

**MULLETT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN**

Financial Statements
For the Year Ended
March 31, 2008

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C.
580 South Nicolet, P.O.Box 996
Mackinaw City, MI 49701

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

Unit Name* Mullett Township	County* CHEBOYGAN	Type* TOWNSHIP	MuniCode* 16-1-130
Opinion Date-Use Calendar* Nov 26, 2008	Audit Submitted-Use Calendar* Dec 1, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

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

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ?	\$ 357,387.00
General Fund Expenditure:	<input type="checkbox"/> ?	\$ 455,316.00
Major Fund Deficit Amount:		\$ 0.00

General Fund Balance:	<input type="checkbox"/> ?	\$ 898,649.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ?	\$ 161,725.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Richard E.	Last Name* Mahlmeister	Ten Digit License Number* 1101017351		
CPA Street Address* P.O. Box 996	City* Mackinaw City	State* MI	Zip Code* 49701	Telephone* +1 (231) 436-5223
CPA Firm Name* Richard E. Mahlmeister, CPA	Unit's Street Address* P.O. Box 328	Unit's City* Topinabee	Unit's Zip* 49791	

MULLETT TOWNSHIP

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

	<u>PAGE</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	1-6
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements	
Balance Sheet-Governmental Funds	9 - 10
Statement of Revenues, Expenditures and Changes In Fund Balances-Governmental Funds	11 – 12
Statement of Fiduciary Net Assets	13
Notes to Financial Statements	14 – 23
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	24 - 25
Budgetary Comparison Schedule – Special Revenue – Fire Fund	26
Budgetary Comparison Schedule – Special Revenue – Library Fund	27
OTHER SUPPLEMENTARY INFORMATION	
Combining Financial Statements:	
Special Revenue - Nonmajor Governmental Funds: Balance Sheet	28
Special Revenue – Nonmajor Governmental Funds: Statement of Revenues, Expenditures And Changes in Fund Balances	29

INDEPENDENT AUDITOR'S REPORT

November 26, 2008

Township Board
Mullett Township
Cheboygan County, Michigan

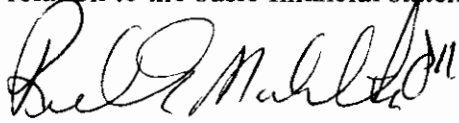
I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Mullett Township, Cheboygan County, Michigan**, as of and for the year ended March 31, 2008, which collectively comprise **Mullett Township's** basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Mullett Township's** management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of **Mullett Township, Cheboygan County, Michigan**, as of March 31, 2008, and the respective changes in financial position 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 budgetary comparison information on pages 1 through 6 and 24 through 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of expressing opinions on the financial statements that collectively comprise **Mullett Township's** basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Richard E. Mahlmeister". The signature is written in a cursive, somewhat stylized font.

Richard E. Mahlmeister, C.P.A.

Richard E. Mahlmeister, C.P.A., P.C.

MULLETT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

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. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

Net assets at March 31, 2008 totaled \$1,698,547, representing a decrease of \$98,388 from the previous fiscal year.

Governmental Fund Highlights

The governmental fund activities of the Township reported combined ending fund balances of \$1,191,405, which represents a decrease of \$109,188 from the previous fiscal year.

Capital Assets and Long-term Debt

The Township's long-term debt increased by \$159,407 to \$161,725 and capital assets increased by \$290,979 to \$1,399,007. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2008.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

MULLETT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities are reported as governmental activities. These would include the operations recorded in the General Fund, Special Revenue-Fire Fund, Library Fund, Liquor Law Enforcement Fund and Street Lighting Fund.

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

	Mullett Township Net Assets March 31,	
	GOVERNMENTAL ACTIVITIES	
	2008	2007
Assets:		
Current assets	\$1,209,336	\$1,315,545
Capital assets (net)	671,625	498,713
Total assets	<u>1,880,961</u>	<u>1,814,258</u>
Liabilities:		
Current liabilities	53,749	15,598
Noncurrent liabilities	<u>128,665</u>	<u>1,725</u>
Total liabilities	<u>182,414</u>	<u>17,323</u>
Net assets:		
Invested in capital assets, net of related debt	509,900	496,395
Unrestricted	<u>1,188,647</u>	<u>1,300,540</u>
Total net assets	<u>\$1,698,547</u>	<u>\$1,796,935</u>

MULLETT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The most significant portion of the Township's Net Assets is the investment in capital assets (e.g. land, buildings and improvements, office and other equipment, fire equipment, fire vehicles, and library materials), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has \$1,188,647 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

The following table summarizes the results of the changes in Net Assets of the Township:

	Mullett Township Change in Net Assets March 31,	
	GOVERNMENTAL ACTIVITIES	
	2008	2007
REVENUES:		
Program revenues:		
Charges for services	\$24,709	\$22,750
Operating grants and contributions	3,392	584
Capital grants and contributions	7,293	-
General revenues:		
Property taxes	374,914	336,108
State-shared revenues	92,696	86,031
Penal fines	10,945	10,151
Interest income	45,979	44,759
Gain on sale of capital assets	7,875	-
Other	1,505	3,638
Total Revenues	<u>569,308</u>	<u>504,021</u>
EXPENSES:		
Legislative	24,159	31,290
General government	116,718	125,681
Public safety	167,023	124,871
Public works	285,850	17,969
Recreation and culture	54,692	62,338
Other	16,264	8,864
Interest on long-term debt	2,990	359
Total Expenses	<u>667,696</u>	<u>371,372</u>
NET ASSETS:		
Increase (decrease) in net assets	(98,388)	132,649
Beginning Net Assets	<u>1,796,935</u>	<u>1,664,286</u>
Ending Net Assets	<u>\$1,698,547</u>	<u>\$1,796,935</u>

MULLETT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Governmental Activities

The Township's net assets decreased \$98,388 during the fiscal year.

Revenue remained stable from the prior year, with the exception of property taxes which increased \$38,806. This increase is due to the continuing rise of property tax values.

Overall expenses have increased \$296,324. This increase is generally attributable to the following: public safety expenditures increase due to the rising costs of maintaining a fire department; and for public works expenditures the cost of various road projects undertaken in the current year.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains five individual governmental funds; General Fund, Fire Fund, and Library Fund of which we consider major funds. We also have Liquor Law Enforcement and Street Lighting Funds, which we consider non-major funds. The Township funds are financed primarily by property tax revenue, state shared revenues, and for the Library Fund, county penal fines.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to which the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

MULLETT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Fund Activities

Overall the governmental funds had a net decrease in fund balance over the prior year. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, fire protection, library service and tax collection. The General Fund decreased its fund balance by \$97,929, bringing the fund balance to \$898,649; the Special Revenue-Fire Fund increased its fund balance by \$3,858, bringing the fund balance to \$220,854; the Library Fund decreased its fund balance by \$12,519, bringing the fund balance to \$59,874; the Liquor Law Enforcement Fund increased its fund balance by \$9, bringing the fund balance to \$94; and the Street Lighting Fund decreased its fund balance by \$2,607, bringing the fund balance to \$11,934.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2008, the Township's governmental activities had \$1,399,007 in net capital assets (land, buildings and improvements, office and other equipment, fire equipment, fire vehicles, and library materials). We had capital expenditures of \$290,979 in the current year. These expenditures consisted of building improvements to township buildings, fire equipment and a new fire truck, which will assist us in continuing to provide up-to-date fire service to the township.

Long-Term Debt

New debt was incurred during the year in the amount of \$160,000 to purchase the aforementioned fire truck. Our debt consists of \$161,725 for both the fire truck and security equipment purchased in a prior year.

BUDGETARY HIGHLIGHTS

There were no differences between the original and final budget.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

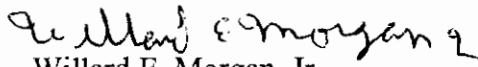
The Township expects financial aspects of governing to be generally the same as in the current year. However, one area of continuing potential revenue reduction is in state-shared revenues. These monies come from the State of Michigan and are contingent on various economic and political considerations. We plan on improving various county roads within the Township, and are striving to keep all our current buildings in good repair as money permits each year.

MULLETT TOWNSHIP

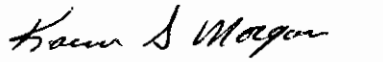
MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any township official at 231.238.8808 (Mullett Township Hall).


Willard E. Morgan, Jr.
Mullett Township Supervisor


Elizabeth D. Benson
Mullett Township Clerk


Karen S. Morgan
Mullett Township Treasurer

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MULLETT TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2008**

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Cash and cash equivalents	\$503,387
Investments	665,102
Receivables:	
Property taxes	23,120
Due from fiduciary fund	3,932
Due from other governmental units	13,795
Capital assets (net of accumulated depreciation)	<u>671,625</u>
 TOTAL ASSETS	 <u>1,880,961</u>
 <u>LIABILITIES</u>	
Accrued payroll	17,931
Accrued interest	2,758
Long-term liabilities:	
Due within one year	33,060
Due in more than one year	<u>128,665</u>
 TOTAL LIABILITIES	 <u>182,414</u>
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	509,900
Unrestricted	<u>1,188,647</u>
 TOTAL NET ASSETS	 <u><u>\$1,698,547</u></u>

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

**MULLETT TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008**

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary government			
Governmental activities			
Legislative	\$24,159	\$ -	\$ -
General government	116,718	-	-
Public safety	167,023	24,709	-
Public works	285,850	-	-
Recreation and culture	54,692	-	3,392
Other	16,264	-	-
Interest on long-term debt	2,990	-	-
Total governmental activities	\$667,696	\$24,709	\$3,392

General Revenues
 Property taxes
 State-shared revenues
 Penal fines
 Unrestricted interest income
 Gain on sale of capital assets
 Other

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

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

Net (Expense)
Revenue and Changes
in Net Assets

Governmental
Activities

Capital Grants
and
Contributions

TOTAL

\$	-	(\$24,159)
	-	(116,718)
7,293	-	(135,021)
	-	(285,850)
	-	(51,300)
	-	(16,264)
	-	(2,990)

\$7,293		(632,302)
---------	--	-----------

374,914
 92,696
 10,945
 45,979
 7,875
1,505

533,914

(98,388)

1,796,935

\$1,698,547

FUND FINANCIAL STATEMENTS

MULLETT TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2008

ASSETS	GENERAL FUND	FIRE FUND	LIBRARY FUND
Cash and cash equivalents	\$210,436	\$219,849	\$61,514
Investments	665,102	-	-
Taxes receivable	13,695	8,915	-
Due from other governmental units	13,795	-	-
Due from tax collection fund	3,932	-	-
TOTAL ASSETS	\$906,960	\$228,764	\$61,514
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued payroll	\$8,311	\$7,910	\$1,640
FUND BALANCES			
Unreserved:			
Designated for:			
Subsequent years' expenditures	180,806	48,900	28,825
Unreserved, undesignated	717,843	171,954	31,049
TOTAL FUND BALANCES	898,649	220,854	59,874
TOTAL LIABILITIES AND FUND BALANCES	\$906,960	\$228,764	\$61,514

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

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$11,588	\$503,387
-	665,102
510	23,120
-	13,795
-	3,932
<u>\$12,098</u>	<u>\$1,209,336</u>

<u>\$70</u>	<u>\$17,931</u>
-------------	-----------------

100	258,631
<u>11,928</u>	<u>932,774</u>
<u>12,028</u>	<u>1,191,405</u>
<u>\$12,098</u>	<u>\$1,209,336</u>

MULLETT TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2008

Reconciliation of fund balances on the balance sheets for governmental activities
to the statement of net assets

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$1,191,405**

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds.

Add: capital assets	1,399,007
Subtract: accumulated depreciation	(727,382)

Certain liabilities are not due and payable in the current period, and therefore
are not reported as liabilities in the funds, and consist of:

Subtract: long-term liabilities	(161,725)
Subtract: accrued interest on long-term liabilities	(2,758)

NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$1,698,547**

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

MULLETT TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

	GENERAL FUND	FIRE FUND	LIBRARY FUND
REVENUES:			
Taxes	\$225,713	\$140,045	\$ -
State grant	-	3,000	1,273
State shared revenues	92,106	-	-
Contribution from local unit	-	4,293	-
Charges for service	-	24,709	-
Penal fines	-	-	10,945
Donations	-	-	2,119
Interest	38,346	6,080	1,390
Sale of capital assets	-	7,875	-
Other	1,222	112	171
TOTAL REVENUES	357,387	186,114	15,898
EXPENDITURES			
Current:			
Legislative	24,159	-	-
General government	106,440	-	-
Public safety	-	66,666	-
Public works	273,930	-	-
Recreation and culture	17,043	-	29,230
Other functions	16,264	-	-
Capital outlay	13,202	275,590	2,187
Debt service:			
Principal on capital lease	593	-	-
Interest on capital lease	285	-	-
TOTAL EXPENDITURES	451,916	342,256	31,417
REVENUES OVER (UNDER) EXPENDITURES	(94,529)	(156,142)	(15,519)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	3,000
Operating transfers (out)	(3,400)	-	-
Long-term financing	-	160,000	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,400)	160,000	3,000
NET CHANGE IN FUND BALANCES	(97,929)	3,858	(12,519)
FUND BALANCES, BEGINNING OF YEAR	996,578	216,996	72,393
FUND BALANCES, END OF YEAR	\$898,649	\$220,854	\$59,874

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

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
---	--------------------------------

\$9,156	\$374,914
-	4,273
590	92,696
-	4,293
-	24,709
-	10,945
-	2,119
163	45,979
-	7,875
-	1,505

9,909	569,308
-------	---------

-	24,159
-	106,440
987	67,653
11,920	285,850
-	46,273
-	16,264
-	290,979
-	593
-	285

12,907	838,496
--------	---------

(2,998)	(269,188)
---------	-----------

400	3,400
-	(3,400)
-	160,000

400	160,000
-----	---------

(2,598)	(109,188)
---------	-----------

14,626	1,300,593
--------	-----------

\$12,028	\$1,191,405
----------	-------------

MULLETT TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$109,188)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.

Add: capital outlay capitalized during the current year. 290,979
Subtract: depreciation expense. (118,067)

Issuance of installment loan proceeds is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net assets.

Subtract: installment contract loan proceeds. (160,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities. 593

Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Subtract: increase in the accrual of interest on long-term liabilities. (2,705)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$98,388)

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

**MULLETT TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
MARCH 31, 2008**

ASSETS	<u>AGENCY FUND</u>
Cash	<u><u>\$3,932</u></u>
LIABILITIES	
Due to other funds	<u>3,932</u>
NET ASSETS	
Fiduciary Net Assets	<u><u>\$ -</u></u>

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

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Mullett Township, Cheboygan County, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

Mullett Township adopted the governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – Management’s Discussion and Analysis - for State and Local Governments*, and Statement No. 38, *Certain Financial Statement Note Disclosures* and applied those standards as of April 1, 2004. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township’s financial statements has shifted from a fund focus to a government-wide focus. Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

The Township jointly operates two separate cemeteries with Burt and Aloha Townships of Cheboygan County. Both the Mullet-Burt Cemetery and Aloha Township Cemetery have separate independent boards. Burt and Aloha Townships have historically reported the financial activity for each cemetery. Mullett Township’s share of the costs is shown as expenses of the General Fund.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment 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 are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

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 revenues in the year 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 measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be available when cash is received by the government.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Fire Fund - The Special Revenue - Fire Fund is used to account for expenditures related to contracted, township provided, fire service. Financing is provided primarily by a special property tax levy.

Library Fund - The Special Revenue - Library Fund is used to account for expenditures related to the Township's public library. Financing is provided primarily by penal fines, state aid and contributions from the General Fund.

The Township reports the following special revenue - nonmajor funds:

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

Street Lighting Fund - The Street Lighting Fund accounts for providing street lighting for a special district. Financing is provided primarily by a special property tax levy.

Fiduciary Funds

Trust and Agency Fund - The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values. Interfund transfers reflect the use of unrestricted revenues collected in the General Fund used to finance programs accounted for in other funds in accordance with budgetary provisions.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are generally defined by the government as assets with an initial individual cost of \$2,500 and an estimated useful life in excess of one year, and all books. 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. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

Estimated useful lives, in years, for depreciable assets, as follows:

Buildings and improvements	15 – 40 years
Office and other equipment	5 - 10 years
Fire equipment	5 – 10 years
Fire vehicles	5 – 20 years
Library books and materials	3 - 5 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures.

FUND EQUITY

A reserved fund balance for governmental funds indicates that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Normally, prior to March 31, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
5. Appropriations expire at the end of the fiscal year.

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year the Township incurred expenditures which exceeded the amount appropriated was as follows:

Fund	Appropriations	Expenditures	Variance
GENERAL FUND:			
Clerk	\$16,725	\$16,796	\$71
Insurance, bonds and other benefits	\$9,200	\$16,264	\$7,064
Debt service	\$ -	\$878	\$878
Transfers out	\$3,000	\$3,400	\$400
FIRE FUND:			
Capital outlay	\$77,000	\$275,590	\$198,590
LIQUOR LAW ENFORCEMENT FUND:			
Public safety	\$945	\$987	\$42

NOTE 3: PROPERTY TAX

Property tax revenues for the year ended March 31, 2008, reflected in the accompanying financial statements include property taxes levied December 31, 2007. These taxes are due by February 15, 2008, and are added to the County tax rolls after February 28, 2008. The Township will receive 100% payment for the delinquent tax by June, 2008.

The taxable value of the Township totaled \$97,978,900, on which ad valorem taxes consisted of 1.7794 mills for the Township's operating purposes 1.4288 mills for fire protection and .1 mills for street lighting, raising \$190,721 for operating purposes, \$140,045 for fire protection, and \$9,156 for street lighting.

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CASH AND CASH EQUIVALENTS

The caption on the statements of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts was as follows:

Cash and cash equivalents	\$507,319
Investments (certificates of deposit)	665,102
	<hr/>
	\$1,172,421
	<hr/> <hr/>

Custodial Credit Risk – Deposits

At year-end the carrying amounts of deposits were classified as to risk, as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$443,409	\$443,409
Uninsured – uncollateralized	729,012	732,807
	<hr/>	<hr/>
	\$1,172,421	\$1,176,216
	<hr/> <hr/>	<hr/> <hr/>

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 Township funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated level are used as depositories. The Township may experience significant fluctuations in deposit balances through the year.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township's deposits and investment policy are in accordance with statutory authority.

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 5: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivables and payables for the year ended March 31, 2008 was as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$3,932	\$ -
Tax Collection	-	3,932
 Total	 <u>\$3,932</u>	 <u>\$3,932</u>

Interfund transfers consisted of the following for the year ended March 31, 2008:

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
General	\$3,400	\$ -
Special Revenue-Library	-	3,000
Special Revenue-Liquor Law Enforcement	-	400
 Total	 <u>\$3,400</u>	 <u>\$3,400</u>

NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2008</u>
<u>Not being depreciated:</u>				
Land	\$23,902	\$ -	\$ -	\$23,902
<u>Being Depreciated:</u>				
Buildings and Improvements	398,069	19,402	-	417,471
Office and other Equipment	58,452	1,000	-	59,452
Fire equipment	108,108	20,821	-	128,929
Fire vehicles	567,772	248,569	(54,719)	761,622
Library books and Materials	6,444	1,187	-	7,631
Subtotal	1,162,747	290,979	(54,719)	1,399,007
Less accumulated depreciation	(664,034)	(118,067)	54,719	(727,382)
Total	<u>\$498,713</u>	<u>\$172,912</u>	<u>\$ -</u>	<u>\$671,625</u>

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CAPITAL ASSETS (CONTINUED)

Depreciation was charged to the Township's functions, as follows:

General government	\$10,278
Public safety	99,370
Recreation and culture.	8,419
	<u>\$118,067</u>

NOTE 7: CAPITAL LEASE AND LONG-TERM DEBT

The Township has entered into a capital lease agreement for a security system, which will become the Township's property when the terms of the lease are met.

A summary of long-term obligations related to the capital lease agreement for the year ended March 31, 2008, as follows:

	<u>Balance</u> <u>April 1, 2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>March 1, 2008</u>	<u>Due Within</u> <u>One Year</u>
Protection One, quarterly payments of \$220, including interest at 13.55%, through September, 2011.	\$2,318	\$3,131	(\$593)	\$1,725	\$678

The following schedule presents the future minimum lease payments as of March 31, 2008:

<u>Year Ended</u> <u>March 31,</u>	<u>Amount</u>
2009	\$878
2010	878
2011	<u>285</u>
Total minimum payments due	2,041
Less amounts representing interest	<u>315</u>
Present value of net minimum lease payments	<u>\$1,726</u>

The security equipment cost and related accumulated depreciation under the capital lease was as follows:

Office and other equipment	\$6,356
Less: Accumulated depreciation	<u>(3,178)</u>
Total	<u>\$3,178</u>

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 7: CAPITAL LEASE AND LONG-TERM DEBT (CONTINUED)

A summary of long term obligations at March 31, 2008, and transactions related thereto for the year then ended is as follows:

	<u>April 1, 2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2008</u>	<u>Due Within One Year</u>
Installment contract payable-fire truck. Annual payments of \$36,0096, including interest at 5.127%, through May, 2012.	\$ -	\$160,000	\$ -	\$160,000	\$32,382

The annual requirements for five years ending March 31, 2008 and thereafter, including \$20,480 in interest, are as follows:

<u>Year Ended March 31,</u>	<u>Amount</u>
2009	\$36,096
2010	36,096
2011	36,096
2012	36,096
2013	36,096
	<u>\$180,480</u>

Interest expense for the year in the statement of activities, governmental activities, was \$2,990.

NOTE 8: RISK MANAGEMENT

Mullett Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township participates in the Michigan Township Participating Plan, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the State of Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 9: CONTINGENCIES

The Township is contingently liable for the costs of monitoring and remediation of environmental issues arising from the closure of a solid-waste landfill located within the township.

REQUIRED SUPPLEMENTARY INFORMATION

**MULLETT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes:				
Property tax	\$162,537	\$162,537	\$190,721	\$28,184
Property taxes - administrative fee	20,000	20,000	34,992	14,992
Total taxes	182,537	182,537	225,713	43,176
State shared revenues:				
State shared revenues	50,000	50,000	87,795	37,795
State shared revenues-METRO Aet	-	-	2,483	2,483
Swampland and commercial forest tax	1,500	1,500	1,828	328
Total state shared revenues	51,500	51,500	92,106	40,606
Interest	5,000	5,000	38,346	33,346
Other revenue:				
Rents	500	500	570	70
Other	-	-	652	652
Total other revenue	500	500	1,222	722
TOTAL REVENUES	239,537	239,537	357,387	117,850

MULLETT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
CURRENT:				
LEGISLATIVE				
Township board	\$40,580	\$40,580	\$24,159	\$16,421
GENERAL GOVERNMENT				
Supervisor	18,400	18,400	15,327	3,073
Assessor	23,200	23,200	16,369	6,831
Elections	8,050	8,050	818	7,232
Professional services	8,500	8,500	945	7,555
Board of Review	7,300	7,300	4,794	2,506
Clerk	16,725	16,725	16,796	(71)
Treasurer	20,063	20,063	19,748	315
Township property	50,600	50,600	21,643	28,957
Cemetery	11,000	11,000	10,000	1,000
TOTAL GENERAL GOVERNMENT	163,838	163,838	106,440	57,398
PUBLIC WORKS				
Highways and streets	292,700	292,700	270,533	22,167
Sanitation	10,800	10,800	3,397	7,403
TOTAL PUBLIC WORKS	303,500	303,500	273,930	29,570
RECREATION AND CULTURE				
Parks	36,000	36,000	17,043	18,957
OTHER FUNCTIONS				
Insurance, bonds and other benefits	9,200	9,200	16,264	(7,064)
CAPITAL OUTLAY	46,000	46,000	13,202	32,798
DEBT SERVICE				
Principal payments on capital lease	-	-	593	(593)
Interest payments on capital lease	-	-	285	(285)
TOTAL DEBT SERVICE	-	-	878	(878)
TOTAL EXPENDITURES	599,118	599,118	451,916	147,202
REVENUES OVER (UNDER) EXPENDITURES	(359,581)	(359,581)	(94,529)	265,052
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	(3,000)	(3,000)	(3,400)	(400)
NET CHANGE IN FUND BALANCE	(362,581)	(362,581)	(97,929)	264,652
FUND BALANCE - BEGINNING OF YEAR	996,578	996,578	996,578	-
FUND BALANCE - END OF YEAR	\$633,997	\$633,997	\$898,649	\$264,652

**MULLETT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - FIRE FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$123,427	\$123,427	\$140,045	\$16,618
State grant	-	-	3,000	3,000
Contribution from local unit	-	-	4,293	4,293
Charges for service	15,000	15,000	24,709	9,709
Interest	3,000	3,000	6,080	3,080
Sale of capital assets	-	-	7,875	7,875
Other	-	-	112	112
TOTAL REVENUES	141,427	141,427	186,114	44,687
EXPENDITURES:				
Public safety	89,500	89,500	66,666	22,834
Capital outlay	77,000	77,000	275,590	(198,590)
TOTAL EXPENDITURES	166,500	166,500	342,256	(175,756)
REVENUES OVER (UNDER) EXPENDITURES	(25,073)	(25,073)	(156,142)	(131,069)
OTHER FINANCING SOURCES				
Long-term financing	-	-	160,000	160,000
NET CHANGE IN FUND BALANCE	(25,073)	(25,073)	3,858	28,931
FUND BALANCE, BEGINNING OF YEAR	216,996	216,996	216,996	-
FUND BALANCE, END OF YEAR	\$191,923	\$191,923	\$220,854	\$28,931

**MULLETT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - LIBRARY FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
State aid	\$1,000	\$1,000	\$1,273	\$273
Penal fines	10,000	10,000	10,945	945
Donations	1,000	1,000	2,119	1,119
Interest	1,000	1,000	1,390	390
Other	75	75	171	96
TOTAL REVENUES	13,075	13,075	15,898	2,823
EXPENDITURES:				
Recreation and culture	31,900	31,900	29,230	2,670
Capital outlay	4,600	4,600	2,187	2,413
TOTAL EXPENDITURES	36,500	36,500	31,417	5,083
REVENUES OVER (UNDER) EXPENDITURES	(23,425)	(23,425)	(15,519)	7,906
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,000	3,000	3,000	-
NET CHANGE IN FUND BALANCES	(20,425)	(20,425)	(12,519)	7,906
FUND BALANCE, BEGINNING OF YEAR	72,393	72,393	72,393	-
FUND BALANCE, END OF YEAR	\$51,968	\$51,968	\$59,874	\$7,906

OTHER SUPPLEMENTARY INFORMATION

**MULLETT TOWNSHIP
 COMBINING BALANCE SHEET
 SPECIAL REVENUE - NONMAJOR GOVERNMENTAL FUNDS
 MARCH 31, 2008**

ASSETS	LIQUOR LAW ENFORCEMENT FUND	STREET LIGHTING FUND	TOTAL
Cash and cash equivalents	\$164	\$11,424	\$11,588
Taxes receivable	-	510	510
TOTAL ASSETS	\$164	\$11,934	\$12,098
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued payroll	\$70	\$ -	\$70
FUND BALANCES			
Designated for subsequent years' expenditures	-	100	100
Unreserved, undesignated	94	11,834	11,928
TOTAL LIABILITIES AND FUND BALANCES	\$164	\$11,934	\$12,028

MULLETT TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - SPECIAL REVENUE - NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2008

	LIQUOR LAW ENFORCEMENT FUND	STREET LIGHTING FUND	TOTAL
REVENUES:			
Property taxes	\$ -	\$9,156	\$9,156
State shared revenues	590	-	590
Interest	6	157	163
TOTAL REVENUES	596	9,313	9,909
EXPENDITURES:			
Public safety	987	-	987
Public works	-	11,920	11,920
TOTAL EXPENDITURES	987	11,920	12,907
REVENUES OVER (UNDER) EXPENDITURES	(391)	(2,607)	(2,998)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	400	-	400
NET CHANGE IN FUND BALANCES	9	(2,607)	(2,598)
FUND BALANCES - BEGINNING OF YEAR	85	14,541	14,626
FUND BALANCES - END OF YEAR	\$94	\$11,934	\$12,028

November 26, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Township Board
Mullett Township
Cheboygan County, Michigan

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Mullett Township*, and have issued my report thereon dated November 26, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated April 18, 2008, my responsibility, as described by professional standards, is to express opinions 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. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you on April 18, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mullett Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. I noted no transactions entered into by the governmental unit 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 estimate affecting the financial statements was determining depreciation expense. I evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require me 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

I have requested certain representations from management that are included in the management representation letter dated November 26, 2008.

Management 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 governmental unit'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 me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Auditing standards require me to report to you significant audit findings or issues. Following are the significant findings I noted during my audit:

- There is a lack of segregation of duties in the accounting function due to the limited number of accounting personnel. This condition is generally inherent in organizations the size of Mullett Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.
- Mullett Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures. However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

Additionally I have presented other matters for your consideration in the same letter dated November 26, 2008.

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

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

Sincerely,



Richard E. Mahlmeister, C.P.A.
Richard E. Mahlmeister, C.P.A., P.C.



Member:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

November 26, 2008

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL
WEAKNESSES IN INTERNAL CONTROL AND OTHER MATTERS

Township Board
Mullett Township
Cheboygan County, Michigan

In planning and performing my audit of the financial statements of *Mullett Township* as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered Mullett Township's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mullett Township's internal control. My consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, I do not express an opinion on the effectiveness of Mullett Township's internal control.

My 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, I identified certain deficiencies in internal control that I consider to be significant deficiencies and a deficiency that I consider to be a material weakness.

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

I consider the following deficiencies to be significant deficiencies in internal control:

Lack of Segregation of Duties

Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

This condition is generally inherent in organizations the size of Mullett Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

A material weakness is a significant deficiency, or a 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.

I believe the following deficiency constitutes a material weakness:

Financial Statement Preparation

Mullett Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures.

However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

In addition, I noted other matters for your consideration:

Budgeting

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2008 Mullett Township incurred expenditures, which exceeded the amount appropriated, as shown in the body of the financial statements.

Though the Board is reviewing the budget as compared to expenditures, I suggest that the Township Board on a periodic basis, closely review appropriations as compared to actual expenditures and amend the budget as necessary, prior to incurring the expenditures to avoid incurring expenditures in excess of appropriations.

Mullett Township
November 26, 2008
Page 3 (three)

This communication is intended solely for the information and use of management and the Members of the Board of Mullett Township, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the opportunity to serve Mullett Township. Best wishes in the next year.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard E. Mahlmeister". The signature is fluid and cursive, with a large initial "R" and "M".

Richard E. Mahlmeister, C.P.A.
Richard E. Mahlmeister, C.P.A., P.C.