

**Acme Township
Grand Traverse County, Michigan**

**Financial Report
with Supplemental Information
June 30, 2008**

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, Michigan as of and for the year ended June 30, 2008, 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, Michigan as of June 30, 2008 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

October 17, 2008

Acme Township

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Acme Township, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2008. 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, 2008:

- Property taxes related to the Township's governmental activities increased by approximately \$233,000 due to an increase in the Fire Fund millage.
- Total net assets related to the Township's governmental activities increased by approximately \$798,000 and the unrestricted portion of net assets increased by approximately \$395,000. A total of \$362,000 represents the increase of the investment 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		Business-type Activities		Total	
	Activities					
	2008	2007	2008	2007	2008	2007
Current assets	\$ 2,621	\$ 2,152	\$ 483	\$ 665	\$ 3,104	\$ 2,817
Noncurrent assets	6,115	5,804	8,414	8,660	14,529	14,464
Total assets	8,736	7,956	8,897	9,325	17,633	17,281
Current liabilities	65	52	359	379	424	431
Long-term liabilities	-	31	3,557	3,853	3,557	3,884
Total liabilities	65	83	3,916	4,232	3,981	4,315
Net assets:						
Invested in capital assets -						
Net of related debt	4,933	4,917	4,556	4,505	9,489	9,422
Restricted:						
Debt Service	-	21	-	-	-	21
Fire Operations	237	168	-	-	237	168
Farmland Preservation	1,102	801	-	-	1,102	801
Police Protection	81	113	-	-	81	113
Shoreline Preservation	13	4	-	-	13	4
Liquor Enforcement	60	-	-	-	60	-
New Urbanist Town Center	27	26	-	-	27	26
Unrestricted	2,218	1,823	425	588	2,643	2,411
Total net assets	\$ 8,671	\$ 7,873	\$ 4,981	\$ 5,093	\$ 13,652	\$ 12,966

The Township's combined net assets increased 5 percent from a year ago - increasing from \$13.0 million to \$13.7 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 \$798,000 and net assets of business-type activities decreased by approximately \$112,000. Unrestricted business-type net assets decreased by \$163,000.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, increased by approximately \$395,000 for the governmental activities. This represents an increase of approximately 21.7 percent. The current level of unrestricted net assets for our governmental activities stands at \$2.2 million, or about 216 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	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue -						
Charges for services	\$ 199	\$ 187	\$ 645	\$ 618	\$ 844	\$ 805
General revenue:						
Property taxes	1,208	975	-	-	1,208	975
State-shared revenue	296	297	-	-	296	297
Unrestricted						
investment earnings	84	88	20	32	104	120
Transfers and other						
revenue	38	72	2	31	40	103
Total revenue	1,825	1,619	667	681	2,492	2,300
Program Expenses						
Legislative	203	236	-	-	203	236
General government	293	296	-	-	293	296
Public safety	392	429	-	-	392	429
Community and						
economic development	30	45	-	-	30	45
Recreation and culture	108	85	-	-	108	85
Interest on long-term debt	1	2	-	-	1	2
Water and sewer	-	-	779	736	779	736
Total program expenses	1,027	1,093	779	736	1,806	1,829
Change in Net Assets	\$ 798	\$ 526	\$ (112)	\$ (55)	\$ 686	\$ 471

Governmental Activities

The Township's total governmental revenues increased by approximately \$206,000. The increase, which represents 12.7 percent, was primarily due to increased tax receipts from the fire fund by increasing the millage from 1.5 to 2 mills.

Expenses decreased by about \$66,000 during the year primarily due to the reduction of legal fees and general cost-cutting measures.

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 \$645,000 and \$383,000, respectively, for the year ended June 30, 2008. Additional costs incurred in relation to both water and sewer included depreciation expense of approximately \$245,000 and interest expense of \$148,000.

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 and interest expense of \$158,000.

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 2008 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 changes were to increase expenditures for capital outlays by \$38,100 over initial projections to replace outdated computer equipment and \$45,000 due to transfers to other funds. This produced an overall increase in the General Fund's fund balance from approximately \$941,000 a year ago to \$980,000 at June 30, 2008.

Acme Township

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

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the Township had \$13.4 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).

The Township has been saving money and is exploring the option of purchasing a new Township hall and spending \$150,000 to match \$3.8 million of donations and grants to purchase East Bay shoreline properties in the 2008-2009 fiscal year with the intent of not increasing taxes. The Township is considering issuing new debt for the purchase of the new Township hall.

Debt

At the end of this year, the Township had \$3.9 million in bonds outstanding versus \$4.2 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 2008-2009 fiscal year, the Township has budgeted for an increase of approximately \$10,000 in revenue from 2007-2008 in the General Fund, primarily due to a DNR waterways grant. State-shared sales tax and cable franchise fees are anticipated to decrease.

The Township has projected General Fund expenditures of \$784,305 for fiscal year 2008-2009, which is consistent with actual expenditures. 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, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 2)	\$ 2,553,486	\$ 363,584	\$ 2,917,070
Receivables - Net (Note 3)	64,239	119,360	183,599
Prepaid costs	3,207	-	3,207
Investment in joint venture (Note 9)	1,182,000	-	1,182,000
Capital assets - Nondepreciable (Note 4)	4,729,143	-	4,729,143
Capital assets - Net (Note 4)	<u>203,772</u>	<u>8,414,279</u>	<u>8,618,051</u>
Total assets	8,735,847	8,897,223	17,633,070
Liabilities			
Accounts payable	37,484	9,166	46,650
Accrued and other liabilities	27,610	48,789	76,399
Noncurrent liabilities (Note 6):			
Due within one year	-	300,588	300,588
Due in more than one year	-	3,557,394	3,557,394
Total liabilities	<u>65,094</u>	<u>3,915,937</u>	<u>3,981,031</u>
Net Assets			
Invested in capital assets - Net of related debt	4,932,915	4,556,297	9,489,212
Restricted:			
Fire Operations	237,484	-	237,484
Farmland Preservation	1,101,840	-	1,101,840
Police Protection	80,727	-	80,727
Shoreline Preservation	12,654	-	12,654
Liquor Enforcement	59,847	-	59,847
New Urbanist Town Center	27,052	-	27,052
Unrestricted	<u>2,218,234</u>	<u>424,989</u>	<u>2,643,223</u>
Total net assets	<u>\$ 8,670,753</u>	<u>\$ 4,981,286</u>	<u>\$ 13,652,039</u>

Acme Township

Statement of Activities Year Ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Primary Government		
			Governmental Activities	Business-type Activities	Total
Functions/Programs					
Primary government - Governmental activities:					
Legislative	\$ 202,583	\$ -	\$ (202,583)	\$ -	\$ (202,583)
General government	293,022	132,993	(160,029)	-	(160,029)
Public safety	391,846	65,747	(326,099)	-	(326,099)
Community and economic development	30,302	-	(30,302)	-	(30,302)
Recreation and culture	108,195	-	(108,195)	-	(108,195)
Interest on long-term debt	1,093	-	(1,093)	-	(1,093)
Total governmental activities	1,027,041	198,740	(828,301)	-	(828,301)
Business-type activities - Water and sewer	778,535	645,051	-	(133,484)	(133,484)
Total primary government	\$ 1,805,576	\$ 843,791	(828,301)	(133,484)	(961,785)
General revenues:					
Property taxes			1,207,702	-	1,207,702
State-shared revenues			296,544	-	296,544
Unrestricted investment earnings			83,932	19,584	103,516
Miscellaneous			38,035	2,519	40,554
Total general revenues			1,626,213	22,103	1,648,316
Change in Net Assets			797,912	(111,381)	686,531
Net Assets - Beginning of year			7,872,841	5,092,667	12,965,508
Net Assets - End of year			\$ 8,670,753	\$ 4,981,286	\$ 13,652,039

Acme Township

Governmental Funds Balance Sheet June 30, 2008

	General Fund	Fire Fund	Farmland Preservation Fund	Arnold Road Assessment Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents (Note 2)	\$ 994,713	\$ 237,488	\$ 1,101,840	\$ 12	\$ 219,433	\$ 2,553,486
Receivables - Net (Note 3)	50,554	-	-	13,685	-	64,239
Prepaid costs and other assets	3,207	-	-	-	-	3,207
Due from other funds	6,365	-	-	6,353	-	12,718
Total assets	<u>\$ 1,054,839</u>	<u>\$ 237,488</u>	<u>\$ 1,101,840</u>	<u>\$ 20,050</u>	<u>\$ 219,433</u>	<u>\$ 2,633,650</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 37,400	\$ 4	\$ -	\$ -	\$ 80	\$ 37,484
Accrued and other liabilities	27,610	-	-	-	-	27,610
Due to other funds	6,353	-	-	6,365	-	12,718
Deferred revenue (Note 3)	3,729	-	-	13,685	-	17,414
Total liabilities	75,092	4	-	20,050	80	95,226
Fund Balances						
Reserved - Prepaid costs	3,207	-	-	-	-	3,207
Unreserved (all reported in Special Revenue Funds):						
Designated for zoning lawsuits	50,000	-	-	-	-	50,000
Undesignated	926,540	237,484	1,101,840	-	219,353	2,485,217
Total fund balances	<u>979,747</u>	<u>237,484</u>	<u>1,101,840</u>	<u>-</u>	<u>219,353</u>	<u>2,538,424</u>
Total liabilities and fund balances	<u>\$ 1,054,839</u>	<u>\$ 237,488</u>	<u>\$ 1,101,840</u>	<u>\$ 20,050</u>	<u>\$ 219,433</u>	

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	4,932,915
Joint venture investments used in governmental activities are not financial resources and are not reported in the funds	1,182,000
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	17,414
Net assets of governmental activities	<u>\$ 8,670,753</u>

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

Acme Township

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	General Fund	Fire Fund	Farmland Preservation Fund	Arnold Road Assessment Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 235,432	\$ 603,127	\$ 292,026	\$ -	\$ 81,244	\$ 1,211,829
Licenses and permits	65,747	-	-	-	-	65,747
State-shared revenues and grants	296,544	-	-	-	-	296,544
Charges for services	132,993	-	-	-	-	132,993
Interest	38,517	4,090	33,975	1,515	5,835	83,932
Other	21,518	-	-	3,374	13,143	38,035
Total revenue	790,751	607,217	326,001	4,889	100,222	1,829,080
Expenditures						
Current:						
Legislative	202,583	-	-	-	-	202,583
General government	250,021	-	-	-	-	250,021
Public safety	112,438	537,640	-	-	67,768	717,846
Community and economic development	4,822	-	25,480	-	-	30,302
Recreation and culture	93,054	-	-	-	10,074	103,128
Capital outlay	32,878	-	-	-	-	32,878
Debt service	-	-	-	32,285	-	32,285
Total expenditures	695,796	537,640	25,480	32,285	77,842	1,369,043
Excess of Revenue Over (Under) Expenditures	94,955	69,577	300,521	(27,396)	22,380	460,037
Other Financing Sources (Uses)						
Transfers in (Note 4)	-	-	-	6,353	108,562	114,915
Transfers out (Note 4)	(56,353)	-	-	-	(58,562)	(114,915)
Total other financing sources (uses)	(56,353)	-	-	6,353	50,000	-
Net Change in Fund Balances	38,602	69,577	300,521	(21,043)	72,380	460,037
Fund Balances - Beginning of year	941,145	167,907	801,319	21,043	146,973	2,078,387
Fund Balances - End of year	\$ 979,747	\$ 237,484	\$ 1,101,840	\$ -	\$ 219,353	\$ 2,538,424

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, 2008

Net Change in Fund Balances - Total Governmental Funds \$ 460,037

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	(21,742)
Current year capitalized capital outlay	6,552

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 (4,127)

Investment in joint venture income reported in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental fund 326,000

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 31,192

Change in Net Assets of Governmental Activities **\$ 797,912**

Acme Township

Proprietary Funds Statement of Net Assets June 30, 2008

	Enterprise - Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 363,584
Receivables - Net:	
Accounts	91,077
Special assessments	<u>28,283</u>
Total current assets	482,944
Noncurrent assets - Capital assets (Note 5)	<u>8,414,279</u>
Total assets	8,897,223
Liabilities	
Current liabilities:	
Accounts payable	9,166
Accrued and other liabilities	48,789
Current portion of long-term debt (Note 6)	<u>300,588</u>
Total current liabilities	358,543
Noncurrent liabilities - Long-term debt - Net of current portion (Note6)	<u>3,557,394</u>
Total liabilities	<u>3,915,937</u>
Net Assets	
Investment in capital assets - Net of related debt	4,556,297
Unrestricted	<u>424,989</u>
Total net assets	<u><u>\$ 4,981,286</u></u>

Acme Township

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Enterprise - Water and Sewer
Operating Revenue - Usage fees	\$ 624,051
Operating Expenses	
Cost of water produced/purchased	383,082
Depreciation	244,993
Other	2,824
Total operating expenses	<u>630,899</u>
Operating Loss	(6,848)
Nonoperating Revenue (Expense)	
Investment income	19,584
Special assessments interest income	2,519
Interest expense	<u>(147,636)</u>
Total nonoperating expense	<u>(125,533)</u>
Loss - Before contributions	(132,381)
Capital Contributions	<u>21,000</u>
Change in Net Assets	(111,381)
Net Assets - Beginning of year	<u>5,092,667</u>
Net Assets - End of year	<u><u>\$ 4,981,286</u></u>

Acme Township

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Enterprise - Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 674,313
Payments to suppliers	<u>(422,460)</u>
Net cash provided by operating activities	251,853
Cash Flows from Capital and Related Financing Activities	
Collection of customer assessments (principal and interest)	17,577
Collection of connection fees	21,000
Principal and interest paid on capital debt	<u>(427,170)</u>
Net cash used in capital and related financing activities	(388,593)
Cash Flows from Investing Activities - Interest received on investments	<u>19,584</u>
Net Decrease in Cash and Cash Equivalents	(117,156)
Cash and Cash Equivalents - Beginning of year	<u>480,740</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 363,584</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (6,848)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	244,993
Changes in assets and liabilities:	
Receivables	50,262
Accounts payable	(38,951)
Accrued and other liabilities	<u>2,397</u>
Net cash provided by operating activities	<u><u>\$ 251,853</u></u>

Acme Township

Fiduciary Funds Statement of Assets and Liabilities June 30, 2008

	<u>Agency Funds</u>
Assets - Cash and cash equivalents	<u>\$ 46,633</u>
Liabilities - Due to others	<u>\$ 46,633</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 I - 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 I - 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.

Cemetery Fund - The Cemetery Fund will account for revenues and expenditures related to the Township's cemetery and maintenance.

Liquor Fund - The Liquor Fund accounts for liquor license fees refunded by the State and utilized for enforcement of the State's liquor laws.

Township Improvement Revolving Fund - The Township Improvement Revolving Fund is to account for money that will be utilized for road repairs that will be repaid by future special assessments on properties.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

Note I - Summary of Significant Accounting Policies (Continued)

The Township's 2007 tax is levied and collectible on December 1, 2007 and is recognized as revenue in the year ended June 30, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2008 taxable valuation of the Township totaled \$315.8 million, on which taxes levied consisted of 0.7358 mills for operating purposes, 2.0 mills for fire protection (applies to taxable real property only of \$302 million), 0.2570 mills for police protection, and .9236 mills for farmland preservation. This resulted in approximately \$235,000 for operating, \$603,000 for fire protection, \$81,000 for police protection, and \$292,000 for farmland preservation. These amounts are recognized in the respective General and Special Revenue Funds financial statements as property tax revenue.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 (Paid Time Off) - The Township's policy for compensated absences allows unused time to carry over to the following year at a maximum of 24 hours.

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.

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 \$2,348,141 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.

Acme Township

Notes to Financial Statements June 30, 2008

Note 3 - Receivables

Receivables as of June 30, 2008 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	\$ 3,482	\$ 12,318	\$ 15,800
Intergovernmental	46,825	-	46,825
Interest and other	247	1,367	1,614
	<u>50,554</u>	<u>13,685</u>	<u>64,239</u>
Net receivables	\$ 50,554	\$ 13,685	\$ 64,239

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, \$17,414 of special assessment and other deferred revenue was unavailable.

Note 4 - Interfund Transfers

During the year, the General Fund and the Police Protection Fund transferred money to the following funds:

	From General Fund	From Police Protection Fund
Cemetery Fund	\$ 5,000	\$ -
To establish the Cemetery Fund		
Shoreline Preservation	15,000	-
To provide seed money for matching grants		
Township Improvement	30,000	-
To establish a fund for future road repairs		
Arnold Road	6,353	-
Additional subsidies for the Arnold Road special assessment		
Liquor Fund	-	58,562
To establish the Liquor Fund		

Acme Township

Notes to Financial Statements June 30, 2008

Note 4 - Interfund Transfers (Continued)

As of June 30, 2008, the following interfund balances were owed between funds and represent temporary cash advances for operating costs:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Debt Service Funds	<u>\$ 12,718</u>

Note 5 - Capital Assets

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

	Balance July 1, 2007	Additions	Balance June 30, 2008
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	100,581	6,552	107,133
Subtotal	434,645	6,552	441,197
Accumulated depreciation:			
Road improvements	10,040	2,510	12,550
Buildings and improvements	127,239	6,362	133,601
Vehicles	22,668	5,067	27,735
Equipment	55,736	7,803	63,539
Subtotal	215,683	21,742	237,425
Net capital assets being depreciated	218,962	(15,190)	203,772
Net capital assets	<u>\$ 4,948,105</u>	<u>\$ (15,190)</u>	<u>\$ 4,932,915</u>

Acme Township

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance			Balance
	July 1, 2007	Reclassifications	Additions	June 30, 2008
Capital assets not being depreciated - CIP	\$ 461,475	\$ (461,475)	\$ -	\$ -
Capital assets being depreciated - Water and sewer distribution systems	11,789,826	461,475	-	12,251,301
Accumulated depreciation - Water and sewer distribution and treatment systems	<u>3,592,029</u>	<u>-</u>	<u>244,993</u>	<u>3,837,022</u>
Net capital assets being depreciated	<u>8,197,797</u>	<u>-</u>	<u>(244,993)</u>	<u>8,414,279</u>
Net capital assets	<u>\$ 8,659,272</u>	<u>\$ -</u>	<u>\$ (244,993)</u>	<u>\$ 8,414,279</u>

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

Governmental activities:

General government	\$ 16,675
Recreation and culture	<u>5,067</u>
Total governmental activities	<u>\$ 21,742</u>

Business-type activities:

Water	\$ 3,540
Sewer	<u>241,453</u>
Total business-type activities	<u>\$ 244,993</u>

Note 6 - 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:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Installment purchase agreements	\$ 31,192	\$ -	\$ (31,192)	\$ -	\$ -
Business-type Activities					
General obligation bonds	\$ 4,004,377	\$ -	\$ (266,395)	\$ 3,737,982	\$ 270,588
Special assessment bonds	150,000	-	(30,000)	120,000	30,000
Business-type activities debt	<u>\$ 4,154,377</u>	<u>\$ -</u>	<u>\$ (296,395)</u>	<u>\$ 3,857,982</u>	<u>\$ 300,588</u>

Note 6 - Long-term Debt (Continued)

Long-term obligations consist of the following:

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	\$ 65,000
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	120,000
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	162,898
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	59,688
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	2,218,284
2003 Grand Traverse County septage Treatment Facility - Acme, East Bay, Peninsula, Elmwood, Garfield Townships General Obligation Bond used for septage plant construction, maturing in 2024	436,275
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	<u>795,837</u>
Total	<u>\$ 3,857,982</u>

Note 6 - Long-term Debt (Continued)

The above contractual obligations to the County are the result of the County issuance of bonds on the Township's behalf. The Township has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the obligations; in addition, it has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. Proceeds from the County bonds provided financing for the construction of the sewer facilities and assets. The remaining principal and interest to be paid on the bonds total \$5,122,095. During the current year, net revenues of the system were \$645,051 compared to the annual debt requirements of \$469,176.

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

	Business-type Activities		
	Principal	Interest	Total
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	299,883	115,400	415,283
2014-2018	1,286,668	393,183	1,679,851
2019-2023	956,094	126,553	1,082,647
2024	40,950	1,166	42,116
Total	<u>\$ 3,857,982</u>	<u>\$ 1,218,547</u>	<u>\$ 5,076,529</u>

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, 2008, \$1.1 million of bonds outstanding are considered defeased.

Note 7 - 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 Municipal League 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.

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, 2008 have been finalized and no appeals were issued within the statutory time limit. No claims were paid during the fiscal year ended June 30, 2008.

Note 8 - 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 \$344,826. The current year contribution was calculated based on covered payroll of \$275,476, resulting in an employer contribution of \$27,548. No contributions from employees are required.

Note 9 - 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.

The Township is responsible for debt service on the debt issues listed in Note 6 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, 2008, the Township's percentage was 6.93 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 24.6 percent at June 30, 2008. This equity interest is adjusted annually and the June 30, 2008 equity interest balance is approximately \$1,182,000. As of June 30, 2008, there were no known circumstances that would cause an additional benefit or burden to the Township. Financial statements are available upon request at the Grand Traverse Metro Fire Department, 897 Parsons Road, Traverse City, Michigan 49686.

Note 10 - Contingent Liabilities

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, 2008, 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, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 232,784	\$ 232,784	\$ 235,432	\$ 2,648
State sources	300,871	300,871	296,544	(4,327)
Fees and permits	64,000	80,000	65,747	(14,253)
Charges for services	126,230	126,230	132,993	6,763
Interest income	48,410	38,000	38,517	517
Other	13,400	13,400	21,518	8,118
Total revenue	785,695	791,285	790,751	(534)
Expenditures				
Legislative	212,275	204,512	202,583	(1,929)
General government:				
Elections	17,350	8,350	8,082	(268)
Assessor	36,818	36,818	35,335	(1,483)
Clerk	68,325	68,836	68,176	(660)
Board of Review	954	954	800	(154)
Treasurer	68,063	68,063	68,383	320
Township Hall	36,460	35,960	33,714	(2,246)
Cemetery	4,000	4,200	4,122	(78)
Supervisor	40,926	33,205	31,409	(1,796)
Public safety - Planning and zoning	130,421	107,668	112,438	4,770
Recreation and culture - Maintenance	83,445	99,550	93,054	(6,496)
Other:				
Retirement/Pension	440	440	-	(440)
Insurance	19,000	12,000	-	(12,000)
Self-insurance	50,000	-	-	-
Other	5,650	7,196	4,822	(2,374)
Capital outlay	-	38,100	32,878	(5,222)
Transfer to other funds	5,000	50,000	56,353	6,353
Total expenditures	779,127	775,852	752,149	(23,703)
Net Change in Fund Balance	6,568	15,433	38,602	23,169
Fund Balance - Beginning of year	941,145	941,145	941,145	25,460
Fund Balance - End of year	<u>\$ 947,713</u>	<u>\$ 956,578</u>	<u>\$ 979,747</u>	<u>\$ 23,169</u>

Acme Township

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Fire Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 453,368	\$ 602,813	\$ 603,127	\$ 314
Interest income	4,000	3,464	4,090	626
Total revenue	457,368	606,277	607,217	940
Expenditures - Public safety - Fire	437,266	495,800	537,640	41,840
Net Change in Fund Balance	20,102	110,477	69,577	(40,900)
Fund Balance - Beginning of year	167,907	167,907	167,907	-
Fund Balance - End of year	<u>\$ 188,009</u>	<u>\$ 278,384</u>	<u>\$ 237,484</u>	<u>\$ (40,900)</u>

Acme Township

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Farmland Preservation Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 292,203	\$ 292,203	\$ 292,026	\$ (177)
Interest income	40,701	40,701	33,975	(6,726)
Total revenue	332,904	332,904	326,001	(6,903)
Expenditures - Farmland preservation expenditures	540,000	540,000	25,480	(514,520)
Net Change in Fund Balance	(207,096)	(207,096)	300,521	507,617
Fund Balance - Beginning of year	801,319	801,319	801,319	-
Fund Balance - End of year	<u>\$ 594,223</u>	<u>\$ 594,223</u>	<u>\$ 1,101,840</u>	<u>\$ 507,617</u>

Acme Township

Note to Required Supplemental Information June 30, 2008

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 Fire Fund had expenditures in excess of budget in the amount of \$41,840 for public safety expense.

Other Supplemental Information

Acme Township

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Special Revenue Funds							Total
	Police Protection	Shoreline Preservation	Oil and Gas Lease	New Urbanist Town Center	Liquor	Cemetery	Township Improvement	Nonmajor Governmental Funds
Assets								
Cash and investments	<u>\$ 80,807</u>	<u>\$ 12,654</u>	<u>\$ 4,073</u>	<u>\$ 27,052</u>	<u>\$ 59,847</u>	<u>\$ 5,000</u>	<u>\$ 30,000</u>	<u>\$ 219,433</u>
Liabilities and Fund Balances								
Liabilities - Accounts payable	\$ 80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80
Fund Balances	<u>80,727</u>	<u>12,654</u>	<u>4,073</u>	<u>27,052</u>	<u>59,847</u>	<u>5,000</u>	<u>30,000</u>	<u>219,353</u>
Total liabilities and balance fund	<u>\$ 80,807</u>	<u>\$ 12,654</u>	<u>\$ 4,073</u>	<u>\$ 27,052</u>	<u>\$ 59,847</u>	<u>\$ 5,000</u>	<u>\$ 30,000</u>	<u>\$ 219,433</u>

Acme Township

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2008

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Police Protection	Shoreline Preservation	Oil and Gas Lease	New Urbanist Town Center	Liquor	Cemetery	Township Improvement	
Revenue								
Property taxes	\$ 81,244	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,244
Interest income	3,469	8	42	1,031	1,285	-	-	5,835
Other	9,643	3,500	-	-	-	-	-	13,143
Total revenue	94,356	3,508	42	1,031	1,285	-	-	100,222
Expenditures								
Recreation and culture	-	10,074	-	-	-	-	-	10,074
Public safety	67,768	-	-	-	-	-	-	67,768
Total expenditures	67,768	10,074	-	-	-	-	-	77,842
Excess of Revenue Over (Under) Expenditures	26,588	(6,566)	42	1,031	1,285	-	-	22,380
Other Financing Sources (Uses)								
Transfers in	-	15,000	-	-	58,562	5,000	30,000	108,562
Transfers (out)	(58,562)	-	-	-	-	-	-	(58,562)
Total other financing sources (uses)	(58,562)	15,000	-	-	58,562	5,000	30,000	50,000
Net Change in Fund Balances	(31,974)	8,434	42	1,031	59,847	5,000	30,000	72,380
Fund Balances - Beginning of year	112,701	4,220	4,031	26,021	-	-	-	146,973
Fund Balances - End of year	\$ 80,727	\$ 12,654	\$ 4,073	\$ 27,052	\$ 59,847	\$ 5,000	\$ 30,000	\$ 219,353

Acme Township

**Report to the Board of Trustees
June 30, 2008**

To the Board of Trustees
Acme Township

We have recently completed our audit of the basic financial statements of Acme Township (the "Township") for the year ended June 30, 2008. In addition to our audit report, we are providing the following report on internal control, results of the audit, and informational comments which impact the Township:

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We thank you for the opportunity to be of service to Acme Township. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

October 17, 2008

Report on Internal Control

October 17, 2008

To the Board of Trustees
Acme Township

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of Acme Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of Acme Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Acme 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 Acme 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 certain deficiencies in internal control that we consider to be significant deficiencies.

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

Cash Controls - Cash account reconciliation functions are not performed by individuals restricted from accessing cash receipt, cash disbursement, and journal entry functions. Further, bank reconciliations are performed by an individual with access to cash. While the Township has a policy of requiring two signers on checks, there is no requirement that two people sign for withdrawals. While there are a limited number of people to help provide controls in the cash transaction cycle, we recommend implementing a mitigating control to have either the township manager or township supervisor (neither are associated with the cash cycle directly) receive copies of all bank statements and review those statements for unusual transactions on a periodic basis. The manager or supervisor should initial the reconciliations to provide the necessary audit trail indicating a review has taken place.

Receivables and Payables - At the end of the year, the Township is required to adjust the accounts payable and accounts receivable balances in the Sewer Fund for accrual-based accounting related to the County's management of the sewer activity. These adjusting entries are to record funds expected to be collected and paid after year end that related to activity before June 30. Without these entries, liabilities, assets, revenue, and expenses will all be understated. We recommend that the clerk, township manager, and supervisor review these balances after year end to adjust to activity with the County received by the Township in July and August.

Governance - During the audit, we identified two other significant journal entries. Due to an incorrect entry in the Arnold Road Fund to record the final payment on the bank note, the fund had a negative balance in notes payable of \$32,285. Also, a \$30,000 transfer from the General Fund approved by the board to create the Township Improvement Fund was not recorded until draft financial statements were reviewed with management. Stronger oversight by the board could have possibly caught these errors. We recommend that the board of trustees receive and review revenue and expenditure reports, as well as balance sheets, for all funds on a periodic basis for reasonableness.

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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Township's responses to the significant deficiencies and findings relating to compliance and other matters identified in our audit and described above have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

To the Board of Trustees
Acme Township

October 17, 2008

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

Very truly yours,

Plante & Moran, PLLC

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

Sharon L. Vargo, CPA

Results of the Audit

October 17, 2008

To the Board of Directors
Acme Township

We have audited the financial statements of Acme Township for the year ended June 30, 2008 and have issued our report thereon dated October 17, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 30, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Acme Township. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of Acme Township, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 9, 2008 via e-mail.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Acme Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were depreciation expense and planning and zoning self-insurance.

Management's estimate of the depreciation expense is based on estimated useful lives of assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued planning and zoning lawsuit liability is based on historical payouts. We evaluated the key factors and assumptions used to develop the liability and confirmed with the Township's attorney in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following items summarize uncorrected misstatements of the financial statements:

- Increase in government-wide liabilities and expenses of \$13,062 due to not recording an invoice, accrued paid time off, and accrued salary

- Increase in General Fund liabilities and expenses of \$8,972 due to not recording an invoice and accrued payroll

Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The material misstatements detected as a result of audit procedures were corrected by management and are summarized as follows:

- Decrease accounts payable and operating expense in the Sewer Fund by \$48,117 with a decrease in accounts receivable and decrease in revenue in the Sewer Fund by \$50,211
- Move \$32,285 from note payable - bank to debt service and interest and fees expenditures in Arnold Road Fund
- Transfer of \$6,353 from the General Fund to the Arnold Road Fund and a transfer of \$30,000 from the General Fund to the Township Improvement Fund

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated October 17, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

To the Board of Trustees
Acme Township

October 17, 2008

This information is intended solely for the use of the board of trustees and management of Acme Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

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

Sharon L. Vargo, CPA

Informational

Revenue Sharing

The governor released her proposal of the State's fiscal year 2009 budget (for the year ending September 30, 2009) originally in February 2008. Over the course of budget deliberations in the spring and early summer, the legislature further debated the level of the revenue sharing funding, resulting in a compromise by the Senate and House to fund revenue sharing equal to the projected fiscal year 2008 (fiscal year ended September 30, 2008) amounts, plus provide an increase of 2 percent of the statutory portion of revenue sharing received in fiscal year 2007. This proposal was presented to the governor on July 25 and enacted in mid-August.

Here is a summary (in millions of dollars) of the revenue sharing budget submitted to the governor:

	FY 2007 Actual	FY 2008 Projected	FY 2009 Projected	% Change
Cities, villages, and townships:				
Constitutional	\$ 665.980	\$ 682.780	\$ 675.992	-0.99%
Statutory	404.920	392.050	406.933	3.80%
Total to CVTs	1,070.900	1,074.830	1,082.925	0.75%
Counties (statutory)	-	-	2.394	n/a
Total revenue sharing	\$ 1,070.900	\$ 1,074.830	\$ 1,085.319	0.98%

While the projection is for an overall increase of 0.75 percent (for cities, villages, and townships), the impact will not be evenly distributed between all local units. Remember, the 2 percent increase is for the statutory portion only - not the constitutional portion. The intent is for the total revenue sharing (constitutional plus statutory) in FY 2009 to equal the total of constitutional and statutory revenue sharing received in FY 2008, plus an additional payment equal to 2 percent of the FY 2007 statutory revenue sharing received by the local unit. That may mean that for those units (primarily townships) that now receive no statutory revenue sharing, total revenue sharing projected for FY 2009 will be identical to the amounts received in FY 2008. We are awaiting a final distribution table from the Michigan Department of Treasury.

The governor's proposed budget also included \$2.4 million to restore state revenue-sharing payments for the six qualifying counties that will exhaust their revenue-sharing reserve funds in fiscal year 2008/2009. As you may remember, a reserve fund was created for each county in 2005 when the State eliminated counties from the revenue-sharing program (remember, counties only receive statutory revenue sharing, not constitutional). In 2005, counties were required to phase in the early collection of winter property tax payments and to create a reserve fund with a portion of these monies. Counties have been drawing on their reserve funds to replace lost statutory revenue sharing. When the reserve fund is depleted, counties will then look to the State to re-enter the statutory portion of the revenue-sharing program. Prior to their elimination from the revenue-sharing program in 2005, counties statewide received approximately \$182 million annually.

It is encouraging that this budget funds revenue sharing at a higher level than last year. As counties have started to come back into the formula, the legislature has budgeted this as an additional payment, rather than one that reduces distributions to the other local units of government. To a great extent, however, actual revenue-sharing distributions will depend on the stability of the State's budget, as well as the actual level of state tax collections. In addition, we need to remember that the statutory formula expired in 2007 and a new, permanent formula has not been enacted - please remember to remind your state representatives of the importance of extending this legislation.

Property Tax Developments

The front page story several months ago is now old news. For many communities in Michigan, the challenging real estate market will negatively change the taxable value trends of recent years. Many communities saw modest declines in their 2008 taxable values, and if the downward trend in the housing market continues, the impact will be larger next year. How it will actually play out in each community and over what period of time remains to be seen. While each community will need to carefully determine the impact of the current environment on its budget, there are also several pieces of legislation in Lansing that will impact property taxes going forward. Examples include:

- House Bill 4215 (Public Act 96 of 2008) allows property owners to obtain two principal residence exemptions in certain situations. The bill was designed for situations where a homeowner has purchased a new home and is unable to sell the existing home. The dual exemption only applies if certain conditions are met (i.e., the property previously occupied is for sale, not occupied, not leased or available for lease, etc.).
- A series of bills were introduced in March 2007 as part of a package to stimulate home sales (House Bills 4440, 4441, and 4442). The lead bill of that package, House Bill 4440, establishes an 18-month moratorium on the "pop-up" or "uncapping" of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The "pop-up" or "uncapping" of taxable value would be delayed until the property was sold or transferred in later years. House Bill 4440 actually passed the House in March 2007 and is currently in the Michigan Senate.

- Many property owners continue to struggle with the concept that their individual taxable values actually increased during a time that overall property values - and even their individual property values - have fallen. As we all have re-learned in recent months, that is a constitutional requirement that changed with Proposal A in 1994. It may be helpful to remember the principle behind Proposal A - its purpose was to disconnect taxable values from market value increases, and instead limit the growth in taxable values to the lesser of 5 percent or inflation, until that point that the property transfers ownership. Now that the market values are declining in many areas, Proposal A continues to stay disconnected, and allows the taxable value to increase by the lesser of 5 percent or inflation (up until the point that it re-connects with market values)

Fairly or not, this year, many property owners said it did not feel right when they saw their taxable value increase by inflation when market value did not. This has led to a discussion as to whether a third variable, called “change in market value,” needs to be added to the Proposal A formula. In what some are calling a “super cap,” the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would be the lesser of three components: inflation, change in market value, or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value - there would be no annual increase. To date, a proposal to accomplish this change has not moved through the legislature. A change of this nature would impact local government budgets.

- As part of the changes to the single business tax last year and the introduction of the Michigan business tax, changes were also made to the calculation of tax rates applicable to industrial and commercial personal property taxes. As advertised, industrial personal property taxpayers received a reduction of the school operating mills (up to 18 mills) and the 6 mill state education tax. Commercial personal property taxpayers received a reduction of up to 12 school operating mills. However, if your community has a school district with “hold harmless” school mills, you must add back any hold harmless millage prior to computing the total mills to be levied. This may generate questions from commercial and industrial taxpayers.
- A Michigan Supreme Court case has changed how local governments can treat public service improvements by developers. Leading up to the court case, as private property owners or developers installed public service improvements (i.e., such as street lights, water and sewer lines, etc.), there was normally an increase in their property tax assessment. The Michigan Supreme Court upheld a Court of Appeals ruling that the installation of public service improvements does not constitute a taxable addition.

Reminder - Change in Investment Act

Public Act 213 of 2007, adopted at the end of 2007, requires local governments to perform their investment reporting quarterly to the governing body. The investment of surplus monies by Michigan local governments is controlled by Public Act 20 of 1943. The Act previously required investment reporting annually. It is suggested that the required quarterly reports list investments by institution along with maturity dates and interest rates.