

**MULLETT TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN**

Financial Statements  
For the Year Ended  
March 31, 2010

**Prepared By:**

Richard E. Mahlmeister, CPA, PC  
580 South Nicolet, P.O.Box 656  
Mackinaw City, MI 49701

***MULLETT TOWNSHIP***

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INDEPENDENT AUDITOR'S REPORT

July 19, 2010

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, 2010, 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, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 23 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Richard E. Mahlmeister, CPA*

Richard E. Mahlmeister, CPA  
Richard E. Mahlmeister, CPA, PC

## ***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, 2010. 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, 2010 totaled \$1,801,363, representing an increase of \$61,396 from the previous fiscal year.

##### **Governmental Fund Highlights**

The governmental activities of the Township reported combined ending fund balances of \$1,201,569, which represents an increase of \$66,624 from the previous fiscal year.

##### **Capital Assets and Long-term Debt**

The Township's long-term debt decreased by \$34,228 to \$90,534 and capital assets increased by \$70,822. 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.

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:

<b>Mullett Township</b>		
<b>Net Assets</b>		
<b>March 31,</b>		
<b>GOVERNMENTAL</b>		
<b>ACTIVITIES</b>		
	<b>2010</b>	<b>2009</b>
Current assets	\$1,203,036	\$1,134,944
Capital assets (net)	<u>691,870</u>	<u>731,912</u>
Total assets	<u>1,894,906</u>	<u>1,866,856</u>
Current liabilities	34,787	\$39,090
Long-term liabilities	<u>58,756</u>	<u>87,800</u>
Total Liabilities	<u>93,543</u>	<u>126,890</u>
Net assets:		
Invested in capital assets, net of related debt	601,336	607,149
Unrestricted	<u>1,200,027</u>	<u>1,132,818</u>
	<u>\$1,801,363</u>	<u>\$1,739,967</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 \$1,200,027 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:

	<b>Mullett Township Change in Net Assets March 31,</b>	
	<b>GOVERNMENTAL ACTIVITIES</b>	
	<b>2010</b>	<b>2009</b>
REVENUES:		
Program revenues:		
Charges for services	\$26,596	25,697
Operating grants and contributions	2,175	-
Capital grants and contributions	-	38,754
General revenues:		
Property taxes	412,356	430,580
State-shared revenues	92,307	92,761
Penal fines	8,953	8,805
Interest income	23,843	39,995
Other	1,034	5,909
Total Revenues	<u>567,264</u>	<u>642,501</u>
EXPENSES:		
Legislative	42,098	31,296
General government	140,018	112,588
Public safety	171,820	198,039
Public works	52,842	162,165
Recreation and culture	76,963	62,990
Other	16,282	30,719
Interest on long-term debt	5,845	3,284
Total Expenses	<u>505,868</u>	<u>601,081</u>
Net assets:		
Increase (decrease)	61,396	41,420
Beginning net assets	<u>1,739,967</u>	<u>1,698,547</u>
Ending net assets	<u>\$1,801,363</u>	<u>\$1,739,967</u>

**MULLETT TOWNSHIP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

**Governmental Activities**

The Township is able to report positive balances in net assets. Net assets increased by \$61,396.

Though property tax revenue generally continues to increase due to rising taxable values, total revenue has declined primarily to not levying our street light district tax in the current year, interest rates declining on our cash deposit balances, and in the prior year we received a state capital grant that we did not receive in the current year. Though the cost of doing business has increased over the prior year, the greatest factor expenses have decreased was due to various road projects undertaken during the prior year and declining depreciation expense on our older capital assets.

**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, Library Fund and Street Lighting Fund of which we consider major funds. We also have Liquor Law Enforcement Fund, which we consider a non-major fund. 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 increased its fund balance by \$74,983, bringing the fund balance to \$873,771; the Fire Fund increased its fund balance by \$31,191, bringing the fund balance to \$255,799; the Library Fund decreased its fund balance by \$23,507, bringing the fund balance to \$35,977; the Street Lighting Fund decreased its fund balance by \$15,953, bringing the fund balance to \$35,927 and the Liquor Law Enforcement Fund decreased its fund balance by \$90, bringing the fund balance to \$95.

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

###### **Capital Assets**

At March 31, 2010, the Township's governmental activities had \$691,870 in net capital assets (land, buildings and improvements, office and other equipment, fire equipment, fire vehicles, and library materials). We had capital expenditures of \$70,822 in the current year. These expenditures consisted primarily of land improvements, building improvements to township buildings, including adding an annex to the East Mullet Fire Hall, office and fire equipment.

###### **Long-Term Debt**

No new debt was incurred during the year. Our remaining debt consists of \$90,534 for both a fire truck and a capital lease on security equipment.

#### **BUDGETARY HIGHLIGHTS**

There were no significant 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.

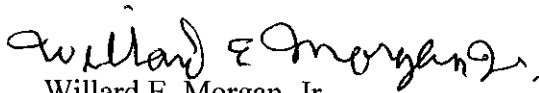


**MULLETT TOWNSHIP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CONTACTING TOWNSHIP MANAGEMENT**

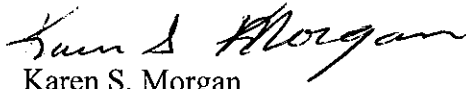
This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information,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



Willard E. Morgan, Jr.  
Mullett Township Supervisor



Rachel Osborn  
Mullett Township Clerk



Karen S. Morgan  
Mullett Township Treasurer

## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**MULLETT TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**MARCH 31, 2010**

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Cash and cash equivalents	\$550,641
Investments	604,172
Receivables:	
Property taxes	36,059
Due from fiduciary fund	65
Due from other governmental units	12,099
Capital assets (net of accumulated depreciation)	691,870
 <b>TOTAL ASSETS</b>	<b>1,894,906</b>
 <u>LIABILITIES</u>	
Accounts payable	1,467
Accrued interest	1,542
Long-term liabilities:	
Due within one year	31,778
Due in more than one year	58,756
 <b>TOTAL LIABILITIES</b>	<b>93,543</b>
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	601,336
Unrestricted	1,200,027
 <b>TOTAL NET ASSETS</b>	<b>\$1,801,363</b>

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

**MULLETT TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
					TOTAL
<b>Primary government</b>					
<b>Governmental activities</b>					
Legislative	\$42,098	\$ -	\$ -	\$ -	(\$42,098)
General government	140,018	-	-	-	(140,018)
Public safety	171,820	26,596	-	-	(145,224)
Public works	52,842	-	-	-	(52,842)
Recreation and culture	76,963	-	2,175	-	(74,788)
Other	16,282	-	-	-	(16,282)
Interest on long-term debt	5,845	-	-	-	(5,845)
<b>Total governmental activities</b>	<b>\$505,868</b>	<b>\$26,596</b>	<b>\$2,175</b>	<b>\$ -</b>	<b>(477,097)</b>
<b>General Revenues</b>					
Property taxes					412,356
State-shared revenues					92,307
Penal fines					8,953
Unrestricted interest income					23,843
Other					1,034
<b>Total general revenues</b>					<b>538,493</b>
<b>Change in net assets</b>					<b>61,396</b>
<b>Net assets, beginning of year</b>					<b>1,739,967</b>
<b>Net assets, end of year</b>					<b>\$1,801,363</b>

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

## **FUND FINANCIAL STATEMENTS**

**MULLETT TOWNSHIP**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MARCH 31, 2010**

<u>ASSETS</u>	GENERAL FUND	FIRE FUND	LIBRARY FUND	STREET LIGHT FUND	NON-MAJOR FUND LIQUOR LAW ENFORCEMENT FUND	TOTAL GOVERNMENTAL FUNDS
Cash and cash equivalents	\$266,671	\$210,504	\$35,977	\$37,394	\$95	\$550,641
Investments	573,284	30,888	-	-	-	604,172
Taxes receivable	21,652	14,407	-	-	-	36,059
Due from other governmental units	12,099	-	-	-	-	12,099
Due from tax collection fund	65	-	-	-	-	65
<b><u>TOTAL ASSETS</u></b>	<b>\$873,771</b>	<b>\$255,799</b>	<b>\$35,977</b>	<b>\$37,394</b>	<b>\$95</b>	<b>\$1,203,036</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$1,467	\$ -	\$1,467
<b>FUND BALANCES</b>						
Unreserved:						
Designated for:						
Subsequent years' expenditures	313,322	34,024	15,075	17,310	40	379,771
Unreserved, undesignated	560,449	221,775	20,902	18,617	55	821,798
<b>TOTAL FUND BALANCES</b>	<b>873,771</b>	<b>255,799</b>	<b>35,977</b>	<b>35,927</b>	<b>95</b>	<b>1,201,569</b>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$873,771</b>	<b>\$255,799</b>	<b>\$35,977</b>	<b>\$37,394</b>	<b>\$95</b>	<b>\$1,203,036</b>

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

**MULLETT TOWNSHIP**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MARCH 31, 2010**

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$1,201,569

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 1,659,689  
Subtract: accumulated depreciation (967,819)

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 (90,534)  
Subtract: accrued interest on long-term liabilities (1,542)

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NET ASSETS OF GOVERNMENTAL ACTIVITIES \$1,801,363

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, 2010**

	GENERAL FUND	FIRE FUND	LIBRARY FUND	STREET LIGHT FUND	NON-MAJOR FUND LIQUOR LAW ENFORCEMENT FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
Taxes	\$250,336	\$161,498	\$ -	\$522	\$ -	\$412,356
State shared revenues and grants	91,694	-	1,012	-	613	93,319
Contribution from local unit	-	-	1,000	-	-	1,000
Charges for service	-	26,596	-	-	-	26,596
Penal fines	-	-	8,953	-	-	8,953
Donations	-	-	163	-	-	163
Interest	22,046	1,380	239	177	1	23,843
Other	700	-	334	-	-	1,034
<b>TOTAL REVENUES</b>	<b>364,776</b>	<b>189,474</b>	<b>11,701</b>	<b>699</b>	<b>614</b>	<b>567,264</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
Legislative	42,098	-	-	-	-	42,098
General government	132,123	-	-	-	-	132,123
Public safety	-	82,484	-	-	904	83,388
Public works	36,190	-	-	16,652	-	52,842
Recreation and culture	27,736	-	34,690	-	-	62,426
Other functions	16,282	-	-	-	-	16,282
Capital outlay	34,505	35,799	518	-	-	70,822
<b>Debt service:</b>						
Principal	571	33,657	-	-	-	34,228
Interest	88	6,343	-	-	-	6,431
<b>TOTAL EXPENDITURES</b>	<b>289,593</b>	<b>158,283</b>	<b>35,208</b>	<b>16,652</b>	<b>904</b>	<b>500,640</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>75,183</b>	<b>31,191</b>	<b>(23,507)</b>	<b>(15,953)</b>	<b>(290)</b>	<b>66,624</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating transfers in	-	-	-	-	200	200
Operating transfers (out)	(200)	-	-	-	-	(200)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(200)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>74,983</b>	<b>31,191</b>	<b>(23,507)</b>	<b>(15,953)</b>	<b>(90)</b>	<b>66,624</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>798,788</b>	<b>224,608</b>	<b>59,484</b>	<b>51,880</b>	<b>185</b>	<b>1,134,945</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$873,771</b>	<b>\$255,799</b>	<b>\$35,977</b>	<b>\$35,927</b>	<b>\$95</b>	<b>\$1,201,569</b>

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, 2010**

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 \$66,624

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. 70,822  
Subtract: depreciation expense. (110,864)

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. 34,228

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.

Add: decrease in the accrual of interest on long-term liabilities. 586

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$61,396

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

**MULLETT TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**MARCH 31, 2010**

<u>ASSETS</u>	<u>AGENCY FUND</u>
Cash	<u><u>\$65</u></u>
<u>LIABILITIES</u>	
Due to other funds	<u>65</u>
<u>NET ASSETS</u>	
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 accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Mullett Township.

**A. Reporting Entity**

The Township is governed by an elected five-member Township Board. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. 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.

**B. 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.

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 township does not have any business type activities.

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.

*MULLETT TOWNSHIP*

*NOTES TO FINANCIAL STATEMENTS*

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments, 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.

The Township reports the following major governmental 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 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 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.

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.

**MULLETT TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued**

The Township reports the following nonmajor fund:

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.

The Township reports the following fiduciary fund:

Trust and Agency Fund: 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.

**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments: Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts. Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

Receivables, Payables and Transfers: All receivables are reported at their gross values. Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed.

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances 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." Receivable from other governments represents various shared revenues, grants, and reimbursements from other governments.

Capital Assets: Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets 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. 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**

**D. Assets, Liabilities, and Net Assets or Equity - Continued**

Capital Assets (continued): Estimated useful lives, in years, for depreciable assets are 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

Compensated Absences and Post-employment Benefits: There is no accumulated vacation, sick leave, or post-employment benefits to be recognized.

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: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

**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. All annual appropriations lapse at fiscal year end.

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 Clerk 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. 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.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

**MULLETT TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED**

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:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b>STREET LIGHTING FUND:</b>			
Public works	\$15,000	\$16,652	\$1,652

**NOTE 3: PROPERTY TAX**

Property tax revenues for the year ended March 31, 2010, reflected in the accompanying financial statements include property taxes levied December 31, 2009. These taxes are due by February 15, 2010, and are added to the County tax rolls after February 28, 2010. The Township receives 100% payment for the delinquent tax by June, 2010.

The taxable value of the Township totaled \$107,705,453, on which ad valorem taxes consisted of 1.9711 mills for the Township's operating purposes 1.4995 mills for fire protection and .01 mills for street lighting, raising \$212,763 for operating purposes, \$161,498 for fire protection, and \$522 for street lighting.

**NOTE 4: DEPOSITS AND INVESTMENTS**

Statutory Authority: Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated 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 as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated six financial institutions for the deposit of Township funds. The investment policy adopted by the board, in accordance with Public Act 196 of 1997, has authorize investments in bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority



**MULLETT TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4: DEPOSITS AND INVESTMENTS - CONTINUED**

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

Cash and cash equivalents	\$550,706
Investments (certificates of deposit)	<u>604,172</u>
	<u><u>\$1,154,878</u></u>

Interest Rate Risk: State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk: The Township’s investment policy does not have specific limits in excess of state law on investment credit risk. The Township has no investments for which ratings are required.

Custodial Credit Risk: At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	<b>Carrying Amount</b>	<b>Bank Balance</b>
Insured	\$717,587	\$717,587
Uninsured – uncollateralized	<u>437,291</u>	<u>478,100</u>
	<u><u>\$1,154,878</u></u>	<u><u>\$1,195,687</u></u>

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 of risk are used as depositories. The Township may experience significant fluctuations in deposit balances through the year.

**NOTE 5: INTERFUND BALANCES AND TRANSFERS**

The composition of interfund receivables and payables for the year ended March 31, 2010 are as follows:

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General	\$65	\$ -
Tax Collection	<u>-</u>	<u>65</u>
Total	<u><u>\$65</u></u>	<u><u>\$65</u></u>

**MULLETT TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: INTERFUND BALANCES AND TRANSFERS - CONTINUED**

Interfund transfers consisted of the following for the year ended March 31, 2010:

Fund	Transfer Out	Transfer In
General	\$200	\$ -
Liquor Law Enforcement	-	200
Total	\$200	\$200

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, (2) use unrestricted resources collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6: CAPITAL ASSETS**

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

	Balance April 1, 2009	Additions	Deletions	Balance March 31, 2010
<u>Not being depreciated:</u>				
Land	\$45,960	\$15,455	\$ -	\$61,415
<u>Being Depreciated:</u>				
Buildings and Improvements	526,956	29,022	-	555,978
Office and other Equipment	59,088	5,835	-	64,923
Fire equipment	187,034	19,992	-	207,026
Fire vehicles	761,622	-	-	761,622
Library books and Materials	8,207	518	-	8,725
Subtotal	1,588,867	70,822	-	1,659,689
Less accumulated depreciation	(856,955)	(110,864)	-	(967,819)
Total	\$731,912	(\$40,042)	\$ -	\$691,870

Depreciation was charged to the Township's governmental activities as follows:

General government	\$7,895
Public safety	88,432
Recreation and culture.	14,537
	\$110,864

**MULLETT TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**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, 2010, as follows:

	<u>Balance</u> <u>April 1, 2009</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>March 31, 2010</u>	<u>Due Within</u> <u>One Year</u>
Protection One, quarterly payments of \$220, including interest at 13.55%, through September, 2011.	\$1,047	\$ -	(\$571)	\$476	\$476

The following schedule presents the future minimum lease payments as of March 31, 2010:

<u>Year Ended</u> <u>March 31,</u>	<u>Amount</u>
2011	\$504
<b>Total minimum payments due</b>	<b>504</b>
Less amounts representing interest	27
<b>Present value of net minimum lease payments</b>	<b><u>\$476</u></b>

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>(5,720)</u>
Total	<u>\$ 636</u>

A summary of long term obligations at March 31, 2010, and transactions related thereto for the year then ended is as follows:

	<u>Balance</u> <u>April 1, 2009</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>March 31, 2010</u>	<u>Due Within</u> <u>One Year</u>
Installment contract payable-fire truck. Annual payments of \$36,096, including interest at 5.127%, through May, 2012.	\$123,715	\$ -	\$33,657	\$90,058	\$31,302

**MULLETT TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7: CAPITAL LEASE AND LONG-TERM DEBT - CONTINUED**

Annual debt service requirements for the above obligations, as follows:

<b>Year Ended</b>		
<b>March 31,</b>	<b>Principal</b>	<b>Interest</b>
2011	\$31,301	\$4,794
2012	32,968	3,128
2013	25,789	1,322
Total	<u>\$90,058</u>	<u>\$9,244</u>

Interest expense for the year in the statement of activities, governmental activities, was \$5,845.

**NOTE 8: RISK MANAGEMENT**

Mullett Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$866,800, general liability of \$3,000,000, wrongful acts of \$2,000,000, crime of \$10,000, EDP of \$8,200, automobile of \$1,000,000, inland marine liability of \$110,000 and bonding for public official's errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**MULLETT TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property tax	\$206,200	\$206,200	\$212,763	\$6,563
Property taxes - administrative fee	20,000	20,000	37,573	17,573
<b>Total taxes</b>	<b>226,200</b>	<b>226,200</b>	<b>250,336</b>	<b>24,136</b>
<b>State shared revenues:</b>				
State shared revenues	101,000	101,000	79,154	(21,846)
State grant	-	-	8,386	8,386
State shared revenues-METRO Act	2,500	2,500	2,546	46
Swampland and commercial forest tax	2,000	2,000	1,608	(392)
<b>Total state shared revenues</b>	<b>105,500</b>	<b>105,500</b>	<b>91,694</b>	<b>(13,806)</b>
Interest	-	-	22,046	22,046
<b>Other revenue:</b>				
Rents	700	700	700	-
Other	202	202	-	(202)
<b>Total other revenue</b>	<b>902</b>	<b>902</b>	<b>700</b>	<b>(202)</b>
<b>TOTAL REVENUES</b>	<b>332,602</b>	<b>332,602</b>	<b>364,776</b>	<b>32,174</b>

**MULLETT TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>CURRENT:</b>				
<b>LEGISLATIVE</b>				
Township board	\$61,400	\$62,400	\$42,098	\$20,302
<b>GENERAL GOVERNMENT</b>				
Supervisor	19,000	19,000	17,543	1,457
Assessor	30,000	30,000	20,845	9,155
Elections	7,050	5,050	1,654	3,396
Professional services	13,500	16,900	14,858	2,042
Board of Review	7,800	7,800	4,542	3,258
Clerk	20,100	21,100	19,417	1,683
Treasurer	24,850	24,850	23,010	1,840
Township property	42,100	42,100	21,754	20,346
Cemetery	11,000	11,000	8,500	2,500
<b>TOTAL GENERAL GOVERNMENT</b>	<b>175,400</b>	<b>177,800</b>	<b>132,123</b>	<b>45,677</b>
<b>PUBLIC WORKS</b>				
Highways and streets	211,700	211,700	32,651	179,049
Sanitation	8,300	8,300	3,539	4,761
<b>TOTAL PUBLIC WORKS</b>	<b>220,000</b>	<b>220,000</b>	<b>36,190</b>	<b>183,810</b>
<b>RECREATION AND CULTURE</b>				
Parks	29,000	29,000	27,736	1,264
<b>OTHER FUNCTIONS</b>				
Insurance, bonds and other benefits	22,500	19,100	16,282	2,818
<b>CAPITAL OUTLAY</b>	<b>50,000</b>	<b>50,000</b>	<b>34,505</b>	<b>15,495</b>
<b>DEBT SERVICE</b>				
Principal payments on capital lease	775	775	571	204
Interest payments on capital lease	104	104	88	16
<b>TOTAL DEBT SERVICE</b>	<b>879</b>	<b>879</b>	<b>659</b>	<b>220</b>
<b>TOTAL EXPENDITURES</b>	<b>559,179</b>	<b>559,179</b>	<b>289,593</b>	<b>269,586</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(226,577)</b>	<b>(226,577)</b>	<b>75,183</b>	<b>301,760</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers (out)	(6,000)	(6,000)	(200)	5,800
<b>NET CHANGE IN FUND BALANCE</b>	<b>(232,577)</b>	<b>(232,577)</b>	<b>74,983</b>	<b>307,560</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>798,788</b>	<b>798,788</b>	<b>798,788</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$566,211</b>	<b>\$566,211</b>	<b>\$873,771</b>	<b>\$307,560</b>

**MULLETT TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE -**  
**SPECIAL REVENUE - FIRE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Taxes	\$152,100	\$152,100	\$161,498	\$9,398
Charges for service	25,700	25,700	26,596	896
Interest	1,000	1,000	1,380	380
<b>TOTAL REVENUES</b>	<b>178,800</b>	<b>178,800</b>	<b>189,474</b>	<b>10,674</b>
<b>EXPENDITURES:</b>				
Public safety	122,400	112,400	82,484	29,916
Capital outlay	30,000	40,000	35,799	4,201
Debt service:				
Principal	33,657	33,657	33,657	-
Interest	6,343	6,343	6,343	-
<b>TOTAL EXPENDITURES</b>	<b>192,400</b>	<b>192,400</b>	<b>158,283</b>	<b>34,117</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(13,600)</b>	<b>(13,600)</b>	<b>31,191</b>	<b>44,791</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>224,608</b>	<b>224,608</b>	<b>224,608</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$211,008</b>	<b>\$211,008</b>	<b>\$255,799</b>	<b>\$44,791</b>



**MULLETT TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE -**  
**SPECIAL REVENUE - LIBRARY FUND**  
**FOR THE YEAR ENDED MARCH 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
State aid	\$1,000	\$1,000	\$1,012	\$12
Contribution from local unit	-	-	1,000	1,000
Penal fines	8,000	8,000	8,953	953
Donations	1,000	1,000	163	(837)
Interest	600	600	239	(361)
Other	75	75	334	259
<b>TOTAL REVENUES</b>	<b>10,675</b>	<b>10,675</b>	<b>11,701</b>	<b>1,026</b>
<b>EXPENDITURES:</b>				
Recreation and culture	49,550	49,550	34,690	14,860
Capital outlay	6,000	6,000	518	5,482
<b>TOTAL EXPENDITURES</b>	<b>55,550</b>	<b>55,550</b>	<b>35,208</b>	<b>20,342</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(44,875)</b>	<b>(44,875)</b>	<b>(23,507)</b>	<b>21,368</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	6,000	6,000	-	(6,000)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(38,875)</b>	<b>(38,875)</b>	<b>(23,507)</b>	<b>15,368</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>59,484</b>	<b>59,484</b>	<b>59,484</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$20,609</b>	<b>\$20,609</b>	<b>\$35,977</b>	<b>\$15,368</b>

**MULLETT TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE -**  
**SPECIAL REVENUE - STREET LIGHT FUND**  
**FOR THE YEAR ENDED MARCH 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Taxes	\$10,700	\$10,700	\$522	(\$10,178)
Interest	5	5	177	172
<b>TOTAL REVENUES</b>	<b>10,705</b>	<b>10,705</b>	<b>699</b>	<b>(10,006)</b>
<b>EXPENDITURES:</b>				
Public works	15,000	15,000	16,652	(1,652)
<b>TOTAL EXPENDITURES</b>	<b>15,000</b>	<b>15,000</b>	<b>16,652</b>	<b>(1,652)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,295)</b>	<b>(4,295)</b>	<b>(15,953)</b>	<b>(11,658)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	4,300	4,300	-	(4,300)
<b>NET CHANGE IN FUND BALANCES</b>	<b>5</b>	<b>5</b>	<b>(15,953)</b>	<b>(15,958)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>51,880</b>	<b>51,880</b>	<b>51,880</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$51,885</b>	<b>\$51,885</b>	<b>\$35,927</b>	<b>(\$15,958)</b>

**RICHARD E. MAHLMEISTER**



**CERTIFIED PUBLIC ACCOUNTANT, P.C.**

*Member:*

*American Institute of Certified Public Accountants*

*Michigan Association of Certified Public Accountants*

July 19, 2010

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 the governmental activities, each major fund and the aggregate remaining fund information of Mullett Township as of and for the year ended March 31, 2010, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mullett Township's 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 was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, I identified a certain deficiency in internal control that I consider to be material weaknesses and another deficiency that I consider to be a significant deficiency.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the following deficiency in Mullett Township's internal control to be 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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the following deficiency in Mullett Township's internal control to be a significant deficiency:

**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.

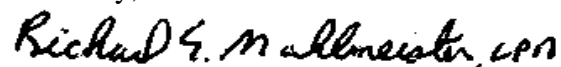
**Budgeting**

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, 2010 Mackinaw Township incurred expenditures, which exceeded the amount appropriated for the Street Lights Fund, 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.

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

Sincerely,



Richard E. Mahlmeister, CPA  
Richard E. Mahlmeister, CPA, PC



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

July 19, 2010

## 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 for the year ended March 31, 2010. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated May 10, 2010. Professional standards also require that I communicate to you the following information related to my audit.

### **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 the year ended March 31, 2010. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 the determination of depreciation expense. Management's estimate of depreciation expense is based on the estimated lives of the capital assets. I evaluated the key factors and assumptions used to develop depreciation expense 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 my 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 each opinion unit's 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 July 19, 2010.

*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, 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:

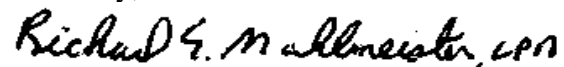
- There is a lack of segregation of duties in the accounting function due to the limited number of accounting personnel. This condition is generally inherent in organizations the size of Mullett Township, where corrective action is not practical, and to the extent possible, duties are allocated between 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 July 19, 2010.

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 auditors. 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,

A handwritten signature in black ink that reads "Richard E. Mahlmeister, CPA". The signature is written in a cursive style.

Richard E. Mahlmeister, CPA  
Richard E. Mahlmeister, CPA, PC