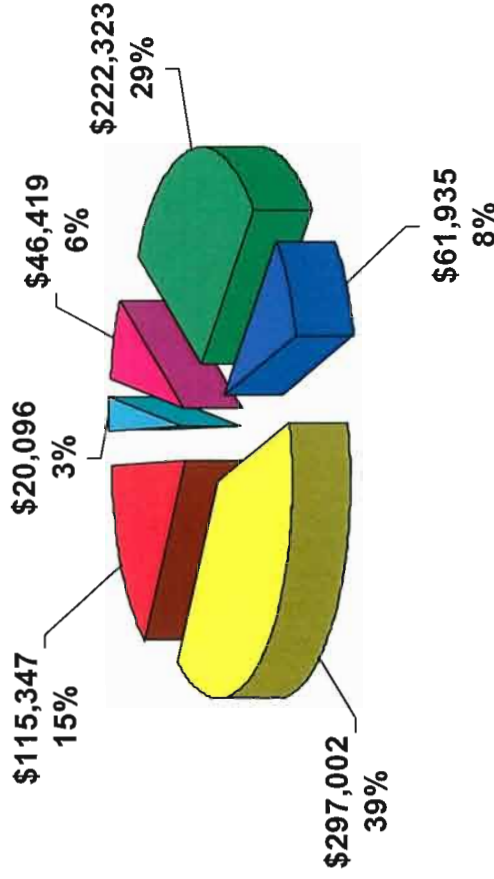


Accounts Payable
Deferred Revenue
Accrued and other Liabilities

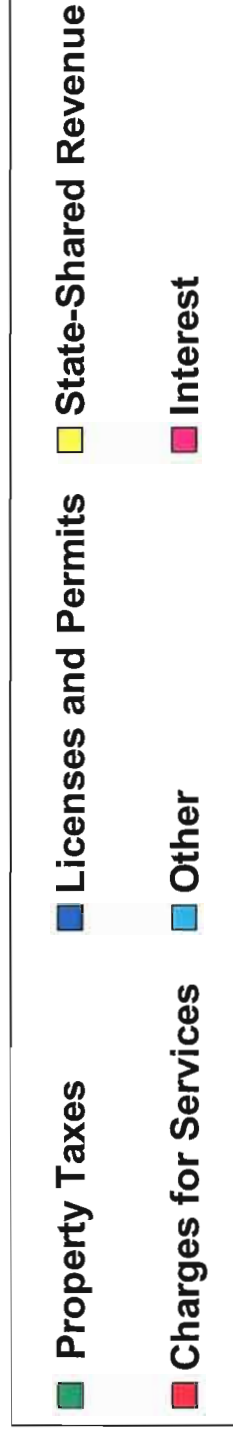
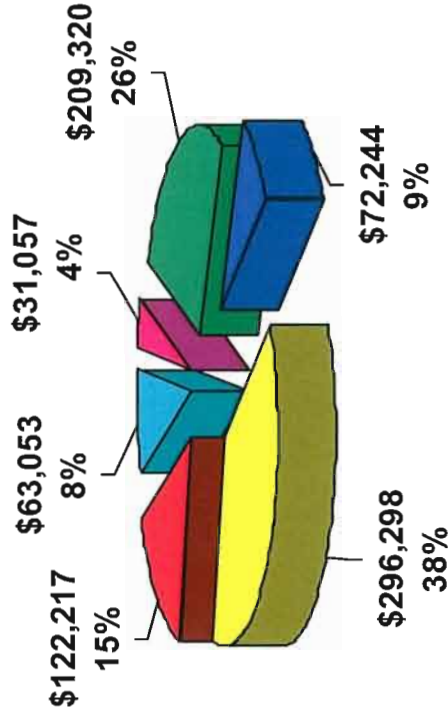
Acme Township General Fund Revenue Year Ended June 30



2007 = \$763,122



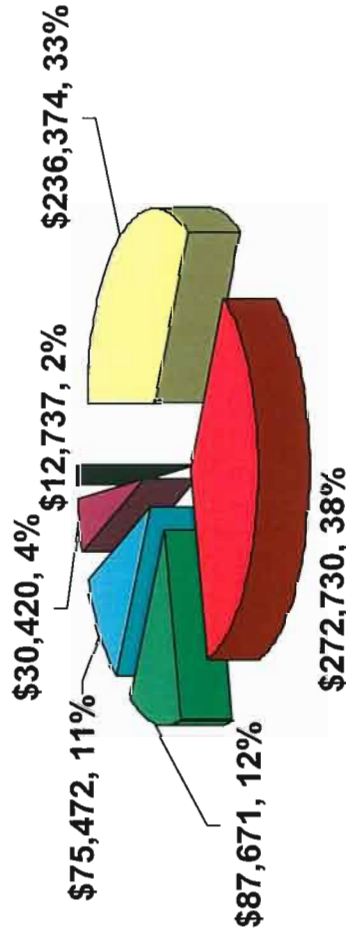
2006 = \$794,189



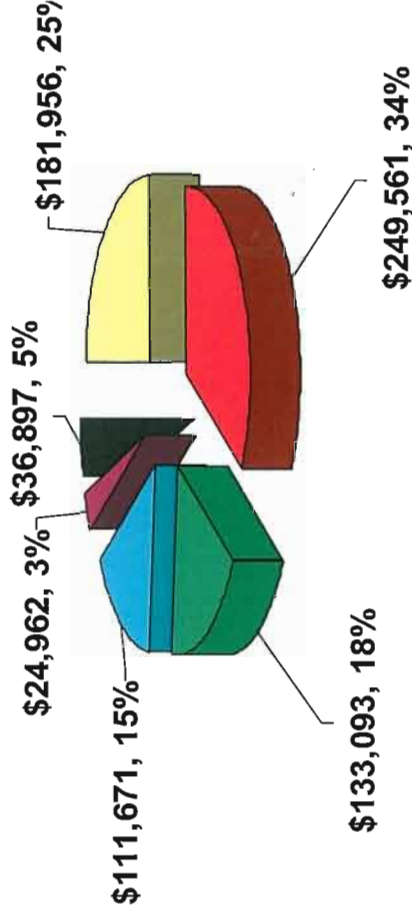
Acme Township General Fund Expenditures Year Ended June 30



2007 = \$715,404



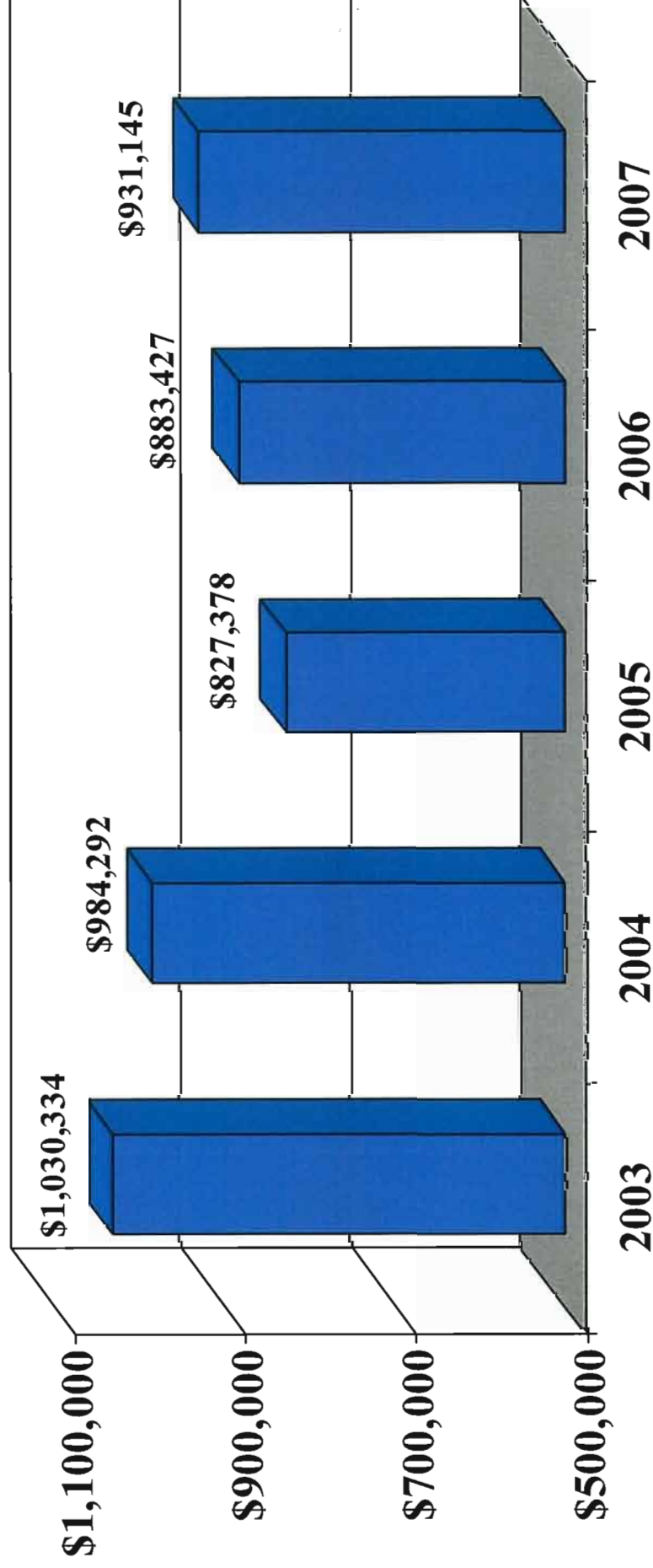
2006 = \$738,140



Acme Township

General Fund – Fund Balance

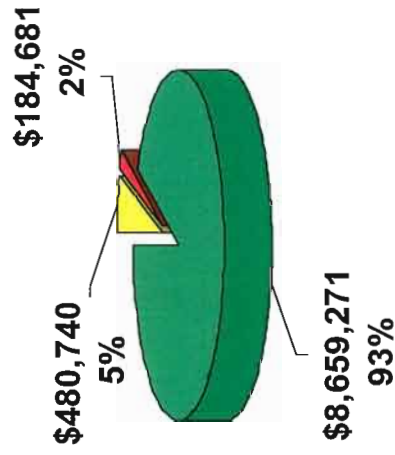
June 30



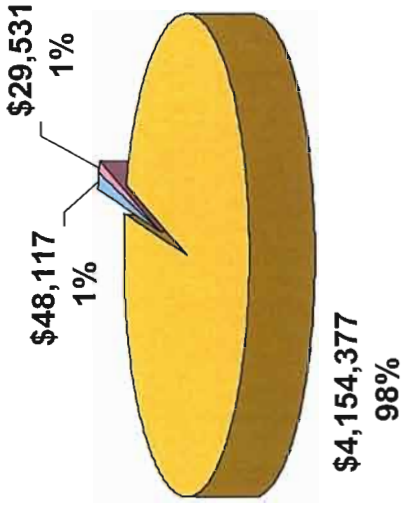
Acme Township Water and Sewer Assets and Liabilities June 30, 2006



Assets = \$9,324,692



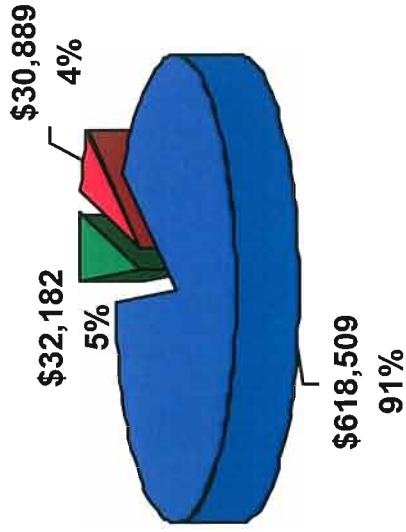
Liabilities = \$4,232,025



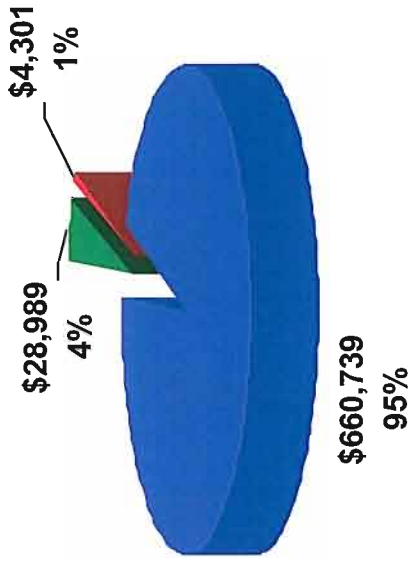
Acme Township Water and Sewer Revenue Year Ended June 30



2007 = \$681,590



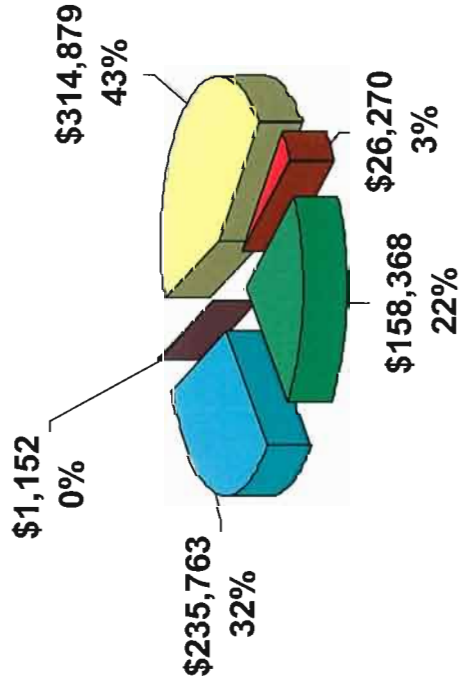
2006 = \$694,029



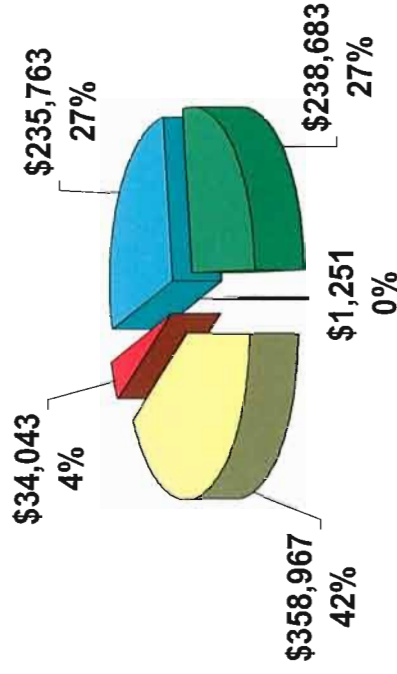
Acme Township Water and Sewer Expenses Year Ended June 30



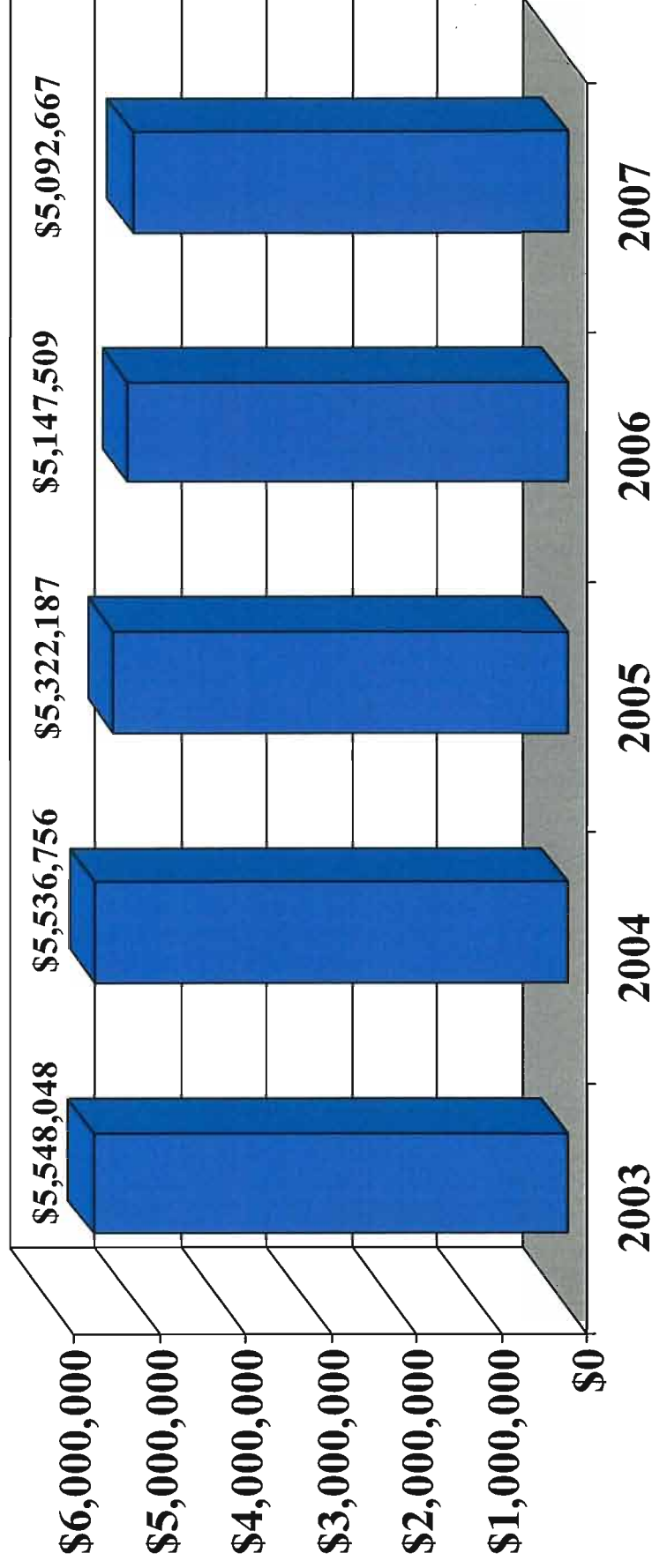
2007 = \$736,432



2006 = \$868,707



Acme Township Water and Sewer – Net Assets June 30

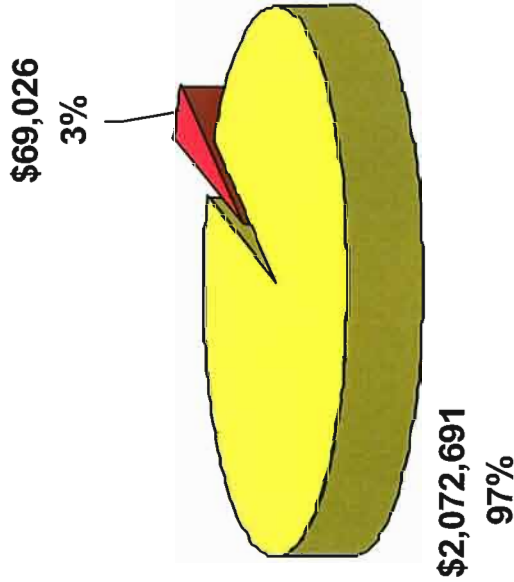


Acme Township Assets

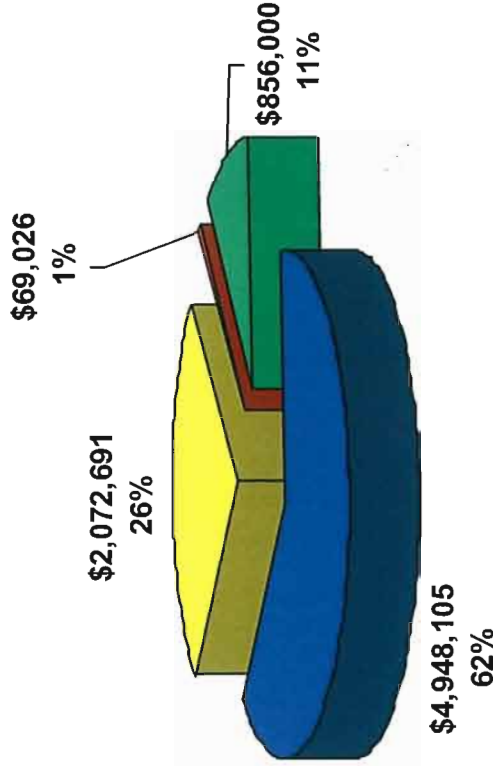
Fund Level vs. Government Wide



Fund Level
\$2,141,717



Government Wide
\$7,945,822

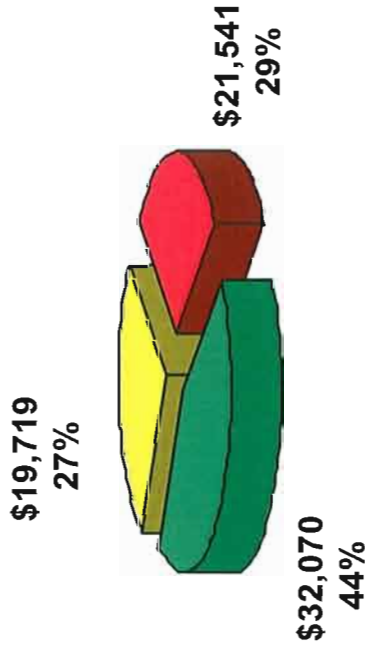


Acme Township Liabilities

Fund Level vs. Government Wide

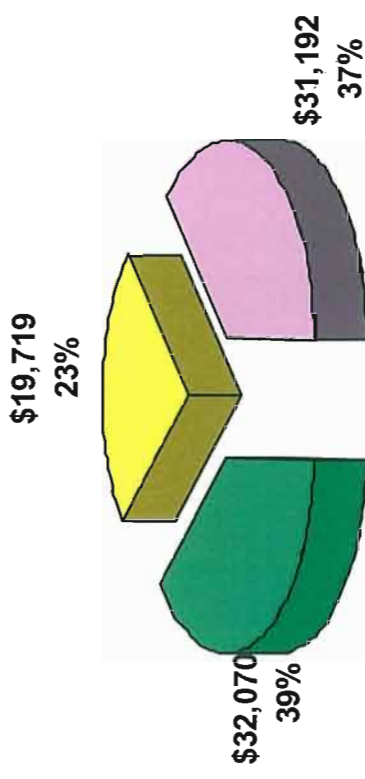


Fund Level \$73,330



- Accounts Payable
- Deferred Revenue
- Accrued and Other Liabilities.

Government Wide \$82,981

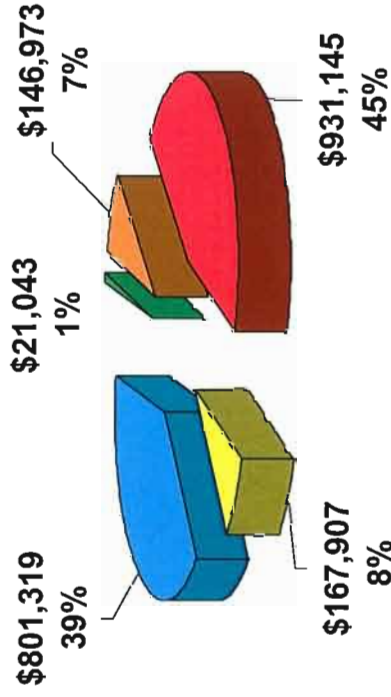


- Accounts Payable
- Long-term Debt
- Accrued & Other

Acme Township Fund Balance to Net Assets Reconciliation June 30, 2006



Fund Level Total = \$2,068,387



- General
- Farmland Preservation
- Other Nonmajor
- Fire
- Arnold Road Assessment

Government-Wide Total = \$7,862,841



- Invested in Capital Assets
- Unrestricted
- Restricted



Thank you for the opportunity to serve as auditors for Acme Township

For more information contact:

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